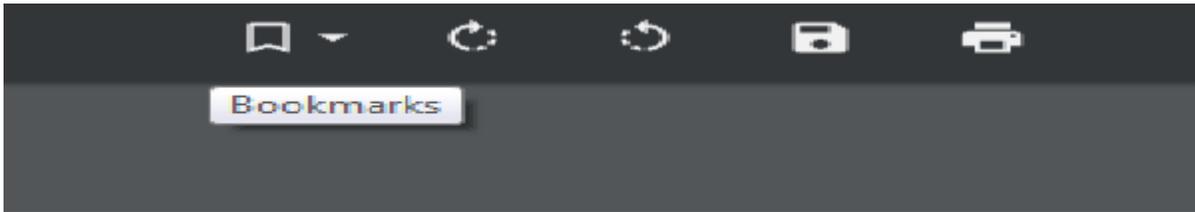


# Senate Budget and Fiscal Review

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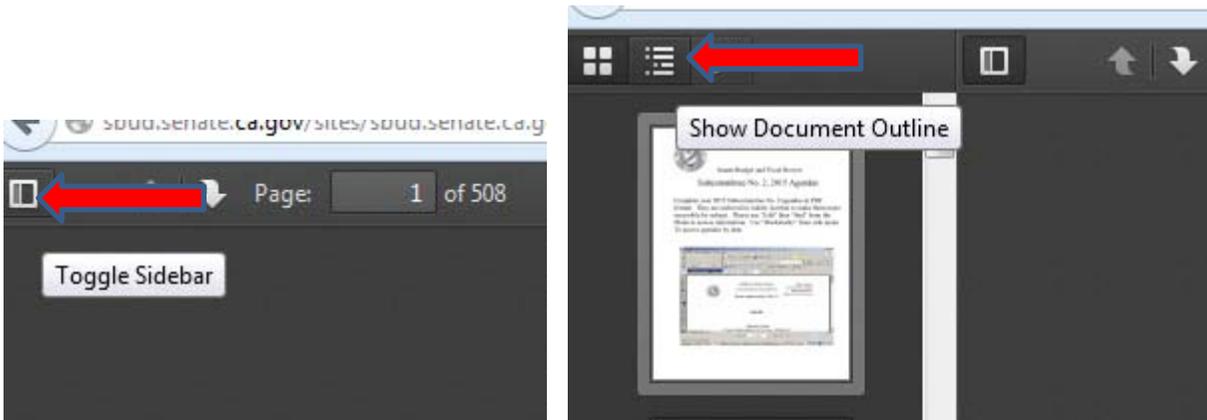
Chrome has access to Acrobat bookmark located in the upper right hand corner  
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*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# **SUBCOMMITTEE NO. 1**

# **Agenda**

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Scott Wilk**



**Thursday, February 29, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas

<b>6100</b>	<b>Department of Education .....</b>	<b>2</b>
	Issue 1: State of Education .....	2
	Issue 2: Fiscal Health of School Districts .....	3
	Issue 3: Proposition 98 Overview and Structure .....	8
	Issue 4: Local Control Funding Formula (LCFF) .....	24
	Issue 5: Excess Educational Revenue Augmentation Fund Calculations .....	27

## **Public Comment**

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**6100 DEPARTMENT OF EDUCATION**

**Issue 1: State of Education**

**Panel.**

- Mary Nicely, Chief Deputy Superintendent, Department of Education

**Background.**

A representative of the Superintendent of Public Instruction will provide an update on the state of K-12 education in California. This item is informational only.

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**Issue 2: Fiscal Health of School Districts**

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**Description.**

The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance and helps local education agencies (LEAs) - school districts, county offices of education (COEs), and charter schools, as well as community college districts - fulfill their financial and management responsibilities. Lead FCMAT staff will provide a general overview of the fiscal health of school districts.

**Panel.**

- Mike Fine, Chief Executive Officer, FCMAT

**Background:**

Assembly Bill 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help LEAs avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires that the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Beginning in 2013-14, funding for COE fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. COEs are still required to review, examine, and audit district budgets, as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a categorical funding source for this purpose.

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also helps LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state

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Legislature and oversight agencies to conduct fiscal crisis intervention. The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

**Interim Financial Status Reports.** Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: “It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district’s educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district.”

**First Interim Report.** The first interim report has not yet been published by CDE. However, according to FCMAT, six LEAs have negative certifications for the first interim report, as of January 23, 2024. For comparison, two LEAs were identified with negative certifications at this same time last year. These LEAs that have negative certifications will not be able to meet their financial obligations for 2023-24 or 2024-25, based on data generated by LEAs in Fall 2023, prior to release of the Governor’s January 2024-25 budget. The first interim report also identified 31 LEAs with qualified interim report certifications. These LEAs with qualified certifications may not be able to meet their financial obligations for 2023-24, 2024-25, or 2025-26. For comparison, the first interim report in fiscal year 2022-23 identified 9 LEAs with qualified certifications, and in fiscal year 2021-22 24 LEAs were identified with qualified certifications.

**Second Interim Report.** The second interim report, which covers the period ending January 31, 2023, is due March 17<sup>th</sup>.

**State Emergency Loans.** A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district’s recommended reserve, the following conditions apply:

- The county superintendent shall assume all the legal rights, duties, and powers of the governing board of the district.
- The county superintendent, with concurrence from both the SPI and the president of the state board of their designee, shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.
- The authority of the county superintendent and state administrator shall continue until certain conditions are met. At that time, the county superintendent, with concurrence from both the SPI and the president of the state board of their designee, shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The county superintendent, with concurrence from the SPI and the president of the state board or their designee, shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the county superintendent and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place,
- and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

**State Emergency Loan Recipients.** Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is the only district operating under an administrator and has a positive certification list at first interim in 2023-24. Oakland Unified School District and Vallejo City Unified School District continues to be on the qualified certification list in the first interim report in 2023-24.

**Emergency Loans to School Districts**  
1990 through 2023

<b>District</b>	<b>Tenure of Administrators and Trustees</b>	<b>Amount of State Loan</b>	<b>Interest Rate</b>	<b>Outstanding Balance of I-Bank and General Fund Loans</b>	<b>Amount Paid By District Including Principal &amp; Interest</b>	<b>Pay Off Date</b>
Inglewood Unified	Administrator 10/03/12– Present	\$7,000,000 \$12,000,000 \$10,000,000 <b>= \$29,000,000</b>  (\$55 million authorized)	2.307%	\$19,627,190 as of 07/01/23	\$14,655,872	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator 07/23/09– 06/30/16 Trustee 07/01/16– Present	\$2,000,000 \$3,000,000 \$8,000,000 <b>= \$13,000,000</b>	2.307%	\$5,467,204 as of 07/01/23	\$13,625,410	October 2028 I-bank
Vallejo City Unified	Administrator 06/22/04– 03/31/13; Trustee 07/13/07– Present	\$50,000,000 \$10,000,000 <b>= \$60,000,000</b>	1.5%	\$3,948,587 as of 07/01/23	\$65,395,408	January 2024 I-bank  08/13/24 GF
Oakland Unified	Administrator 06/16/03– 06/28/09; Trustee 07/01/08– Present	\$65,000,000 \$35,000,000 <b>= \$100,000,000</b>	1.778%	\$6,067,672 as of 07/01/23	\$113,424,029	January 2023 I-bank  6/29/26 GF
West Fresno Elementary	Administrator 03/19/03– 06/30/11; Trustee 08/26/08– 12/04/09	\$1,300,000 (\$2,000,000 authorized)	1.93%	-0-	\$1,425,773	12/31/10 GF

Emery Unified	Administrator 08/07/01– 06/30/04; Trustee 07/1/04– 07/29/11	\$1,300,000 (\$2,300,000 authorized)	4.19%	-0-	\$1,742,501	06/20/11 GF
Compton Unified	Administrators 07/93–12/10/01; Trustee 12/11/01– 06/02/03	\$3,500,000 \$7,000,000 \$9,451,259 = <b>\$19,951,259</b>	4.40% 4.313% 4.387%	-0-	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrators 05/26/92– 09/30/96; Trustee 10/01/96– 12/20/01	\$5,130,708 \$2,169,292 = <b>\$7,300,000</b>	5.338% 4.493%	-0-	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Pre-AB 1200 Trustee 07/01/90– 05/01/91; Administrator 05/02/91– 05/03/92; Trustee 05/04/92– 05/31/12	\$2,000,000 \$7,525,000 \$19,000,000 = <b>\$28,525,000</b>	1.532% 2004 refi rate	-0-	\$47,688,620	05/30/12 I- bank

Source: California Department of Education

**Staff Recommendation.** This item is informational.

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**Issue 3: Proposition 98 Overview and Structure**

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**Panel.**

- Alex Shoap, Department of Finance
- Ken Kapphahn, Legislative Analyst's Office

**Proposition 98.**

California provides academic instruction and support services to nearly six million public school students in kindergarten through twelfth grades (K-12) and 1.8 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and nearly 1,300 charter schools throughout the state. Of the K-12 students, approximately 3.8 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.12 million of the K-12 students served in public schools are English learners. There are also 73 community college districts, 116 community college campuses, and 72 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

For 2024-25, the proposed budget includes \$109 billion in Proposition 98 funding. The Governor's budget also proposes to provide total Proposition 98 funding for 2022-23 of \$98.3 billion, a decrease of \$9.1 billion over the 2023 final budget act level. For 2023-24, the Governor estimates a decrease in the total Proposition 98 minimum guarantee of \$2.7 billion for a total of \$105.6 billion. These adjustments are primarily the result of lower than anticipated General Fund revenues than projected at the 2023 final budget act.

**Proposition 98 Funding.** State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified by Proposition 111, establishes minimum funding requirements (referred to as the “minimum guarantee”) for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools' share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. Non-Proposition 98 education funds largely consist of revenues from local parcel taxes, other local taxes and fees, federal funds and proceeds from the state lottery. In past years, there have been two statewide initiatives that increased General Fund revenues and therefore, the Proposition 98 minimum guarantee. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but was designed to phase out over seven years. Anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the income tax portion of Proposition 30 for another 12 years.

The Great Recession that began in 2008 impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change since then—the

elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although Local Educational Agencies (LEAs) received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges in 2007-08, or just prior to the Great Recession, and 2018-19, prior to the COVID-19 pandemic.

The Governor's 2024-25 proposed budget includes significant decreases in comparison to the 2023 Budget Act, as revenues have come in lower than anticipated in light of the delayed deadline for tax returns in 2023.

**Proposition 98 Funding  
Sources and Distributions  
(Dollars in Millions)**

	Pre- Recession <b>2007-08</b>	Pre- Pandemic <b>2018-19</b>	Revised <b>2022-23</b>	Revised <b>2023-24</b>	Proposed <b>2024-25</b>
<b>Sources</b>					
General Fund	42,015	54,505	68,563	74,633	76,894
Property taxes	14,563	23,942	29,742	30,953	32,185
<b>Total</b>	<b>56,577</b>	<b>78,448</b>	<b>98,306</b>	<b>105,586</b>	<b>109,080</b>
<b>Distribution</b>					
K-12	50,344	69,253	86,473	95,877	98,068
CCC	6,112	9,195	11,494	12,460	12,890
PSSSA	N/A	N/A	339	-2,751	-1,878

Source: Legislative Analyst's Office

**Calculating the Minimum Guarantee.** The Proposition 98 minimum guarantee is determined by comparing the results of three “tests,” or formulas, which are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student average daily attendance (ADA), and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two “tests”, or formulas, to determine the required funding level. Test 1 calculates a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. The Test 2 calculation is the prior year funding level adjusted for growth in student ADA and per capita personal income. K-14 education was initially guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3, which takes the prior year funding level and adjusts it for growth in student ADA and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1; and

the higher of the tests determines the Proposition 98 minimum guarantee. Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly.

**Proposition 98 Tests**  
**Calculating the Level of Education Funding**  
**(Including the 2024-25 Governor’s Budget Estimate)**

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38 percent).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	11
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is $\leq$ growth in General Fund revenues plus 0.5 percent.	16
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth $>$ growth in General Fund revenues plus 0.5 percent.	8

*Source: Legislative Analyst’s Office*

The Governor’s proposal assumes that in 2022-23, 2023-24 and 2024-25 the Proposition 98 minimum guarantee is calculated under Test 1.

Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). In a Test 3 year, the Proposition 98 minimum guarantee does not grow as fast as in a Test 2 year, recognizing the fact that the state’s General Fund is not reflecting the same strong growth as personal income and the state may not have the resources to fund at a Test 2 level; however, a maintenance factor is created, as discussed in more detail later.

The Test 1 percentage is historically-based, but is adjusted, or “rebenched,” to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the redevelopment agencies (RDAs), and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. For 2024-25, the Governor’s Budget adjusts the Test 1 percentage for the expansion of transitional kindergarten from 38.6 percent in 2023-24 to 39.5 percent in 2024-25.

**Suspension of Minimum Guarantee.** Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice; in 2004-05 and 2010-11. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

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**Maintenance Factor.** When the state suspends the Proposition 98 minimum guarantee or when Test 3 is operative (that is, when the Proposition 98 minimum guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income (as determined by a specific formula also set forth in the state Constitution), the state is required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student ADA and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.
- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues, plus the established percentage of the General Fund—roughly 38 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than \$5.6 billion. However, since the last recession the state has significantly increased funding for K-14 education due in part to payments made towards reducing the maintenance factor balance. As a result, the maintenance factor obligation was paid off in 2017-18.

**Average Daily Attendance.** One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to increase slightly and then decline slightly in coming years and the hold harmless will continue to apply for the guarantee calculation.

**Proposition 98 Certification.** The 2018 budget package included a new process for certifying the Proposition 98 guarantee and the 2019 budget package made additional changes to this process. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education and the Chancellor’s Office of

the Community Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Adjustments will be made to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year, but makes no changes in the event of a decrease in a prior year. Prior to this new process, the guarantee was last certified for 2008-09. In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The most recently certified year is 2021-22.

**Public School System Stabilization Account (PSSSA).** The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. The 2024-25 proposed budget requires deposits for 2022-23, 2023-24, and 2024-25 payments of \$339 million, \$288 million, and \$2.7 billion, respectively, and withdrawals of approximately \$3 billion in 2023-24 and \$2.7 billion in 2024-25, for a total balance of approximately \$3.8 billion at the end of 2024-25. The withdrawals in 2023-24 and 2024-25 will be contingent upon a budget emergency being declared at some point.

Additionally, this level of PSSSA reserves triggers a statutory requirement that LEAs may not have local reserves in excess of 10 percent of their total annual expenditures, in the year after the state reserve balance is equal to or greater than 3 percent of the total TK-12 share of the annual Proposition 98 guarantee level. The balance of \$5.7 billion in 2023-24 continues to trigger school district reserve caps in 2024-25.

### **Proposition 98 K-12 Proposals:**

The proposed budget includes a Proposition 98 funding level of \$105.6 billion for K-12 programs. This includes a year-to-year decrease of \$3.5 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2023-24. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$17,749 provided in 2023-24 (revised) to \$18,160 in 2024-25, an increase of 2.3 percent.

**Proposition 98 Accrual Proposal.** Due to the delay in the tax filing deadlines in 2023 to November 16, actual tax revenues fell significantly short of the revenue projections for prior year 2022-23 at the time of the budget's enactment in June 2023. As a result, the calculated Proposition 98 minimum guarantee decreased by \$9.1 billion. This decline is offset by several baseline spending changes, which reduces the 2022-23 shortfall to approximately \$8 billion. Under the Governor's proposal, the proposed budget would adjust the 2022-23 Proposition 98 funding level down to its minimum calculated level, but allow local educational agencies to retain the \$8 billion that was previously appropriated for Proposition 98 purposes. Beginning in 2025-26 through 2029-30, an annual amount of \$1.6 billion (for both K-12 and community colleges) would be recorded for the state's budgetary and financial reporting purposes outside of Proposition 98, which means that this proposal would obligate funding that could be used by programs from the non-Proposition 98 side of the budget in those future years.

**K-12 Local Control Funding Formula.** The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the number of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The budget proposes an LCFF COLA of 0.76 percent, and when combined with growth adjustments, results in \$1.4 billion in decreased discretionary funds for local educational agencies. The budget proposes withdrawing \$2.8 billion from the PSSSA to support ongoing LCFF costs in 2023-24, withdrawing approximately \$2.2 billion from the PSSSA to support ongoing LCFF costs in 2024-25, and using available re-appropriation and reversion funding totaling \$38.6 million to support ongoing LCFF costs in 2024-25.

**Educational Revenue Augmentation Fund.** The budget proposes statutory changes to clarify that charter schools are eligible to receive local educational revenue augmentation funds.

**Attendance Recovery.** The budget proposes statutory changes that would allow local educational agencies to add attendance recovery time to the attendance data submitted to the Department of Education for funding purposes and chronic absenteeism data. These statutory changes would also include requiring local educational agencies to provide students with access to remote instruction or support to enroll at a neighboring local educational agency for emergencies lasting five or more days. The budget also includes \$6 million one-time Proposition 98 General Fund to support models of hybrid and remote learning, and research and make recommendations to allow local educational agencies to discern local and statewide data related to student absences.

**Child Nutrition.** The budget continues to fund universal access to school meals with an increase of \$122.2 million ongoing Proposition 98 General Fund, so that students who want a meal will have access to two free meals each day.

**Arts and Music in Schools-Funding Guarantee and Accountability Act (Proposition 28).** The budget includes \$931 million to fund Proposition 28. The budget also proposes that the Commission on Teacher Credentialing create a new Elementary Arts and Music Education authorization for career technical educational teachers for experienced artists to provide arts instruction in elementary school classrooms.

**Literacy Screener Professional Development.** The budget proposes \$25 million ongoing Proposition 98 General Fund through the K-12 Mandate Block Grant to support training for educators to administer literacy screenings.

**Math Curriculum Professional Development.** The budget proposes \$20 million one-time Proposition 98 General Fund for a county office of education to work with the University of California Subject Matter Projects to develop training for mathematics coaches and leaders who can in turn provide training to support math teachers. The budget also proposes statutory changes to allow the use of the Learning Recovery Emergency Block Grant funds for professional development related to the new mathematics framework.

**Cost-of-Living Adjustments.** The proposed budget provides \$65 million ongoing Proposition 98 General Fund to support a 0.76 percent COLA for categorical programs that are not included in LCFF and the LCFF equity multiplier. These programs include special education and child nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

**County Offices of Education.** The proposed budget includes a decrease of \$5 million ongoing Proposition 98 General Fund to reflect the average daily attendance (ADA) changes applicable to the county office of education LCFF and a 0.76 percent COLA.

**Local Property Tax Adjustments.** The proposed budget includes a decrease of \$113 million in ongoing Proposition 98 General Fund in 2023-24, and a decrease of \$996 billion in Proposition 98 General Fund in 2024-25 for school districts and county offices of education related to changes to the offsetting local property taxes.

**Curriculum-Embedded Performance Tasks for Science.** The budget proposes \$7 million one-time Proposition 98 General Fund to develop a bank of performance tasks to measure a student's science subject matter knowledge.

**California College Guidance Initiative.** The budget proposes an increase of \$5 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.

**K-12 High Speed Network.** The budget proposes an increase of \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.

**Broadband Infrastructure Grant.** The budget proposes a one-time increase of \$5 million Proposition 98 General Fund to extend the program through 2029. In addition to providing fiber broadband connectivity, this funding would also be available for joint projects connecting schools, local libraries, and telehealth providers to high-speed fiber broadband.

**Parks Access.** The budget proposes an increase of \$2.1 million ongoing Proposition 98 General Fund for county offices of education to enable fourth graders attending public schools to access California state parks.

**Inclusive College Technical Assistance Center.** The budget proposes an increase of \$2 million ongoing Proposition 98 General Fund to establish a technical assistance center to: (1) assist local educational agencies with students applying for the Free Application for Federal Student Aid; (2) assist local educational agencies in identifying potential funding sources and student financial assistance opportunities; and, (3) assisting students, including those with intellectual disabilities, and their families to plan for postsecondary transition through facilitation between local educational agencies and institutions of higher education.

**Homeless Education Technical Assistance Centers.** The budget proposes an increase of \$1.5 million ongoing Proposition 98 General Fund to maintain support for Homeless Education

Technical Assistance Centers that were first established through federal funding. This funding would continue to support the identification of homeless youth.

### **Early Education**

**Transitional Kindergarten.** The 2023 Budget Act provided \$357 million to support the first year of expanded eligibility for transitional kindergarten in 2022-23, in addition to \$283 million to add one additional certificated or classified staff person to transitional kindergarten classrooms to meet ratio requirements. The 2023 Budget also provided \$597 ongoing Proposition 98 General Fund to support the second year (2023-24) of expanded eligibility, and \$165 million to support the addition of certificated or classified staff. The budget proposes to include \$635 million to implement the third year of transitional kindergarten, and \$161 million to support the addition of certificated or classified staff in transitional kindergarten classrooms. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

### **Legislative Analyst's Office.**

The LAO's recent publication, *The 2024-25 Budget: Proposition 98 and K-12 Spending Plan*, included an analysis of the Governor's Proposition 98 Proposals. Below are comments provided by the LAO.

### **One-Time Solutions**

***Discretionary Reserve Withdrawal Is Warranted—if Used as a Solution for 2022-23.*** Discretionary withdrawals from the Proposition 98 Reserve are contingent upon the Governor declaring a budget emergency and the Legislature enacting a law authorizing the withdrawal. Although the Governor has not yet declared a budget emergency, the proposal for a withdrawal signals the Governor is open to using reserves as a solution. We share the Governor's view that a reserve withdrawal is warranted, but have concerns about the way the budget would use these funds. Reserves generally provide the greatest benefit for the state budget—and for schools—when the state is facing a large, unexpected shortfall and would need to adopt disruptive alternatives if it did not withdraw reserves. The significant drop in the guarantee in 2022-23 meets all of these conditions. The Governor's budget, however, would use reserves to cover costs in 2023-24 and 2024-25, including to free-up funding for spending increases. Using reserve withdrawals to support new spending seems contrary to the core purpose of the reserve—protecting existing programs—and diminishes an important tool that could mitigate the prior-year shortfall. In addition, the estimate of the Proposition 98 guarantee is higher in 2024-25, making the case for reserve withdrawals that year less compelling.

***Formulas Could Require Withdrawal of Remaining Reserve Balance.*** The constitutional formulas governing the Proposition 98 Reserve generally require withdrawals when the Proposition 98 guarantee is growing slowly relative to changes in inflation and student attendance. Whereas the Governor's budget anticipates relatively strong growth in the guarantee from 2022-23 to 2023-24, our estimate of the guarantee in 2023-24 reflects notably weaker growth. Assuming the state uses a discretionary withdrawal to cover at least a portion of the drop in 2022-23, the constitutional formulas likely would require the state to withdraw the remaining balance in

2023-24. Whereas the Governor’s budget has \$3.9 billion remaining in the reserve, the state under our estimates would have to allocate this amount for programs.

***State Preschool Reduction Is Reasonable, but Needs Additional Monitoring.*** The proposed reduction for State Preschool is intended to align the budgeted amount with anticipated costs of the program. While a reduction is reasonable, the Legislature will want to wait for additional program data before determining the amount necessary to continue covering program costs. One uncertainty is program enrollment. If program enrollment increases, the costs associated with providing certain payments in 2024-25 will increase. Alternatively, the state could identify other unspent funds the administration has not yet included, such as funds set aside for unallocated slots in the current year.

***State Could Achieve Additional One-Time Savings by Reducing Unallocated Grants.*** Over the past three years, the state has approved more than \$18 billion for one-time grants supporting various school activities. As of January 2024, we estimate that about \$4.5 billion of this amount remains unallocated (Figure 8). The unallocated funds generally consist of competitive grants for which the state has either not finished reviewing applications or not yet disbursed funding. The grant with the largest amount of unallocated funds is the Community Schools Partnership Program (\$2.6 billion). Many of the other grants with unallocated funds involve teacher training and professional development initiatives. In contrast to the approach for most other areas of the budget, the Governor does not propose revisiting any of these one-time allocations or reverting unspent funds. If the Legislature were to reduce any of these unallocated grants, it could use the savings as a one-time budget solution.

**Figure 8**

## Estimate of Unallocated One-Time Grants

*LAO Estimates (In Millions)*

Program	Amount available
Community schools	\$2,594
Green school bus grants (first round)	500
Golden State Pathways Program	475
Teacher and counselor residency grants	330
National board certification grants	205
Inclusive Early Education Expansion Program	163
Dual enrollment access	122
Other	108
<b>Totals</b>	<b>\$4,495</b>

### Ongoing Spending

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***Growing Shortfall in Ongoing Programs Sets Up Difficult Decisions Next Year.*** Turning to ongoing programs, the Governor’s budget would expand the state’s reliance on one-time Proposition 98 funding to cover ongoing program costs. Under the June 2023 budget plan, the state used nearly \$1.6 billion in one-time funds to cover ongoing costs in 2023-24. This shortfall increases under the Governor’s budget, growing to nearly \$2.2 billion in 2024-25. (This shortfall reflects the \$2.1 billion reserve withdrawal and an additional \$37 million from other one-time funds.) Entering 2025-26, the state would need to make up this shortfall before it could fund other priorities. Accounting for a similar use of one-time funds for community college apportionments, the total shortfall across all K-14 programs is \$2.7 billion—equivalent to nearly all of the growth in the Proposition 98 guarantee the budget anticipates in 2025-26. Having an ongoing shortfall places the state and schools in a relatively risky financial position and increases the likelihood the state is unable to maintain its commitments to existing programs next year.

***Funding Statutory COLA Contributes to Ongoing Shortfall.*** State law automatically increases most ongoing programs by the statutory COLA rate unless the Proposition 98 guarantee is insufficient to cover the associated costs. In these cases, the law authorizes the Department of Finance (DOF) to reduce the COLA rate to fit within the K-12 portion of the guarantee. Instead of invoking this exception, the Governor’s budget funds the full COLA in 2024-25 even though the guarantee cannot even support existing program costs. This budgeting approach accounts for \$628 million of the \$2.2 billion shortfall in 2024-25 and requires the state to rely even more heavily on one-time solutions like reserve withdrawals. Moreover, it represents the second consecutive year in which the Governor has not aligned the COLA rate with the guarantee. Whereas the estimates of the Proposition 98 guarantee from May 2023 showed the state could cover a 5.1 percent COLA in 2023-24, the Governor instead proposed funding an 8.22 percent statutory COLA. If the state had reduced the COLA rate for 2023-24, it would face little or no ongoing shortfall in 2024-25.

***LCFF Cost Estimates Likely Too High.*** Separate from our assessment of the COLA, we think the baseline estimates of LCFF costs in the Governor’s budget are likely too high. Our latest estimates are about \$1.8 billion lower—\$690 million lower in 2023-24 and \$1.1 billion lower in 2024-25. The largest contributing factor is our treatment of TK. Although our underlying attendance estimates are similar, the Governor’s budget scores the LCFF costs for these newly eligible students immediately. If a district receives funding based on its average attendance over the past three years, however, the full effect of this additional attendance will not materialize for several years. Given that most districts are funded this way, we anticipate that TK expansion will have only modest effects on LCFF costs in 2023-24 and 2024-25.

***State Likely Could Achieve Additional Savings by Revisiting Recent Program Expansions.*** Over the past three years, the state has established or significantly expanded several large ongoing programs. Most notably, the state established the Expanded Learning Opportunities Program (ELOP), made all students eligible for free school meals, significantly increased funding for State Preschool, provided much larger reimbursements for school transportation, and funded lower staffing ratios for TK students. In 2023-24, the state will spend more than \$9 billion on all of these programs combined. The Governor’s budget does not propose any changes to these programs except for the one-time reduction to State Preschool. If the Legislature were to revisit any of these programs, it could likely find ways of achieving its core goals at somewhat lower cost. Reductions to any of these programs would help the state help the state address the current

budget problem and align its ongoing spending level with the funding available under Proposition 98.

### **Recommendations**

Below, we provide our recommendations for addressing the budget shortfall. We begin by outlining an overall approach, then recommend specific one-time solutions and ongoing actions consist with this approach.

#### *Overall Approach*

***Build Alternative Budget Package That Prioritizes Core Programs and Budget Stability.*** The Governor’s budget would avoid immediate reductions to school programs, but it relies heavily on solutions that shift expenditures into the future. The Governor’s proposals would worsen future state budget deficits (through the funding maneuver) and increase the ongoing shortfall in LCFF (through reliance on one-time funds). This budgeting approach positions the state poorly—making spending commitments the state would have difficulty sustaining and setting up more difficult choices for next year. We recommend the Legislature take a different approach—one that prioritizes core school programs but also promotes stability for the budget moving forward. Taking this approach would require the Legislature to make some difficult choices this year, but offers substantial advantages. Specifically, it would (1) reduce the overall state deficit and the shortfall in ongoing programs, (2) position the state to provide funding increases for schools in the future as state revenues improve, and (3) allow the Legislature to preserve its highest priorities. Figure 9 summarizes our recommendations.

Figure 9

## LAO Recommendations for Addressing the K-12 Budget Shortfall

Overall Approach
<ul style="list-style-type: none"> <li>✓ Build Alternative Budget Package That Prioritizes Core Programs and Budget Stability</li> <li>✓ Reject Proposed Funding Maneuver</li> <li>✓ Begin Identifying Additional Reductions and Solutions Now</li> </ul>
One-Time Solutions
<ul style="list-style-type: none"> <li>✓ Use Reserve Withdrawal to Address 2022-23 Shortfall</li> <li>✓ Reject All One-Time Spending Increases</li> <li>✓ Review Unallocated Funds and Reduce Lower Priority Grants</li> <li>✓ Explore One-Time Reductions to Certain Ongoing Programs</li> </ul>
Ongoing Spending
<ul style="list-style-type: none"> <li>✓ Reject Statutory Cost-of-Living Adjustment Increase</li> <li>✓ Reject Most Other Ongoing Proposals</li> <li>✓ Plan for Lower Attendance-Related Costs</li> <li>✓ Explore Changes to Ongoing Programs That Could Generate Additional Savings</li> <li>✓ Consider Reducing Funding Streams That Are Based on Antiquated Factors</li> </ul>

**Reject Funding Maneuver.** The Governor’s proposed funding maneuver is bad fiscal policy, sets a problematic precedent, and creates a binding obligation on the state that will worsen future deficits and require more difficult decisions. We strongly recommend the Legislature reject it. The state has other options to achieve budgetary savings in 2022-23 without the problematic downsides of this specific proposal.

**Begin Identifying Additional Reductions and Solutions Now.** We recommend the Legislature use its upcoming budget hearings to begin identifying the alternative reductions and solutions it would need to balance the budget. The next few months provide an opportune time to establish priorities, consider options, and assess trade-offs. Waiting to begin this work in May, by contrast, would

place the Legislature in a difficult position and provide little time for careful deliberation. Moreover, replacing the funding maneuver and addressing the drop in the guarantee would involve identifying up to \$14 billion in alternatives—likely requiring the Legislature to sift through a large number of options. The rest of this report begins this process. Specifically, it critiques the Governor’s proposals with a view to reducing costs and introduces additional options that would provide a mix of one-time and ongoing savings. Adopting more of these options reduces the likelihood that the Legislature would need to make reductions to core programs like LCFF to address the shortfall.

### *One-Time Solutions*

***Use Reserve Withdrawal to Address 2022-23 Shortfall.*** We recommend building a budget that (1) contains a discretionary reserve withdrawal and (2) directs the entire withdrawal toward addressing the shortfall in 2022-23. Using reserves in this way would help the state accommodate the drop in the prior-year guarantee without resorting to reductions in school programs. In contrast to the Governor’s funding maneuver, this alternative works within an existing legal framework, avoids setting a troubling fiscal precedent, and does not worsen future budget deficits. To the extent the state is required to withdraw any funds that remain in the reserve after covering the shortfall in 2022-23, we recommend directing those funds toward existing program costs that would otherwise exceed the guarantee in 2023-24. Using the reserve withdrawals in this way would help the state balance its budget with fewer disruptive changes for schools.

***Reject All One-Time Spending Increases.*** We recommend the Legislature reject all of the one-time increases proposed in the Governor’s budget to achieve savings of \$599 million. The largest proposal affected by this recommendation is the \$500 million allocation for green school bus grants. Although the Legislature previously expressed its intent to provide additional funding for this program, the state has not yet awarded any grants from the initial \$500 million it provided in previous budgets. In addition, federal grants (administered by the Environmental Protection Agency) and local funding (administered by air quality districts) are available to support the purchase of low- and zero-emission school buses. Regarding the other one-time increases, we do not think any of the proposals are urgent enough to justify the additional spending reductions or reserve withdrawals that would be needed to fund them in 2024-25. We provide additional analysis and considerations for a few of these proposals later in this report.

***Review Unallocated Funds and Reduce Lower-Priority Grants.*** We recommend the Legislature review existing grants with unallocated funding and reduce or eliminate any grants that do not represent its highest priorities. One reasonable starting point would be to rescind some of the funding for community schools. For example, the Legislature could rescind \$1 billion out of \$2.4 billion currently set aside for future rounds of implementation grants and extension grants for current grantees. This would leave about \$1.1 billion for providing implementation grants to roughly 400 grantees that are currently in the planning process and eligible for implementation grants this year and next year, as well as maintain \$280 million for providing two-year extension grants to current grantees. This reduction also accounts for the likelihood that in tighter fiscal times, districts are likely to have less interest in implementing the community schools model this grant is intended to support. Any savings the Legislature identifies from unallocated grants would

help address the budget shortfall and reduce the likelihood of other reductions that districts might find more disruptive.

***Explore One-Time Reductions to Certain Ongoing Programs.*** For a few ongoing programs, the state likely could make one-time reductions that districts could accommodate by drawing upon unspent carryover funding. Two of the programs for which we anticipate districts have unspent funds available are ELOP and the Special Education Early Intervention Grant. If the state were to reduce funding temporarily, most districts likely could continue to support the underlying activities by drawing upon their unspent funds from previous years. Temporary reductions to programs like these likely would be less disruptive than reductions to programs for which districts currently have little or no carryover funding. In March, the state will receive updated information about the amount of unspent funding districts had for each program at the end of 2022-23. A related solution would be to pause new grants under existing programs. For example, the state could temporarily stop making new awards under the Career Technical Education Incentive Grant Program (the state currently provides \$300 million per year for these grants).

### *Ongoing Spending*

***Reject Statutory COLA Increase.*** We recommend zeroing out the COLA for the upcoming year. Rejecting the COLA would reduce the ongoing shortfall by \$628 million and help the state avoid committing to an ongoing spending level it would have difficulty maintaining in the future. An additional consideration is that a zero COLA for 2024-25 would follow several years of very large funding increases for LCFF. Between 2019-20 and 2023-24, the state increased LCFF funding rates per student by nearly 30 percent.

***Reject Most Other Ongoing Proposals.*** In addition to the COLA, we recommend rejecting most other ongoing increases in the budget, including the increases for school meals and the funding for literacy screeners. (We do not recommend delaying expansion of TK.) This recommendation would reduce ongoing costs by \$156 million. Regarding the additional funding for school meals, the state could address the shortfall by prorating the reimbursement rate. Regarding literacy screening, we think the proposed increase is premature given that the state has not yet adopted the literacy screening tool.

***Plan for Lower Attendance-Related Costs.*** We recommend the Legislature (1) plan to adopt lower LCFF cost estimates than Governor's budget anticipates for 2023-24 and 2024-25 and (2) use updated data that will be released within the next few weeks to calibrate its estimates. Related to these recommendations, we recommend ensuring these estimates account for the interaction between the expansion of TK and the three-year rolling average attendance calculation. Under our latest estimates, the overall cost of LCFF would be \$1.8 billion lower across 2023-24 and 2024-25. The updated data, however, easily could change these estimates by several hundred million dollars in each year. Adopting lower LCFF cost estimates would reduce the size of the budget problem the Legislature needs to address.

***Explore Changes to Ongoing Programs That Could Generate Additional Savings.*** If the Legislature were to revisit some recent program expansions, it could likely find ways of achieving its core objectives in less costly ways. The ongoing savings the state identifies through this process

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would help the state address the current shortfall and ease future budget pressure. Below, we outline options for reducing costs in five large programs (the amounts in parentheses indicate total spending in 2023-24):

- ***ELOP (\$4 Billion)***. The state created this program in the 2021-22 budget to further fund educational and enrichment activities for K-12 students outside of normal school hours. ELOP allocations are based on attendance in elementary grades and calculated using two different per-student rates. We understand that some districts are not on track to spend all of their ELOP funds in part due to challenges in hiring staff and given that, similar to other after school programs, not all students are participating. The state has an opportunity to reevaluate whether the ELOP funding model can be simplified and/or restructured to further incentivize student participation. One option is to strengthen the fiscal incentive for districts to serve more students by distributing funds based on actual student participation rather than assume 100 percent participation. Even a relatively modest change to assume 90 percent participation would reduce costs by several hundred million dollars. (Regardless of how the Legislature proceeds, we recommend the state require districts to report data on program participation to help the state gauge student interest and ensure alignment with overall program goals.)
- ***State Preschool (\$1.8 Billion)***. The state made programmatic changes to State Preschool in 2021-22 and 2022-23. The actual costs associated with implementing these changes were less than budgeted, resulting in funds that were anticipated to go unused. The 2023-24 budget package redirected these funds to cover costs associated with a new two-year collectively bargained early education and parity agreement. Beginning 2025-26, the state will again have anticipated unspent funds that could be used to ease future budget pressure. In a forthcoming brief, our office will discuss this issue in more detail.
- ***School Nutrition (\$1.7 Billion)***. The implementation of universal school meals in 2022-23 and an increase in the reimbursement rate have resulted in an 827 percent increase in state funds provided to the program compared to 2018-19 funding levels. Program costs are higher than anticipated and recent projections from the California Department of Education (CDE) indicate an additional state fund shortfall. In the “School Nutrition” section of this report, we discuss options to contain future cost growth in the program while maintaining the requirement for public schools to continue offering free meals to all their students. These options include setting rates at a lower level and revisiting the approach to COLA.
- ***School Transportation (\$1.2 Billion)***. School districts historically received a fixed amount of funding for transportation based on the size of the programs they operated during the 1970s. The June 2022 budget plan significantly increased funding so that every district would receive an allowance equal to 60 percent of its transportation expenditures during the previous year. If the Legislature reduced the rate to 50 percent, the state could save approximately \$200 million per year while still minimizing historical funding disparities among districts.
- ***TK Staffing Add-On (\$505 Million)***. In 2022-23, the state began providing additional funding based on TK attendance. (This is in addition to funding the state already provided

for these students through LCFF.) To receive this funding, districts must maintain an average of 1 adult for every 12 students in TK classrooms at each school site. Beginning in 2025-26, districts must maintain an average of 1 adult for every 10 students. Our understanding is that the existing rates were calculated based on an assumption that TK classrooms would have 20 students, aligning with the policy to have 1 adult for every 10 students. The Legislature could modify the rates to align with the current ratio. If the Legislature were to fund based on the assumption that TK classrooms have 24 students (consistent with a 1-to-12 ratio), it would result in savings of about \$100 million. Next year, the Legislature could assess its fiscal situation and determine whether higher staffing ratios and associated rates could be covered within its ongoing Proposition 98 funding levels.

***Consider Reducing Funding Streams That Are Based on Antiquated Factors.*** Another way the Legislature could obtain ongoing savings is by revisiting three LCFF add-ons that provide additional funding for certain districts based on historical factors. Unlike the core components of the formula, these add-ons are not based on the number of students districts currently enroll or the needs and characteristics of those students. Instead, they provide additional funding based primarily on the size of certain programs districts operated decades ago. Eliminating or scaling back these add-ons would reduce historical funding inequities among districts, simplify the LCFF, and provide ongoing savings. If the Legislature were concerned that eliminating these add-ons immediately would be disruptive for district budgets, it could provide for a gradual phaseout. Below, we profile these three add-ons (the parenthetical amounts indicate expenditures in 2023-24):

- ***Targeted Instructional Improvement Block Grants (\$855 Million).*** This add-on provides additional funding for school districts that (1) operated desegregation programs during the 1980s, and/or (2) benefited from general-purpose grants intended to equalize district funding levels during the 1990s. The add-on is a fixed amount and unrelated to whether a district currently operates a desegregation program or the level of funding the district receives relative to other districts.
- ***Minimum State Aid (\$356 Million).*** This add-on provides additional funding for school districts and COEs with high levels of local property tax revenue per student. The add-on amount is based on the level of state funding the district or COE received prior to the LCFF and is unrelated to the programs it currently operates or the characteristics of its students.
- ***Economic Recovery Targets (\$61 Million).*** The state created this add-on to ensure all districts would receive at least as much funding under the LCFF as they would have received if the state had retained its former funding system and increased it for the statutory COLA. Over the past decade, the state has provided multiple LCFF increases beyond the statutory COLA. Based on these increases, all districts are likely receiving more funding than they would have received under the former system, adjusted for COLA.

### **Suggested Questions.**

- **DOF:** According to the LAO, both the LAO and DOF anticipates deficits of roughly \$30 billion beginning in 2025-26 and onward. How does the Proposition 98 accrual proposal

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fit into this deficit, and what is the Administration's plan to address these deficits in the future?

- LAO: The Legislative Analyst recommends that we withdraw from the Proposition 98 reserve to address the shortfall in 2022-23, in addition to identifying reductions and other solutions as an alternative budget framework. Are there trade-offs the Legislature should consider with regard to withdrawing from the Proposition 98 reserve in 2022-23 versus in 2023-24 and 2024-25 as the Administration proposes? Given the budget deficits projected in the future, would withdrawing from the Proposition 98 reserve to address 2022-23 shortfalls as the LAO recommends create either an immediate or exacerbate out-year deficits?

**Staff Recommendation.** Hold open.

<b>Issue 4: Local Control Funding Formula (LCFF)</b>
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**Panel.**

- Michael Alferes, Legislative Analyst's Office
- Katie Lagomarsino, Department of Finance
- Aaron Heredia, Department of Education

**Background.**

**K-12 School Finance Reform.** Commencing in the 2013-14 fiscal year, the state significantly reformed the system for allocating funding to LEAs - school districts, charter schools, and county offices of education (COEs). The LCFF replaced the state's prior system of distributing funds to LEAs through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs.

Under the previous system, revenue limits provided LEAs with discretionary (unrestricted) funding for general education purposes, and categorical program (restricted) funding was provided for specialized purposes, with each program having a unique allocation methodology, spending restrictions, and reporting requirements. Revenue limits made up about two-thirds of state funding for schools, while categorical program funding made up the remaining one-third portion. That system became increasingly cumbersome to LEAs as they tried to meet student needs through various fund sources that were layered with individual requirements.

**Local Control Funding Formula.** The LCFF combines the prior funding from revenue limits and more than 30 categorical programs that were eliminated, and uses new methods to allocate these resources, additional amounts of new Proposition 98 funding since 2013-14, and future allocations to LEAs. The LCFF allows LEAs much greater flexibility in how they spend the funds. There is a single funding formula for school districts and charter schools, and a separate funding formula for COEs that has some similarities to the district formula, but also some key differences.

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**School Districts and Charter Schools Formula.** The LCFF is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. It also includes additional funding based on the enrollment of low-income students, English learners, and foster youth for increasing or improving services to these high-needs students. Low-income students, English learners, and foster youth students are referred to as “unduplicated” students in reference to the LCFF because, for the purpose of providing supplemental and concentration grant funding, these students are counted once, regardless of if they fit into more than one of the three identified high-need categories. Major components of the formula are briefly described below.

- **Base Grants** are calculated on a per-student basis (measured by student ADA) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools. For school districts, funded ADA is equal to the greater of current, prior, or the average of the three most recent prior years' ADA.
- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.
- **Concentration Grants** provide an additional 65 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.
- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.
- **LCFF Economic Recovery Target** add-on ensured that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.
- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level under the old system.

**Budget Appropriations.** The LCFF established new “target” LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLA and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional \$18 billion, with completion by 2020-21. However, Proposition 98 growth exceeded expectations and LCFF was fully funded in the 2018-19 fiscal year for school districts and charter schools. COEs reached their target funding levels in

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2014-15, which adjusts each year for COLAs and ADA growth. The 2018-19 budget also provided an additional amount above the required COLA to provide a \$670 million increase to LCFF grants. With full-funding of the formula, LEAs and stakeholders can see how much funding is received through base, supplemental, and concentration grants on the CDE website and reported through each LEA's local control and accountability plan (LCAP). Most recently, the 2022-23 budget included a 6.28 increase to the LCFF base grant, in addition to a 6.56 percent COLA, and smoothed out the year-to-year funded average daily attendance by allowing LEAs to be funded by either their current year, past year, or average of the three prior years' average daily attendance. The 2022-23 budget also provided a "boost" for the funded 2021-22 average daily attendance for LEAs that provided independent study offerings to students. In the 2023-24 budget, the COLA was 8.22 percent.

**Restrictions on Supplemental Funding.** Statute requires LEAs to increase or improve services for unduplicated students in proportion to the supplemental funding LEAs receive for the enrollment of these students. The law also allows this funding to be used for school-wide and district-wide purposes. The State Board of Education (SBE) adopted regulations governing LEAs expenditures of this supplemental funding that require an LEA to increase or improve services for unduplicated students, compared to the services provided for all students, in proportion to the supplemental funding LEAs receive for the enrollment of these students. LEAs determine the proportion by which an LEA must increase or improve services by dividing the amount of the LCFF funding attributed to the supplemental and concentration grant by the remainder of the LEA's LCFF funding. Whereas, this percentage (known as the minimum proportionality percentage (MPP)), relied on an LEA's estimates during the transition period, under a fully funded system is based on the actual allocation to each LEA as determined by the CDE. The regulations allow an LEA to meet this requirement to increase or improve services in a qualitative or quantitative manner and detail these expenditures in their LCAP.

**County Offices of Education Formula.** The COE formula is very similar to the school district formula, in terms of providing base grants, plus supplemental and concentration grants for the students that COEs serve directly, typically in an alternative school setting. However, COEs also receive an operational grant that is calculated based on the number of districts within the COE and the number of students county-wide. This operational grant reflects the additional responsibilities COEs have for support and oversight of the districts and students in their county.

Similar to the LCFF formula for school districts and charter schools, COEs were also guaranteed that they would not get less funding than was received in 2012-13. In addition, COEs were held harmless for the amount of state aid (essentially the value of the categorical funding) received in 2012-13. Unlike school districts, for COEs this minimum state aid amount floats above their target, meaning that as local property tax revenue grows in a county over time and funds their LCFF allocation, the minimum state aid allotment for that COE becomes a new bonus in base funding on top of the their LCFF level.

### **Governor's Budget Proposal.**

The proposed budget includes a COLA of 0.76 percent, which, costs approximately \$564 million for the LCFF, and combined with growth adjustments, results in a decrease of approximately \$1.4 billion. The Governor's proposal to shift approximately \$8 billion General Fund of expenditures beginning in 2025-26, of which \$7 billion is attributable to K-12 LCFF in 2022-23.

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Additionally, the Governor’s Budget proposes to withdraw \$2.8 billion and \$2.2 billion in 2023-24 and 2024-25, respectively, from the Public School System Stabilization Account (the Proposition 98 reserve) for purposes of the LCFF in those years.

**Legislative Analyst’s Office.**

The LAO’s recommendations on LCFF are included as part of its overall Proposition 98 comments, which is provided in Issue 3 of this agenda.

**Suggested Questions.**

- DOF: The LAO estimates that the Administration overestimates its costs for LCFF approximately by \$1.8 billion, as a result of scoring newly eligible TK students immediately rather than taking into consideration whether a district is funded based on the average of its prior three years of attendance. With regard to the estimating costs for LCFF, are there challenges to incorporating the prior three years’ average, or other challenges or trade-offs?

**Staff Recommendation.** Hold open.

<b>Issue 5: Excess Educational Revenue Augmentation Fund Calculations</b>
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**Panel.**

- Alex Shoap, Department of Finance
- Ken Kapphahn, Legislative Analyst’s Office

**Background.**

The State Constitution requires that the proceeds of property taxes be allocated among the local government agencies in the county where the revenue is collected. Recipients of property tax revenue include cities, counties, special districts, K–12 school districts, and community college districts. Proposition 98 established a minimum funding requirement for school and community college districts, commonly known as the “minimum guarantee.” The guaranteed funding level is met through a combination of revenues from the state General Fund and local property taxes. A set of formulas in the State Constitution determines the “minimum guarantee” calculation each year.

In 1992, the Legislature redirected a portion of property tax revenue from cities, counties, and special districts into a county-held account known as the Educational Revenue Augmentation Fund (ERAF). Revenue from ERAF is allocated to school and community college districts to offset the funding that these entities would otherwise receive from the state General Fund.

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In certain years where the Proposition 98 minimum guarantee is determined as a percentage of overall General Fund revenues (otherwise known as “Test 1” years), any changes to the amount of property tax revenue received by schools and community colleges have a dollar-for-dollar effect on the size of the guarantee. The minimum guarantee has been calculated under Test 1 factors since 2018-19, and under the Governor’s Budget, will continue to be calculated under Test 1 factors in 2022-23, 2023-24 and 2024-25. In contrast, during years where the guarantee is not calculated under Test 1 factors, property tax changes affect the amount of state General Fund the state must allocate to meet the guarantee but does not necessarily impact the overall calculation of the guarantee.

In the mid-1990s, the Legislature enacted a law returning the portion of ERAF not needed for school and community colleges districts to cities, counties, and special districts in proportion to the amount of property taxes that the non-educational local government agencies contributed to ERAF. The returned ERAF funds are known as Excess ERAF. A portion of the excess ERAF revenue are used for special education programs, and the remainder are allocated to other local agencies. According to the Legislative Analyst’s Office, as of 2018-19, there are five counties that have excess ERAF – Marin, Napa, San Francisco, San Mateo, and Santa Clara.

Most charter schools are approved and monitored by the school districts in which they are located. The first charter schools opened in 1992-93. Since that time, the Legislature has taken steps to integrate charter schools into the K-12 funding system. For example, state law deems charter schools to be school districts for the purposes of allocating LCFF funding and meeting the Proposition 98 guarantee. Unlike school districts, however, charter schools do not receive an automatic allocation of property tax revenue. Instead, the law requires school districts to share their property tax revenue—including ERAF—by making payments in-lieu of taxes to their charter schools. Generally, each charter school receives a share of the property tax revenue that is proportional to its share of students in the school district. The state then backfills the school district for the reductions to its property tax revenue. (Somewhat different rules apply for charter schools in basic aid school districts.)

### **Legislative Analyst’s Office 2020 Report – Excess ERAF: A Review of the Calculations Affecting School Funding.**

The Legislative Analyst wrote a report in 2020 that made several findings and concerns in their review of the calculation of excess ERAF. Below are their comments from this report.

***We Recently Reviewed Excess ERAF Calculations in the Five Counties.*** For our review, we examined county calculations, spoke with local officials, and reviewed relevant state law. We identified three specific concerns regarding the calculation of excess ERAF, which are summarized in Figure 7. The first relates to the treatment of charter schools, the second to the dissolution of redevelopment, and the third to the calculation of minimum state aid. In each case, our concern is that certain counties are calculating excess ERAF in ways that shift too much property tax revenue from schools to other local agencies. Apart from the three specific issues, we have two broader concerns that we describe at the end of this section.

Figure 7

### Three Specific Concerns About Excess ERAF Calculations

Issue	Concern	Revenue Shifted From Schools to Other Agencies <sup>a</sup>	Amount Shifted Over Three-Year Budget Period <sup>a</sup>
Treatment of charter schools	Counties excluding charter schools from calculation of excess ERAF.	\$180 million	\$540 million
Implementation of redevelopment dissolution	Counties allowing redevelopment revenue to increase excess ERAF.	\$170 million	\$510 million
Calculation of minimum state aid	At least one county overcounting minimum state aid, which increases excess ERAF.	\$2 million	\$6 million

<sup>a</sup>Reflects estimates based on available data and our understanding of counties' current practices.  
ERAF = Educational Revenue Augmentation Fund.

**Concerns Affect Funding for the School System Overall.** One potential misconception about our findings is that they affect the budgets of individual schools within the five counties. In fact, each issue affects the state's entire school system. To the extent a county allocates too little ERAF to schools, the state provides more General Fund. Depending upon which test is operative for calculating the Proposition 98 guarantee, the cost of this backfill results in (1) less overall funding for school and community college programs (when Test 1 applies), or (2) higher General Fund costs for the state (when another tests applies).

#### *Three Specific Concerns*

**Counties Are Increasing Excess ERAF by Excluding Charter Schools...** The amount of excess ERAF in a county depends upon the difference between the amount of (1) ERAF revenue available and (2) General Fund revenue that schools within the county are eligible to receive. We recently learned that two counties have been excluding charter schools from this second amount for the past few years. That is, these counties are treating charter schools as though they receive no General Fund revenue that could be replaced with ERAF. By reducing the ERAF allocated for schools, this practice increases excess ERAF. We also learned that other excess ERAF counties—which previously included charter schools—began excluding them in their most recent calculations. Across all five counties, we estimate the exclusion of charter schools would shift roughly \$180 million per year in property tax revenue from schools to other local agencies.

**...Even Though State Law Includes Charter Schools.** State law specifically allocates ERAF and other property tax revenue to charter schools through their school districts. This property tax revenue offsets the General Fund revenue charter schools otherwise would receive from the state. The counties' approach, however, would involve calculating excess ERAF as though these parts of the allocation process did not exist. The overall effect would be to reduce the amount of ERAF revenue available for allocation to the school districts in the county. (Charter schools would experience the reduction indirectly, in the form of smaller payments in-lieu of taxes.) This approach also runs counter to various state laws declaring charter schools to be school districts for funding purposes such as LCFF.

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***Redevelopment Revenues Are Increasing Excess ERAF.*** Though state law provides that redevelopment revenue allocated to schools should not increase excess ERAF, we found that the five counties are not implementing this provision. Instead, redevelopment revenues are displacing property tax revenue that schools otherwise would receive from ERAF. This means that revenues intended to benefit schools are instead benefitting cities, counties, and special districts through additional excess ERAF. We estimate this practice is shifting roughly \$170 million per year from schools to other local agencies.

***At Least One County Is Increasing Excess ERAF by Over Counting Minimum State Aid.*** A third, much smaller concern relates to the calculation of minimum state aid. We found that at least one county is assuming its school districts receive more minimum state aid than the law actually provides. This assumption reduces the amount of ERAF that can be allocated to schools. Excess ERAF, in turn, increases by a corresponding amount. We estimate this practice is shifting at least \$2 million per year from schools to other local agencies. (Technically, this issue stems from the assumption that school districts receive both \$120 per student in state funding and the amount received in 2012-13, whereas the law specifies that the minimum level be based on one of these amounts.)

### *Two Broader Concerns*

***State and Schools' Interests Not Sufficiently Represented.*** Although each of our specific concerns is rooted in a different part of law, taken together we think they illustrate a broader concern. Each year, the property tax produces a finite amount of revenue for the agencies within each county. The state and schools share an interest in maximizing the revenue allocated for schools, as this revenue results in either more overall school funding or lower state General Fund costs. Conversely, other local agencies share an interest in maximizing their share of the property tax revenue. This trade-off provides an incentive for counties to implement the law in ways that increase their share of the property tax revenue, particularly when so many different steps are involved in the calculation. We think the lack of state involvement in the ERAF allocation process is one reason the law is being implemented in ways the Legislature did not intend.

***State Has Difficulty Monitoring the Calculation of Excess ERAF.*** Two main issues limit the state's ability to monitor the calculation of excess ERAF. First, the implementation of the law varies from county to county. Each county uses its own procedures to calculate excess ERAF. The five counties, for example, implemented the decision to exclude charter schools differently. Second, the state has not assigned responsibility for collecting ERAF data to any single agency. Instead, this responsibility is spread across multiple agencies including the State Controller's Office (SCO), California Department of Education (CDE), and the Department of Finance (DOF). For example, the SCO collects information on the total amount of property tax revenue shifted into ERAF, but CDE collects information on excess ERAF. Due to these two issues, the state has difficulty monitoring the calculations, identifying errors or inconsistencies, and projecting how the amount of excess ERAF might change in the future.

### **State Controller's 2021 Guidance.**

On February 16, 2021, then State Controller Betty Yee issued guidance to counties to continue to exclude charter schools from its ERAF calculations. The California School Board Association

challenged this guidance in the courts, and in June 2022, the court found in favor of the State Controller's interpretation of local ERAF calculations.

**Governor's Budget.**

The Governor's Budget proposes statutory changes to clarify that charter schools are eligible to receive ERAF. As of the writing of this agenda, the proposed statutory changes have not been made available to the Legislature.

**Suggested Questions.**

- DOF/LAO: Is there information available on estimated fiscal impact of this proposal to Proposition 98 funding levels?

**Staff Recommendation.** Hold open.

# SUBCOMMITTEE NO. 1

# Agenda

Senator John Laird, Chair  
Senator Dave Min  
Senator Scott Wilk



**Thursday, March 7, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1020 O Street, Room 2100**

Consultants: Christopher Francis, Ph.D.

### Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6440	University of California (UC).....	2
6610	California State University (CSU) .....	2
6870	California Community Colleges (CCC) .....	2
6980	California Student Aid Commission.....	2
Issue 1: Cal Grant and Middle Class Scholarship Programs .....		3
6600	UC College of the Law, San Francisco (CLSF) .....	9
Issue 2: CLSF Base Adjustment and Updates .....		9
6120	California State Library .....	13
Issue 3: Governor’s Proposals for the State Library .....		14

### Public Comment

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*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

## DISCUSSION ITEMS

**6440 UNIVERSITY OF CALIFORNIA (UC)**  
**6610 CALIFORNIA STATE UNIVERSITY (CSU)**  
**6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**  
**6980 CALIFORNIA STUDENT AID COMMISSION**

### Overview

The California Student Aid Commission (Commission) was created in 1955, and is the state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of the Commission is to promote educational equity by making postsecondary education affordable for all Californians by administering financial aid and outreach programs. The Commission consists of 15 members; 11 members are appointed by the Governor and confirmed by the Senate, two members are appointed by the Senate Rules Committee, and two members are appointed by the Speaker of the Assembly. In general, members serve four-year terms; the two student members, appointed by the Governor, serve two-year terms.

**Commission Total Budget.** The below table from the LAO details the Commission’s budget in 2022-23 and 2023-24 as well as the proposed budget in 2024-25. The Governor’s budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.5 billion supports the Cal Grant Program, and \$636 million supports the Middle Class Scholarship Program. The two main fund sources for the Commission are state General Fund and federal Temporary Assistance for Needy Families (TANF). In 2023-24, state General Fund would comprise 87 percent of Commission funding and federal TANF would comprise 12 percent. The remainder would come from various sources, including reimbursements from other departments.

**Table 1:** California Student Aid Commission Budget (*Dollars in Millions*)

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
<b>Spending</b>					
Local assistance					
Cal Grants	\$2,211	\$2,393	\$2,541	\$148	6.2%
Middle Class Scholarships	568	847 <sup>a</sup>	636	-211	-25
Learning-Aligned Employment Program	300	—	—	—	—
Golden State Teacher Grants <sup>1</sup>	137	177	134	-43	-24
Other programs	56	38	39	1	1.6
Subtotals	(\$3,272)	(\$3,456)	(\$3,351)	(-\$105)	-3.0%
State operations	\$28	\$26	\$24	-\$3	-10%
<b>Totals</b>	<b>\$3,300</b>	<b>\$3,482</b>	<b>\$3,374</b>	<b>-\$108</b>	<b>-3.1%</b>

1. **Staff Comment:** Staff notes a Subcommittee No. 1 hearing on April 11, 2024 will cover the Golden State Teacher Grants program.

**Issue 1: Cal Grant and Middle Class Scholarship Programs****Panel**

- Amanpreet Singh, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- Shawn Brick, University of California
- Noelia Gonzalez, California State University
- Gina Browne, California Community Colleges

**Governor's Budget**

**Governor's Budget Reflects Spending Increase in 2024-25 for Cal Grant Spending.** The Governor's budget revises 2023-24 Cal Grant spending upward by \$83 million (3.6 percent) to align with the Commission's most recent cost estimates. From the revised 2023-24 level, it further increases Cal Grant spending by \$148 million (6.2 percent) in 2024-25 to reflect projected growth in recipients and award amounts. These adjustments bring total Cal Grant spending to \$2.5 billion in 2024-25. These cost estimates underlying the Governor's budget were prepared in October 2023 and the Student Aid Commission plans to update its estimates based on more recent program data for 2023-24 in the Spring. The Administration is expected to update its Cal Grant spending levels at the May Revision accordingly.

**Governor Proposes No Changes to Cal Grant Equity Framework Provisions.** The Governor's budget does not include any changes to the Cal Grant reforms included in the 2022 Budget Act.

**Governor Proposes To Forego A Planned One-Time Middle Class Scholarship Increase.** Under last year's budget agreement, the state would have provided a total of \$926 million General Fund (consisting of \$637 million General Fund ongoing and \$289 million General Fund one-time) for the program in 2024-25. Due to the state budget condition, the Governor's budget forgoes the one-time funds but retains the ongoing funds. Specifically, the Governor's budget proposes to forego the MCS planned appropriation of \$289 million in 2024-25. As a result, the proposed funding level would cover 24 percent of students' remaining costs in 2024-25—down from 36 percent in 2023-24.

**Background**

Over the last three years, the subcommittee and Legislature discussed the future of financial aid for Californians, ongoing challenges, and significant reforms for Cal Grants and Middle Class Scholarships—the with two largest state financial aid programs.

*Cal Grant Program*

The Cal Grant program, the state's largest financial aid program, is intended to help students with financial need cover college costs. The program offers multiple types of Cal Grant awards. The amount of aid students receive depends on their award type and the segment of higher education they attend. Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities. Cal Grant B provides the same amount of tuition coverage as Cal Grant A in most cases, while also providing an "access award" for nontuition expenses such as food and housing. Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award

amounts for tuition and nontuition expenses. Across all award types, larger amounts of nontuition coverage are available to students with dependent children as well as current and former foster youth.

**Table 2:** Estimated Cal Grant Recipients between 2022-23 and 2024-25

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent (%)
<b>Total Recipients</b>	<b>383,666</b>	<b>404,132</b>	<b>418,015</b>	<b>13,883</b>	<b>3.4</b>
<b>By Segment:</b>					
California Community Colleges	136,579	149,616	159,528	9,912	6.6
California State University	137,777	139,688	140,014	326	0.2
University of California	78,166	83,642	87,362	3,720	4.4
Private nonprofit institutions	25,709	24,773	24,530	-243	-1.0
Private for-profit institutions	5,413	6,394	6,561	167	2.6
Other public institutions	24	18	19	1	5.8
<b>By Award Type:</b>					
Cal Grant B	261,616	275,841	282,496	6,655	2.4
Cal Grant A	119,619	125,252	132,378	7,126	5.7
Cal Grant C	2,433	3,038	3,140	102	3.3
<b>By Renewal or New:</b>					
Renewal	224,305	226,828	234,698	7,870	3.5
New	159,361	177,304	183,317	6,013	3.4
Data reflect California Student Aid Commission estimates.					

**Cal Grant Equity Framework in 2022 Budget Agreement.** The 2022 Budget Act included the Cal Grant Equity Framework subject to state General Fund availability over the multi-year forecasts beginning in fiscal year 2024-25. The reform would be triggered in 2024-25 if the state determines in Spring 2024 that sufficient General Fund is available to support these actions over a multiyear period. If “triggered on” the budget agreement will provide \$364.8 million General Fund in 2024-25, \$348.8 million in 2025-26 and ongoing for this reform.

The reform will restructure the Cal Grant program. Specifically, it would replace the existing award structure with a Cal Grant 2 award that provides nontuition coverage to California Community College (CCC) students and a Cal Grant 4 award that provides tuition coverage at all other segments. The eligibility requirements of the new program would differ in several ways from those of the current program. First, whereas the current Cal Grant program has its own income and asset ceilings, the new program would have the same income ceilings as the federal Pell Grant program. Because of the change, the new income ceilings generally would be lower than the current ones. Second, whereas the current program provides only a limited number of awards to older students attending the universities, the new program would have no age or time-out-of-high-school restrictions at any segment. Third, whereas the current program requires students to have a minimum grade point average (GPA), the new program will not have a GPA requirement for CCC students. These program changes are projected to lead to a net increase of 150,000

award offers in 2024-25, at an estimated additional net cost of \$365 million. The reform also expresses legislative intent that UC and CSU use institutional aid to cover non-tuition costs for its students.

**Cal Grant Trigger Agreement for Independent, Non-Profit Colleges and Universities in 2022 Budget Agreement.** The 2022 Budget Act also included changes to improve regional transfer for low-income students by extending transfer entitlement portability for community college transfer students to those transferring to an independent, non-profit California college or university. If “triggered on,” then the agreement would provide \$10.4 million General Fund in 2024-25, \$16.4 million General Fund in 2025-26 and ongoing to support this portability.

#### *Middle Class Scholarship (MCS)*

MCS provides undergraduate students, including students pursuing a teaching credential, with a scholarship, recently revamped to account for cost of attendance, to attend a UC, CSU or CCC Bachelor’s degree program. Students with family income and assets up to \$201,000 may be eligible.

**MCS Significantly Reformed in 2021 Budget Act for Cost of Attendance.** The original MCS program was enacted in 2014 to help middle-income UC and CSU students, who are part of households with incomes and assets each under \$171,000, not receiving tuition coverage through the Cal Grant program receive partial tuition coverage. The Commission provided these scholarships to eligible students who fill out the FAFSA. Awards covered between 10 percent and 40 percent of systemwide tuition and fees, with the percentage graduated downward as household income increases. State law capped spending on the original MCS program at \$117 million annually.

The revamped program assists CSU and UC students with their total cost of attendance. To determine each student’s award amount, the Commission will first determine each students’ remaining cost of attendance, after accounting for other available gift aid, a student contribution from part-time work earnings, and a parent contribution for dependent students with a household income of more than \$100,000. Then, the Commission will determine what percentage of each student’s remaining costs to cover based on the annual appropriation for the program.

**MCS Implementation Costs and Budget Act Investments.** In 2022-23 the Commission determined that program funding, \$568 million General Fund, was sufficient to cover 26 percent of each recipient’s remaining costs for the first year of the revised program. The 2023 Budget Act included additional \$227 million one-time General Fund for the program, bringing the total funding level to \$864 million. The Commission initially estimated this funding level would cover about 36 percent of each recipient’s remaining costs. The Governor’s budget revises this funding level downward by \$17 million (1.9 percent) to align with the most recent cost estimates for covering 36 percent of each students’ remaining costs. Based on CSAC’s cost estimates, this is the maximum percentage of coverage possible without going over the budget act appropriation. The 2023 Budget Act also included an agreement to provide \$289 million one-time General Fund in 2024-25 to cover a similar percentage of each recipient’s costs that year.

**Table 3: Middle Class Scholarship Program Information by Segment**

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change from 2023-24	
				Amount	Percent
<b>Recipients</b>					
CSU	205,037	215,889	233,161	17,272	8%
UC	90,060	91,849	99,197	7,348	8

CCC <sup>a</sup>	37	40	43	3	8
Total	<b>295,134</b>	<b>307,778</b>	<b>332,401</b>	<b>24,623</b>	<b>8%</b>
<b>Spending (Dollars in Millions)</b>					
CSU	\$419	\$617	\$463	-\$154	-25%
UC	150	230	173	-57	-25
CCC <sup>a</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	-25
Total	<b>\$568</b>	<b>\$847</b>	<b>\$636</b>	<b>-\$211</b>	<b>-25%</b>
<b>Average Award</b>					
CSU	\$2,041	\$2,858	\$1,987	-\$871	-30%
UC	1,663	2,506	1,742	-764	-30
CCC <sup>a</sup>	2,622	5,325	3,725	-1,600	-30
Data for 2022-23 and 2023-24 reflect California Student Aid Commission estimates. Data for 2024-25 reflect Commission estimates adjusted by LAO to align with the proposed funding level in the Governor's budget.					
<sup>a</sup> In addition to undergraduate students at UC and CSU, CCC students in bachelor's degree programs are eligible for the Middle Class Scholarship program.					
<sup>b</sup> Less than \$500,000.					

**Staff Comments.** Recent changes at the federal level are causing delays and creating barriers for students seeking financial aid.

**Free Application for Federal Student Aid (FAFSA) Simplification Act.** On Dec. 27, 2020, the United States Congress passed the Consolidated Appropriations Act, which included the FAFSA Simplification Act. Implemented by the United States Department of Education, the Simplification Act makes significant changes processes and systems used to award federal student aid starting with the 2024-25 award year. Representing the first major redesign of the FAFSA in 40 years, the initiative intends to create a more streamlined and accessible process through a reduction in the amount of questions asked to filers and use of previously collected data, expanded eligibility for federal Pell Grants and other federal aid, and revisions to methodologies that determine student aid eligibility.

**Initial Federal Student Aid FAFSA Simplification Act Concerns and Legislative Response in 2023 Budget Act.** Traditionally, October 1, 2023 would be the launch date for the 2024-25 FAFSA period but communications between state and federal officials suggested that a delay to January 1, 2024 could occur. Because of the delayed launch and uncertainty, a filing period that is up to three months shorter may occur and result in more students without Cal Grant that would have otherwise qualified. In response to these concerns, SB 117 (Committee on Budget), Chapter 50, Statutes of 2023 extended the priority deadline from March 2, 2024 to April 2, 2024 for every financial aid program administered by the Commission, including the Cal Grant and Middle Class Scholarships programs. In subsequent years, the deadline will revert to March 2.

In December 2023, the Department of Education announced a soft launch for the new FAFSA from December 2023 through late January 2024. After the launch of the revised applications, multiple issues surfaced that impacted students, families, and campuses that rely on receipt of information from the Department of Education to create financial aid packages.

**New FAFSA Simplification Act Implementation Issues and Impacts on CA First-Time College and University Applicants.** Two issues with the new FAFSA undermine student accessibility to financial aid.

First, the Department of Education announced on January 30, 2024 that it would not send students' data from FAFSA to colleges and universities until the first half of March 2024. Because of this delay, which is approximately two months later than initially planned, campus financial aid offices will receive pertinent information and package financial aid offers much later than usual. Students, particularly new first-time, first-year admitted students whom rely on financial aid packages to inform their enrollment decisions, will have less time to contemplate their admissions offers as a result. As of this subcommittee hearing, the UC and CSU responded by extending their enrollment commitment deadlines. All nine UC undergraduate campuses extended their Statement of Intent to Register (SIR) deadline for first-year undergraduate students to May 15. CSU extended the SIR deadline to no earlier than May 15, 2024 for all 23-university campuses.

Another prominent issue is that students with contributors who do not have a social security number (SSN) are unable to start or access the FAFSA form. This issue affects students from mixed status families and puts them at risk of missing the recently extended priority application deadline for California financial aid programs. On February 20, 2024, the Department of Education announced that it would resolve the SSN issue permanently in the first half of March 2024 while also offering an interim “workaround” solution until the permanent fix becomes available to filers. The “workaround” solution, however, introduces additional complications to students and contributors. For example, this “workaround” only enables students to obtain a submission date based on when they complete that step but neither generates a Student Aid Index nor yields a complete application. As a result, the Student Aid Commission is unable to inform students about their financial aid eligibility without further action by the students and contributors to finalize their FAFSAs. This delay could impact at least 100,000 students who had a parent that did not report an SSN on the FAFSA.

The Legislature may wish to consider immediate solutions to alleviate these issues for California students, families, colleges and universities. Any continued challenges could lead to fewer state financial aid applications in 2024-25.

### **Suggested Questions on FAFSA issues**

- **CA Student Aid Commission:** Please provide an update on FAFSA filings for the 2024-25 school year. How many students are impacted by these FAFSA issues?
- **CA Student Aid Commission, CCC, CSU, & UC:** Do you have any recommendations that the Legislature should consider to address these issues?

### **Suggested Questions on Middle Class Scholarship**

- **CA Student Aid Commission, CSU, & UC:** Please provide an on implementation of revamped program. When did UC and CSU students receive scholarship funding for Fall 2023? Are there any administrative challenges and additional issues that require the Legislature’s attention?
- **Administration, CSU & UC:** What was the Administration’s rationale for eliminating the 2024-25 planned augmentation for the Middle Class Scholarships? How will this affect the segments and their progress towards debt free college for its students?

**Suggested Questions on Cal Grant**

- **CA Student Aid Commission:** Please provide an update on potential implementation and cost estimates of Cal Grant Equity Framework in 2024-25. If there are revised costs then please explain, at a high-level, the causes for this revision.
- **CA Student Aid Commission:** With a budget deficit and limited funding available, what are some ways to phase-in the Cal Grant Equity Framework? Why are these ways most critical? Who would be most impacted if this approach was taken?
- **CCC, CSU, & UC:** How are you thinking about the implementation of the Cal Grant Equity Framework, if funding is included in the 2024-25 Budget Act? What challenges do you anticipate? Do you have recommendations or thoughts on a phase-in approach?

**Staff Recommendation.** Hold Open.

**6600 UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)****Issue 2: CLSF Base Adjustment and Updates****Overview**

California has five public law schools. The University of California (UC) operates four of these schools—at its Berkeley, Los Angeles, Davis, and Irvine campuses. The fifth school is affiliated with UC but operates independently in many respects, having its own governing board (known as the Board of Directors). The institute was founded by, and initially named after, Serranus Clinton Hastings, the first Chief Justice of the State of California.

**Mission and Responsibilities.** UC College of the Law, San Francisco, as recently re-named, is the oldest law school and one of the largest public law schools in the United States. CLSF’s board has similar responsibilities as the UC Board of Regents, including establishing policy, ratifying collective bargaining agreements, adopting budgets, and setting student tuition and fee levels. CLSF’s affiliation with UC offers it certain benefits. For example, CLSF uses UC’s payroll processing and investment management services. Additionally, CLSF’s employees participate in UC’s employee health and pension programs.

The mission of the CLSF is to train students for the legal profession with a comprehensive understanding and appreciation of the law. CLSF is the oldest law school and one of the largest public law schools in the United States. The business of the college is managed by an 11-member Board of Directors. CLSF is approved by the American Bar Association and accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges. CLSF is a member of the Association of American Law Schools. The Juris Doctor degree is granted by the Regents of the University of California and is signed by the President of the University of California and the Chancellor and Dean of the College of the Law, San Francisco.

Of the school’s more than 1,000 students, approximately 95 percent are enrolled in the Juris Doctor (JD) program (the most common degree students pursue to enter the legal field). The school also offers three master’s programs, one of which is a joint Health Policy and Law program with UC San Francisco (UCSF).

**Name Change.** In November 2021, the school’s Board of Directors voted to authorize its leadership to work with state legislators and other stakeholders to change the College’s name after the discovery that the school’s founder committed genocidal acts against Native Californians in the Round and Eden valleys during the 1850s. In January 2022, Board of Directors approved an initiative to change the school’s name. An official name change required legislation, passing in 2022. The 2022 Budget Act appropriated \$885,000 General Fund to support costs associated with changing the name of the institution, conditioned upon enactment of legislation authorizing a name change. As of March 2024, the school has incurred \$2.4 million in costs associated with its name change due to external contracts with several firms to implement needed changes relating to its internet domain and other re-branding efforts and legal costs.

**3-YEAR EXPENDITURES AND POSITIONS**

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5530	Support	269.2	277.3	284.8	\$233,582	\$127,971	\$125,620
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>		<b>269.2</b>	<b>277.3</b>	<b>284.8</b>	<b>\$233,582</b>	<b>\$127,971</b>	<b>\$125,620</b>
<b>FUNDING</b>				<b>2022-23*</b>	<b>2023-24*</b>	<b>2024-25*</b>	
0001	General Fund			\$112,762	\$27,052	\$26,273	
0814	California State Lottery Education Fund			288	234	233	
0993	University Funds--Unclassified			120,532	100,685	99,114	
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$233,582</b>	<b>\$127,971</b>	<b>\$125,620</b>	

**Panel**

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst’s Office
- David Faigman, Chancellor and Dean, UC College of the Law, San Francisco

*Available for additional details and questions:* David Seward, Chief Financial Officer, UC College of the Law, San Francisco

**Governor’s Budget**

**Base Adjustment.** The Governor’s budget proposes an increase of \$2.2 million General Fund ongoing to support operating costs. This represents a three percent increase base augmentation.

**UC College of the Law Spending Plan**

*UC Law SF Is Budgeting for Several Cost Increases.* As is detailed below, UC Law SF is planning for several cost increases in 2024-25. Core funds support UC Law SF’s core operations, including faculty and staff compensation. The school also uses core funds to provide merit-based student financial aid. UC Law SF currently spends around 30 percent of the tuition revenue it generates from each JD cohort on financial aid. The largest planned expense is for student financial aid. Beyond these expenses, UC Law SF intends to increase to its overall employee salary pool by three percent as well as cover employee benefit cost increases.

**School’s Spending Plan Supports Several Increases**

*Core Spending Increases, 2024-25 (In Thousands)*

Spending Component	Amount
Student financial aid	2,256
Faculty hiring	1,890
Salary pool increase (three percent)	1,032
Benefit cost increases	100
Operating expenses and equipment <sup>a</sup>	-2,138
<b>Total</b>	<b>\$3,141</b>

<sup>a</sup>Reflects One-time renaming costs, legal, 100 McAllister Tower Office Space Rent, 198 McAllister Street new academic building rents and common area charges, Adjustment of lease revenue expenditures, related to the Academic Village 333 Golden Gate

**Background**

***Tuition Revenue Is Law School’s Largest Fund Source.*** Of the school’s core funding, just over 70 percent comes from student tuition revenue and one-quarter comes from state General Fund. Remaining core funding comes from investment income, scholarly publication income, fee revenue, and the State Lottery Fund. Beyond core funding, UC Law SF receives noncore funding from certain self-supporting auxiliary programs (including its housing and parking programs). In addition, the school receives noncore funding from private donations as well as external grants and contracts.

***UC Law SF Increased Tuition Charges in 2022-23.*** From 2012-13 through 2021-22, UC Law SF held enrollment fees flat at \$43,486 for resident students. For the 2022-23 academic year, the UC Law SF Board of Directors increased tuition charges for resident students by three percent to \$44,791. The board also increased supplemental tuition charges for nonresident students. After holding the supplemental tuition charge flat at \$6,000 from 2012-13 through 2021-22, the board increased the supplemental charge by seven percent to \$6,420 in 2022-23.

***Student Enrollment.*** After hovering at approximately 950 full-time equivalent (FTE) students from 2016-17 through 2020-21, the school grew its enrollment notably in 2021-22. That year, it enrolled 151.3 additional FTE students, with its total enrollment reaching 1,101.3 students. The bulk of the came from CLSF’s JD program and the remaining growth came from its master’s degree programs. In 2022-23, CLSF experienced higher-than-typical growth, with total enrollment reaching 1155.2 FTE students. The bulk of this growth also came from the school’s JD program. The below table documents the estimated 2023-24 and projected 2024-25 enrollment outlook, which shows a slight decrease from 2022-23 levels.

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25<sup>1</sup></u>
<b>Full-Time Equivalent Students</b>			
Juris Doctor Program (JD).....			
Resident Students.....	1,015.4	993.0	988.0
Non-resident Students.....	87.6	89.0	86.0
Total Juris Doctor Program (JD) Students.....	1,103.0	1,082.0	1,074.0
Master of Laws Program (LL.M.).....	30.3	30.0	31.5
Master of Studies in Law Program (MSL).....	8.7	13.0	13.7
Master of Science, Health Policy and Law Program (HPL).....	13.2	17.0	20.0
<b>Totals, Full-Time Equivalent Students.....</b>	<b>1,155.2</b>	<b>1,142.0</b>	<b>1,139.2</b>

Though still relatively small, the CLSF’s master’s degree programs roughly doubled in size between 2020-21 and 2023-24. This is partly attributable to the addition of the new Master of Science in Health Policy and Law program launched in 2022-23.

***State Often Provides the School With General Fund Base Increases.*** Each year, the law school faces pressure to cover cost increases associated with employee compensation, OE&E, student financial aid,

and enrollment growth, among other factors. Over the past decade, the primary way the school has covered its core operating cost increases is through state General Fund base augmentations. (The school also receives state General Fund adjustments for its lease revenue bond debt service and, in certain years, specific program initiatives.) As Table 4 shows, the size of UC Law SF's base adjustments has varied since 2015-16. Average annual growth in the school's General Fund support during this period (excluding 2020-21) was roughly 10.6 percent.

**Table 4: State Has Provided Law School with Base Augmentations in Most Years**  
(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Base General Fund adjustment	\$1.0	\$1.0	\$1.1	\$1.1	\$1.4	-\$0.5	\$2.1	\$2.0	\$2.2
Percent change in General Fund	11.0	10.0	9.0	9.0	10.0	-4.0	14.0	12.0	10.0
Percent change in ongoing core funds	1.9	1.9	1.9	1.9	2.5	-0.9	3.5	3.0	4.5

**School Is Responsible for Campus Safety.** UC Law SF is located in downtown San Francisco between the Civic Center and the Tenderloin District. Over the years, the school has faced public safety issues. It has contracted with the UCSF police department for campus patrols and responses to security issues. The school also has used UCSF Public Safety Ambassadors, who lack police powers, to staff its buildings and security posts and report issues as appropriate to police personnel. The school has paid for these contract costs using its ongoing core funds. In August 2020, the Urban Alchemy nonprofit organization received funding from UC Law SF for a program to further promote campus safety. This program relies less heavily on traditional methods of policing in favor of sidewalk safety services (including interrupting public drug usage, noise disturbances, and public urination and defecation). The program prioritizes employing individuals who were formerly incarcerated or homeless in their programming. The school has been using \$1.4 million annually of its ongoing core funds redirected from the UCSF contract for Urban Alchemy to provide its programming. The school has supplemented this funding with \$3 million one-time General Fund that the state provided in 2021-22, to be spent evenly over three years (through 2023-24). The 2023 Budget Act provided an additional \$3 million, available over three years, for the program.

**Student Housing Updates as of March 2024.** The 2022 Budget Act appropriated \$90 million General Fund to support the facility improvement project at the institution's 100 McAllister Street building. This project includes seismic structural upgrades conforming to UC Law's Seismic Safety Policy, maintaining 252 campus housing units at below-market rents that would otherwise no longer be available the 198 McAllister structure completed in 2023, renovating space within the facility for academic purposes, and adding an estimated five new campus housing units for a total of 257 units at below-market rents. UC Law SF indicated that the remaining project costs will be split between conventional debt-financing and the historic tax credit equity program, which is a federal program focused on the rehabilitation of certified historic buildings.

"The Academe at 198" launched in Fall 2023 and is a 656-unit structure includes three levels of academic- and community-serving space with two courtrooms, meeting spaces, a café, and street-level retail space.

The project broke ground in September 2020 and completed work in Summer 2023. Apartments are provided at below-market rates to UC Law and other partner institution students, including more than 230 graduate students and trainees from UC San Francisco.

### **Legislative Analyst's Office Comments and Recommendations**

***LAO Recommendation: Reject Proposed General Fund Base Augmentation.*** As discussed in the LAO's overview of the Governor's budget, the state faces large projected operating deficits over the next few years. Providing CLSF with an ongoing General Fund base augmentation when the state is facing projected budget deficits would only further exacerbate those deficits. The LAO recommends the Legislature reject this proposal and retain state funding for CLSF at its existing level. While they recommend against providing CLSF with a General Fund base augmentation, they note that the college could use other core fund sources to pay for some of its anticipated cost increases. The \$2.3 million that CLSF anticipates collecting in additional tuition and fee revenue in 2024-25 is sufficient to cover nearly half of the school's anticipated operating cost increases.

### **Suggested Questions for CLSF updates**

- **CLSF:** Please provide status updates on your current and future student housing projects, enrollment outlook, capital outlay projects, and Urban Alchemy program.

**Staff Recommendation.** Hold Open

## **6120 CALIFORNIA STATE LIBRARY**

### **Overview**

The California State Library, established in 1850, collects, preserves, generates, and disseminates information. The Library administers programs funded by state and federal funds to support local public libraries and statewide library programs. The State Librarian is appointed by the Governor.

The California Library Services Board (the state board) consists of 13 members; 9 members are appointed by the Governor, 2 members are appointed by the Senate Rules Committee, and 2 members are appointed by the Speaker of the Assembly. Members serve four-year terms. The state board determines policy for and authorizes allocation of funds for the California Library Services Act. The state board also functions as the State Advisory Council on Libraries for the federal Library Services and Technology Act. The State Librarian serves as chief executive officer of the state board.

The current State Librarian is Greg Lucas. Greg Lucas was appointed California's 25th State Librarian by Governor Jerry Brown on March 25, 2014. Prior to his appointment, Greg was the Capitol Bureau Chief for the San Francisco Chronicle where he covered politics and policy at the State Capitol for nearly 20 years.

***State Library Oversees Both State-Level and Local Initiatives.*** The State Library's main state-level functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing state literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local

libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, internet services, and resource sharing, among other activities.

**Public Libraries Are Run and Funded Primarily by Local Governments.** In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. Currently, 185 library jurisdictions with 1,130 sites (including central libraries and their branches) are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to books, media, and other informational material as a core part of their mission. Around 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

**3-YEAR EXPENDITURES AND POSITIONS**

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5310	State Library Services	113.4	146.1	146.1	\$28,339	\$33,755	\$46,284
5312	Library Development Services	30.3	30.0	31.0	480,201	73,099	178,942
5314	Information Technology Services	10.9	12.8	12.8	3,200	3,673	3,683
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>		<b>154.6</b>	<b>188.9</b>	<b>189.9</b>	<b>\$511,740</b>	<b>\$110,527</b>	<b>\$228,909</b>

**Issue 3: Governor’s Proposals for the State Library**

**Panel**

- Devin Mitchell, Department of Finance
- Ian Klein, Legislative Analyst’s Office
- Rebecca Wendt, Deputy State Librarian

*Available for additional questions or details:* Chris Ferguson, Department of Finance

**Governor’s Budget Proposals**

**Reducing Support for Local Library Infrastructure.** The Governor’s budget proposes to pull back \$131 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021 and forego \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects.

**Reducing Support for Statewide Library Broadband Services.** The Governor’s budget proposes to pull back \$29 million General Fund of the \$35 million General Fund to expand broadband access to isolated and under-served communities. The Governor’s budget also rescinds \$29 million of the \$35 million one-time General Fund provided in the 2021-22 Budget Act to expand local library broadband access to isolated and under-served communities. The Governor’s budget redirects \$4.9 million of the remaining program funding to the California Department of Education for broadband infrastructure grants.

**Tribal and Rural Libraries Library Programs Consultant.** The Governor’s budget includes permanent position authority for one Library Programs Consultant in fiscal year 2024-25 and ongoing to provide Library services to Tribal and Rural Libraries. The position will be paid for with federal funds provided annually to the State Library by the Institute of Museum and Library Services.

## **Background**

***Library Infrastructure Grant Program and Previous Budget Actions.*** The Budget Act of 2021 provided \$439 million General Fund one-time for a local library infrastructure grant program to support infrastructure improvements, broadband and technology upgrades and purchasing of devices. In a February 23, 2022 Subcommittee No.1 hearing, the State Library identified the total need identified for modernization, rehabilitation, renovation, and replacement of the state’s library system and its network of 1,130 local libraries as \$5 billion. The Budget Act of 2022 subsequently included an additional \$50 million General Fund in 2022-23 and assumed \$100 million General Fund in 2023-24 to support local library infrastructure projects. Due to the budget deficit for 2023-24, the Budget Act of 2023 delayed the \$100 million earmarked for 2023-24 to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

***Implementation Update on Grant Program.*** In a status update to the subcommittee, the State Library noted that \$484 million of the \$489 million appropriated in fiscal years 2021-22 and 2022-23 has been committed to a project. Specifically, the State Library reported that a total of \$312 million went to 246 projects in 182 cities across 34 counties in 2022. In October 2023, the State Library reported an additional \$172 million in library facilities improvement grants will be awarded to 34 local libraries in 29 cities across 18 counties. The State Library noted that it implements payment plans for large scale grants to ensure that funds are being used properly and projects are progressing prior to the release of the total award. Of the \$484 million in committed project funding, \$236 million has been expended to libraries and the remaining \$248 million has been awarded to and is encumbered for specific projects.

***Library Broadband.*** The 2021 Budget Act included \$35 million one-time to support local projects to expand broadband access and upgrade equipment to access high-speed connectivity in isolated and under-served communities through a collaborative partnership of local and regional libraries, local education agencies, and telehealth providers on projects eligible to leverage funding available through the Federal Universal Service Program for Schools and Libraries. The projects funded through the proposed program are eligible to leverage funding available through the Federal Universal Service Program for Schools and Libraries (“E-Rate”). These funds are available for encumbrance or expenditure until June 30, 2025. The California State Library shall submit a report to the Department of Finance and the Legislature by April 1 of each year through 2025. The Administration reports that the State Library connectivity program has allocated only approximately \$250,000 to date.

***Tribal and Rural Libraries Library Programs.*** Previously the State Library had a dedicated Library Consultant position the creation of grant programs and communication and outreach specific to tribal communities. Upon the retirement of that consultant, duties were reassigned to existing library consultants in 2018-19. A significant increase in total number of local assistance programs and the reassignment of these responsibilities meant that the State Library no longer had a dedicated position to strengthen tribal and rural library engagement and capacity.

Currently, there federally funded grant programs to assist Native American tribes with improvement of library services for their communities. Most prominently, the Institute of Museum and library Services (IMLS) administers Native American Library Services enhancement grants of which the typical award amount varies from \$10,000 to \$150,000 per grantee. Funding is awarded to projects that include some or all of the following: “Educational programming for all ages; oral history collection and documentation; digital media and technology enhancements; institutional planning and policy development; professional training, internships, and mentorships; supporting and engaging with cultural practitioners and scholars; research and development of language and cultural material and tools; digitization and digital asset management, and retrofitting of library spaces for staff and public.” Despite this grant and non-competitive

grants, the State Library estimated that only 24 of 109 eligible federally recognized tribes in California submitted applications for IMLS grants.

**Suggested Questions on Local Library Infrastructure Reduction**

- **DOF:** Explain the rationale behind this reduction.
- **State Library:** What are most common types of projects funded by the grant program? If the Governor's proposal is included in the final budget agreement, then what will be the impact on the program? Will awards be pulled back?

**Staff Recommendation.** Hold Open.

# SUBCOMMITTEE NO. 1

# Agenda

Senator John Laird, Chair  
Senator Dave Min  
Senator Scott Wilk



**Thursday, March 14, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1020 O Street- Room 2100**

Consultants: Christopher Francis, Ph.D. and Elisa Wynne

### Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6440	University of California (UC).....	2
6610	California State University (CSU) .....	2
	Issue 1: UC and CSU System Updates .....	2
	Issue 2: Higher Education Student Housing .....	9
6610	California State University (CSU) .....	14
	Issue 3: CSU Enrollment .....	14
6440	University of California (UC).....	18
	Issue 4: UC Enrollment.....	18
	Issue 5: Governor’s Proposals for UC .....	23

### Public Comment

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*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

## DISCUSSION ITEMS

**6440 UNIVERSITY OF CALIFORNIA (UC)**  
**6610 CALIFORNIA STATE UNIVERSITY (CSU)**

### Issue 1: UC and CSU System Updates

#### Panel

- Michael V. Drake, President, University of California
- Mildred García, Chancellor, California State University
- Chris Ferguson, Department of Finance
- Jennifer Pacella, Legislative Analyst’s Office

*Available for additional questions or details:* Seija Virtanen, University of California  
 Ryan Storm, California State University

#### Governor’s Budget

**UC and CSU Compact Deferrals.** The Governor’s budget proposes one-time deferrals of \$227.8 million of \$240.2 million for UC and CSU respectively, representing a five-percent resource adjustment that is consistent with the Governor’s multi-year compact with both segments. According to the Administration, the deferrals would maintain ongoing UC and CSU General Fund at 2023-24 levels and enable both segments to pursue various interim financing to support the planned 2024-25 Compact support. The Administration also expects both segments to plan for a repayment of the one-time deferrals and ongoing General Fund to be included in its base budget in 2025-26.

**CSU Base Funding Increase in 2025-26.** Due to this deferral, the Governor intends to “double up” funding in 2025-26, such that CSU would receive an ongoing 10 percent base increase of \$494 million that year. (This consists of \$240 million to support the higher level of prior-year ongoing spending, along with \$254 million for a new five percent base increase.) In addition, the Governor intends to provide CSU with a one-time back payment of \$240 million in 2025-26 to compensate for the forgone funds in 2024-25.

**UC Base Funding Increase in 2025-26.** The Governor intends to also “double up” funding in 2025-26 for UC, such that UC would receive a base increase to support the higher level of prior-year ongoing spending (\$228 million), along with a new five percent base increase (\$241 million)—for a total increase of \$469 million in ongoing General Fund support that year. In addition, the Governor intends to provide UC with a one-time back payment of \$228 million in 2025-26 to compensate for the foregone funds in 2024-25.

#### CSU Board of Trustees’ State General Fund Request

<b>CSU State General Fund Request, 2024-25</b>	
<b>Purpose</b>	<b>General Fund amount (\$ in millions)</b>
Five percent base increase	240.2
Compensation pool increases	57
Debt Service on Academic Facilities and Infrastructure	15
Graduation Initiative 2025	30

Inflation related to non-personnel costs	28.5
Basic Needs	4
Title IX and Discrimination, harassment, and retaliation programs	8
State and Federal Native American Graves Protection and Repatriation Act Compliance	2
<b>Total</b>	<b>384.7</b>

### UC Board of Regents' State General Fund Request

<b>UC State General Fund Request, 2024-25</b>	
<b>Purpose</b>	<b>General Fund amount (\$ in millions)</b>
Five percent base increase	235.2
Backfill associated with conversion of 900 Non-resident slots to resident slots ( <i>Covered in Issue 4- UC Enrollment</i> )	29.1
Aid for 902 eligible undergrads	4.2
Health Equity Investments	4.3
<b>Total</b>	<b>272.8</b>

### Background

#### *Governor's Compact with UC and CSU*

**Compacts.** The 2022 Budget Act included funding associated with multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges that focus on shared priorities benefitting students. Under these compacts, starting in 2022-23, CSU and UC will receive five percent annual base increases over each of the next five fiscal years to support operating costs. Whereas the 2022 Budget Act includes enrollment growth funding on top of the base increases in 2022-23, the universities are expected to accommodate one percent annual resident undergraduate enrollment growth within their base increases over the remainder of the compact period (2023-24 through 2026-27).

**Budget Acts of 2022 and 2023.** Consistent with the Governor's compact, the Budget Acts of 2022 and 2023 each included five percent base increases for UC and CSU. Specifically, the budget agreements provided the following:

**Table 3:** State General Fund Support for UC and CSU under first two years of Governor's compact

<b>Segment</b>	<b>2022 Budget Act Agreement</b>	<b>2023 Budget Act Agreement</b>
UC	\$200.5 million General Fund in 2022-23 and ongoing	\$215.5 million General Fund in 2023-24 and ongoing
CSU	\$211.1 million General Fund in 2022-23 and ongoing	\$227.3 million General Fund in 2023-24 and ongoing

*Core Operating Costs and Planned Spending Starting in 2024-25*

**UC Has Several Core Operating Costs.** As with most state agencies, UC spends the majority of its ongoing core funds (about 70 percent in 2020-21) on employee compensation, including salaries, employee health benefits, retiree health benefits, and pensions. Beyond employee compensation, UC spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E). Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. Though operational spending grows in most years, UC has pursued certain actions to contain this growth. For example, UC has pursued new procurement practices and energy efficiency projects with the aim of slowing associated cost increases. Table 1 documents the UC's planned spending increases for 2024-25. Supporting \$653 million in new spending in 2024-25 would be: UC's planned uses of an anticipated increase in tuition and fee revenue, stemming from higher tuition charges as well as anticipated enrollment growth, a 2024-25 base increase, and other funds such as investment returns, increased nonresident supplemental tuition from campuses still below 18 percent nonresident enrollment and the UC's request for additional state General Fund above the compact.

**Table 1:** UC Planned Spending Increases for 2024-25

<b>UC Planned Spending Increases, 2024-25</b>	
<b>Purpose</b>	<b>General Fund amount (\$ in millions)</b>
Retirement contributions	105
Student financial aid increases	92
Represented employee salary increases	90
Faculty general salary increases	89
Non-represented staff salary increases	75
Enrollment growth	58
Health benefits for active employees	46
Operating expenses and equipment	45
Faculty merit program	39
Health benefits for retirees	11
Other	4
<b>Total</b>	<b>654</b>

**CSU Has Several Core Operating Costs.** Similarly to UC, CSU spends the majority of its ongoing core funds (about 75 percent in 2020-21) on employee compensation, including salaries, employee health benefits, and pensions. Beyond employee compensation, CSU spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E). Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. Though operational spending grows in most years, CSU has pursued certain actions to contain this growth. For example, CSU has pursued certain procurement practices and energy efficiency projects with the aim of slowing associated cost increases. Table 2 documents the CSU's planned spending increases for 2024-25. CSU's planned use of reserves, combined with an anticipated increase in tuition revenue, planned use of a 2024-25 base increase, and their request for additional state General Fund above the compact, would support \$557.3 million in new spending in 2024-25.

**Table 2: CSU Planned Spending Increases for 2024-25**

<b>CSU Planned Spending Increases, 2024-25</b>	
<b>Purpose</b>	<b>General Fund amount (\$ in millions)</b>
Employee compensation pool increases	221
Health care premium increases	78
Student financial aid increases	58
Enrollment growth	55
Graduation Initiative	30
Student basic needs and mental health program expansions	7
Liability and property insurance premium increases	23
Operations and maintenance of new facilities	12.5
Debt Service on Academic Facilities & Infrastructure	25
Title IX and Discrimination, Harassment and Retaliation program improvements	16
State California Native American Graves Protection and Repatriation Act of 2001 and federal Native American Graves Protection and Repatriation Act of 1990 compliance improvements	4.2
Inflation on Non-Personnel Costs	28.5
<b>Total</b>	<b>557.3</b>

*CSU Labor Updates*

**Most CSU Employees Are Represented by a Labor Union.** The largest union is the California Faculty Association (CFA), which accounts for half of CSU's overall salary base. CFA represents professors, lecturers, counselors, librarians, and coaches. The second largest union, accounting for nearly 25 percent of CSU's overall salary base, is the California State University Employees Union (CSUEU). CSUEU represents support staff in various roles, including administrative support, technology, operations, and health services. The remaining six unions (representing student services staff, skilled trades workers, and graduate students, among others) together comprise 10 percent of CSU's overall salary base. Managers and executive staff, who comprise about 15 percent of CSU's salary base, are not represented by a union.

**Most Employee Salary Levels Are Determined Through Collective Bargaining.** Whereas the Legislature ratifies collective bargaining agreements for most represented state employees, state law authorizes the CSU Board of Trustees to ratify collective bargaining agreements for CSU's employees. These collective bargaining agreements determine salary increases for represented employees. The agreements also often indirectly guide salary increases for CSU's non-represented employees. Over the past decade, CSU employees have received salary increases in all years except 2020-21, when the state reduced General Fund support for CSU in response to a projected budget shortfall due to the COVID-19 pandemic.

**CSU Has Negotiated Salary Increases for 2023-24.** As Table 3 shows, CSU has negotiated agreements with all of its unions to provide a 5 percent general salary increase in 2023-24. As of this writing, three of these agreements are tentative (pending ratification by the Board of Trustees and union membership) and the remaining have been ratified. As is its typical practice, CSU also is providing a comparable (5 percent) salary increase to its non-represented employees in 2023-24.

**Table 3: General Salary Increases by Employee Group Between 2023-24 and 2025-26**

Employee Group	General Salary Increases		
	2023-24	2024-25 <sup>a</sup>	2025-26 <sup>a</sup>
California Faculty Association <sup>b,c</sup>	5%	5%	Open
California State University Employees Union	5	5	— <sup>d</sup>
Academic Professionals of California <sup>b</sup>	5	Open	Open
Teamsters 2010 <sup>b</sup>	5	— <sup>d</sup>	— <sup>d</sup>
United Auto Workers	5	5	Open
Statewide University Police Association	5	5	5%
Union of American Physicians and Dentists	5	Open	Open
International Union of Operating Engineers	5	Open	Open

<sup>a</sup>Increases are contingent upon the state providing a specified amount of support to CSU.  
<sup>b</sup>Tentative agreements pending ratification by the CSU Board of Trustees and union membership.  
<sup>c</sup>Agreement also includes 2.65 percent service salary increases for faculty below certain salary levels, along with increases in the minimum salary for certain faculty positions, in 2023-24 and 2024-25.  
<sup>d</sup>In lieu of General Salary Increases, CSU and these unions have agreed to implement a salary step structure under which employees receive regular salary increases based on their length of service.

**CSU Also Has Some Contingent Salary Agreements in Place for 2024-25.** As Table 3 shows, CSU also has agreements extending into 2024-25 with five unions. Three of these agreements already have been ratified and two are tentative. Several of these agreements provide a five percent general salary increase, contingent upon the state providing a specified amount of support to CSU in 2024-25. For example, the 5 percent increase for employees represented by CFA is contingent upon the state not reducing ongoing base funding to CSU relative to the 2023 Budget Act level, whereas the salary increase for employees represented by CSUEU is contingent upon the state providing a \$227 million base augmentation to CSU. As of this writing, 2024-25 compensation increases have not yet been determined for three smaller unions, as well as non-represented employees. CSU estimates the cost of every one percent increase in its compensation pool for all employee groups in 2024-25 would be \$55 million ongoing.

### *UC Labor Updates*

**UC's Largest Operating Cost Is Employee Compensation.** Like many other state agencies, the largest component of UC's budget is employee salaries and benefits (comprising 69 percent of its core expenditures in 2022-23). UC has more control than most state agencies, however, over its compensation costs, partly because most of its employees (approximately 80 percent) are not represented by a labor union. The Board of Regents directly sets salaries and benefits for these employees. UC collectively bargains salaries and benefits for its represented employee groups, negotiating with eight labor unions. As with CSU, the Legislature does not ratify UC's collective bargaining agreements.

**Recent Developments.** In December 2022, UC and employees represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) Local 5810

reached new three-year agreements on new labor contracts. UAW represents UC Postdoctoral Scholars, Academic Researchers, Academic Student Employees (Teaching Assistants/Readers/Tutors), and Graduate Student Researchers. The agree provides provide minimum salary scales, multi-year pay increases, paid dependent access to University health care, and enhanced paid family leave. If approved, the contracts will be effective through May 31, 2025. New costs to fund academic researchers and postdocs are expected to be in the tens of millions of dollars. Table 4 documents the systemwide bargaining units and the expiration dates for their current contracts.

**Table 4:** UC Systemwide Contract Expiration Dates as of October 2023

Systemwide Bargaining Unit	Expiration Date
LX – Professional Librarians (UC-AFT)	3/31/2024
DX – Student Health Physicians & Dentists (UAPD)	6/30/2024
EX – Patient Care Technical (AFSCME)	7/31/2024
SX – Service (AFSCME)	10/31/2024
HX – Residual Health Care Professionals (UPTE)	9/30/2024
RX – Research Support Professionals (UPTE)	10/31/2024
TX – Technical (UPTE)	10/31/2024
BX – Academic Student Employees (UAW Local 2865)	5/31/2025
BR – Graduate Student Researchers (UAW Local 2865)	5/31/2025
NX – Registered Nurses (CNA)	10/31/2025
CX – Clerical & Allied Services (Teamsters Local 2010)	3/31/2026
IX – Non Senate Instructional (UC-AFT)	6/30/2026
PA – Police Officers (FUPOA)	6/30/2026
PX – Post Doctorial Scholars (UAW Local 5810)	9/30/2027
RA - Academic Researcher (UAW Local 5810)	9/30/2027

### **Legislative Analyst’s Office Comments and Recommendations**

***Deferring State Payments Is Poor Fiscal Practice.*** The LAO has previously advised against payment deferrals, as paying bills late is poor fiscal practice and ultimately can affect the state’s credit rating, resiliency, and overall fiscal health. State payment deferrals also can add borrowing costs to the affected government entities—costs the state does not cover. In addition, state payment deferrals transfer risk to the affected government entities, as the state sometimes decides to increase the size of payment deferrals the next year rather than eliminate them. The Governor’s proposed funding delays for UC and CSU have even greater risk than the deferrals the state has done to date. Whereas the state typically has used deferrals to protect existing programs from deeper cuts, the Governor is proposing that UC and CSU expand their programs, despite the multiyear deficits facing the state. Under the Governor’s approach, UC and CSU would enter 2025-26 with higher ongoing spending and lower reserves. Rather than increasing university costs, the state historically has contained those costs during such times.

**LAO Recommendation: Hold UC and CSU Funding Flat, Revisit Available Funding Next Year.** As discussed in the LAO's overview of the Governor's budget, the Governor's budget runs the risk of understating the degree of fiscal pressure facing the state in the future. The state faces significant operating deficits in the coming years, including a \$37 billion deficit in 2025-26 under the Administration's projections. The Legislature likely will face more difficult choices next year, with lower reserves and fewer options to reduce one-time spending. Given the difficulty entailed in cutting other ongoing state programs to make room for more higher education spending, there is no guarantee the state would be able to provide UC and CSU with the \$1.5 billion the Governor proposes in 2025-26. To mitigate these challenges, the LAO recommends the Legislature to hold university funding and associated spending expectations flat in 2024-25 rather than relying on revenue that is not currently available to support that spending. Such an approach would be consistent with the state's traditional approach of containing rather than increasing university costs when facing multiyear budget deficits.

**LAO Recommendation: Pull Back Additional One-Time Funding From Prior Budgets.** Though the Governor's package of proposed higher education spending reductions appears a reasonable starting point, the LAO recommends the Legislature to pull back additional unspent one-time funding from prior budgets. The LAO has been working with the segments identify the amount of one-time funding that remains unencumbered. Additional one-time savings likely could be achieved by removing funds for certain capital projects that remain in early planning phases and removing funds for certain new initiatives that remain in early implementation phases. Based upon our initial review, the LAO estimates that the Legislature could achieve at least hundreds of millions of dollars in additional higher education savings. The LAO suggests that the Legislature might want to take early action to maximize the savings it could achieve in these areas. Maximizing one-time spending reductions allows the Legislature to minimize the use of other budget tools—like reserves—that likely will be needed in future years.

### **Suggested Questions**

- **UC and CSU:** Does UC and CSU have interim financing options finalized for 2024-25, or what other short-term solutions are you exploring to cover the delayed funding?
- **Administration:** Is the Administration concerned that UC and CSU will not reach the 2024-25 compact goals because of difficulties in operationalizing the deferrals? If the segments have trouble achieving its 2024-25 compact targets because of the deferrals, then how will the Administration's address these difficulties?
- **UC and CSU:** Please provide an update on recent labor agreements or upcoming discussions with groups. Do you have enough funding to cover these agreements? How do you plan to cover the costs of these agreements? Has there been guidance from the UC Office of the President or CSU Chancellor's Office to the campuses that identifies ways to address these cost pressures?
- **Administration, UC, and CSU:** Over the last two years, UC and CSU experienced increased costs due to labor agreements. How does the Administration expect the UC and CSU to cover these cost pressures given this deferral proposal? How does UC and CSU expect to cover these cost pressures?

- **Administration, UC, and CSU:** Under the Governor’s January budget proposal, what is the total new ongoing and one-time state-supported base funding that will need to be provided to UC and CSU in 2025-26? UC and CSU- What would happen if this amount is not provided in 2025-26?

**Staff Recommendation.** Hold Open

## **Issue 2: Higher Education Student Housing**

### **Panel**

- Alex Anaya Velazquez, Department of Finance
- Jennifer Pacella, Legislative Analyst’s Office
- Seija Virtanen, University of California
- Paul Gannoe, California State University

*Available for additional questions or details:* Michelle Nguyen, Department of Finance  
Ryan Storm, California State University

### **Governor’s Budget**

**California Student Housing Revolving Loan Fund.** The budget proposes suspending funding for the program. This action would pull \$300 million General Fund in annual support between 2024-25 and 2028-29 fiscal years and revert \$194 million General Fund in 2023-24.

### **Background**

***Revolving Loan Fund Program (Program).*** The Budget Act of 2023 included \$200 million General Fund in 2023-24 and \$300 million in each of the 2024-25 to 2028-29 fiscal years for the Program. The California School Finance Authority (CSFA) and the California Educational Facilities Authority (CEFA) administers the Program, which provides zero-interest loans to qualifying University of California (UC), California State University (CSU), and California Community College (CCC) applicants for campus-based affordable student, faculty, and staff housing. In its September 2023 meeting, the CEFA stated its intent to enter an interagency agreement with CSFA to “utilize its staff and consultants to assist CEFA with various aspects of the Program, including, but not limited to, policy development, underwriting criteria, regulation development, financial model development, form development, a loan tracking system, and evaluating applications and projects.” CSFA and CEFA also solicited input from UC, CSU, and other organizations to finalize regulations, technical assistance, and marketing outreach, maximize the financing structures, and with a goal of posting applications by January 2024.

***Higher Education Student Housing Grant Program.*** The Budget Act of 2023 shifted the prior and planned limited-term General Fund support for UC, CSU, and California Community College (CCC)

affordable student housing grants to UC-, CSU-, and locally issued bonds respectively. Of note for this subcommittee hearing are the following components of the 2023 Budget Act agreement:

- Shifting \$437 million in current and planned General Fund support for UC affordable housing student grants to UC-issued bonds. To support the projects, the budget agreement included an \$50.7 million General Fund in 2023-24 and ongoing.
- Shifting \$655 million in current and planned General Fund support for CSU affordable housing student grants to CSU-issued bonds. To support the projects, the budget agreement included an \$52 million General Fund in 2023-24 and ongoing.
- Naming the UC, CSU, and CCC campuses that received funding in 2023-24.
- Shifting the support of three CCC and UC intersegmental projects from CCC to UC. This shift facilitated UC issuance of revenue bonds for the CCC portions of three intersegmental UC-CCC affordable housing projects selected in the Higher Education Student Housing Grant Program. The three intersegmental projects covered through UC revenue bonds the split in the number of beds for low-income students between the participating campuses contained in the Higher Education Student Housing Grant Program applications approved by the state and further defined in the subsequent operating agreements between each UC campus and the CCC district partnership.

Campus awardees were named in the 2022 and 2023 Budget Acts (see Table 5 and Table 6) and the program authority for UC and CSU is now exhausted. The upcoming 2024-25 fiscal year is the final year of funding for the grant program and the program authority remains for only CCC projects—at roughly \$80 million General Fund.

*UC Student Housing Projects*

**Table 5:** State-Approved UC Student Housing Construction Projects

	<b>Project Costs</b> <i>Non-Proposition 98 General Fund (Dollars in Millions)</i>		<b>Estimated Annual Debt Service</b> <i>Non- Proposition 98 General Fund (Dollars in Millions)</i>	<b>Current Phase</b>	<b>Beds</b>	
	<b>State</b>	<b>Nonstate</b>			<b>Affordable</b>	<b>Standard</b>
<b>UC Projects Approved in 2022-23</b>						
San Diego	\$100.0	\$265.0	6.8	Construction	1,100	210
Berkeley	100.0	264.8	6.8	Construction	310	790
Santa Cruz	89.0	106.4	6.1	Preliminary Plans	320	120
Irvine	65.0	15.6	4.4	Construction	300	—

Los Angeles	35.0	28.6	2.4	Construction and Working Drawings	358	84
Subtotals	(\$389.0)	(\$680.4)			(2,388)	(1,204)
<b>UC/CCC Intersegmental Projects Approved in 2023-24</b>						
Riverside	\$126.0	\$186.0	8.9	Construction	652	897
Santa Cruz	111.8	69.9	8.1	Construction	376	248
Merced	100.0	—	7.1	Preliminary Plans	488	—
Subtotals	(\$337.8)	(\$255.9)			(1,516)	(1,145)
<b>Grand Totals</b>	<b>\$726.8</b>	<b>\$936.3</b>	<b>\$50.7</b>		<b>3,904</b>	<b>2,349</b>

*CSU Student Housing Projects*

**Table 6:** State-Approved CSU Student Housing Construction Projects

	<b>Project Costs</b> <i>Non-Proposition 98 General Fund (Dollars in Millions)</i>		<b>Estimated Annual Debt Service</b> <i>Non- Proposition 98 General Fund (Dollars in Millions)</i>	<b>Current Phase</b>	<b>Beds</b>	
	<b>State</b>	<b>Nonstate</b>			<b>Affordable</b>	<b>Standard</b>
<b>CSU Projects Approved in 2022-23</b>						
San Francisco	\$116.3	\$62.7	9.2	Construction	750	—
San Marcos	91.0	29.0	7.2	Construction	390	145
Fullerton	88.9	48.0	7.1	Preliminary Plans	390	110
Long Beach	53.3	28.7	4.2	Working Drawings	424	—
Dominguez Hills	48.8	26.3	3.9	Working Drawings	238	TBD
Northridge	37.5	20.2	3.0	Construction	198	—
Fresno	31.1	16.7	2.5	Preliminary Plans	175	—
Humboldt	27.1	14.6	2.2	Construction	138	—
San Diego- Intersegmental	4.6	2.3	0.4	Preliminary Plans	78	—
Subtotals	(\$498.5)	(\$248.5)			(2,781)	(255)

<b>CSU Projects Approved in 2023-24</b>						
San Jose	\$89.1	\$244.7	7.1	Preliminary Plans	517	490
Sacramento	41.3	25.7	3.3	Preliminary Plans	285	—
Stanislaus	18.9	10.2	1.5	Preliminary Plans	75	45
Project cost overruns	7.5	—	0.6		—	—
Subtotals	(\$156.8)	(\$280.6)			(877)	(535)
<b>Grand Totals</b>	<b>\$655.2</b>	<b>\$529.1</b>	<b>\$52</b>		<b>3,658</b>	<b>790</b>

**After State Approval, CSU Changed One Student Housing Projects.** In February 2023, CSU submitted a request to the administration and Legislature for a student housing project at the San Jose campus. As originally submitted, and later approved by the state in the 2023-24 budget package, the project entailed constructing a new housing facility on campus. CSU now indicates that the San Jose campus has entered into an agreement to lease an existing commercial property off campus, with the option to purchase the property in fall 2025. CSU indicates the new project would still provide 517 affordable beds—the same as the original project. Moreover, the cost per bed would be lower and the beds would be available two to three years earlier than under the original project.

#### **Legislative Analyst’s Office Comments and Recommendations for UC Projects**

**LAO Recommendation: Recommend Pausing Projects for Which UC Has Not Sold Bonds.** Based on a data request to UC, two of the student housing projects recently converted to debt financing remain in the preliminary planning phase and have no associated debt. That is, UC has not yet sold bonds for these projects. The projects are estimated to cost a total of \$189 million General Fund. The LAO recommends that the Legislature pause these projects and remove the \$13.2 million ongoing General Fund from UC’s budget. Pausing these projects now not only helps the state address its projected multiyear budget deficits, it also helps reduce cost pressures for decades to come, as it would avoid creating new facilities that would need to be maintained over time.

**LAO Recommendation: Recommend Aligning Funding for Other UC Capital Outlay Projects With Estimated Debt Service Costs.** Whereas the state’s typical fiscal practice is to cover actual debt service costs when they become due, the state forward-funded UC for debt service on multiple projects in the 2023 Budget Act. That is, the state provided the funds before UC had issued bonds and knew its actual debt service costs. Because UC has not yet sold bonds for all of the approved projects, it has not needed all the associated state funding. The LAO estimates that UC has at least \$50 million in unspent debt service funding in 2023-24. The LAO notes that the state could achieve some one-time savings by aligning the state appropriation for debt service with UC’s actual debt service costs. The state could continue to achieve some one-time savings until UC has sold all the bonds. The amount of one-time savings would shrink over the next few years as additional bonds are sold.

#### **Legislative Analyst’s Office Comments and Recommendations for CSU Projects**

**LAO Recommendation: Legislature Could Consider Pausing Projects for Which Bonds Have Not Been Issued.** To date, CSU has not yet issued bonds for three of the projects approved for debt financing last year. These three projects are student housing projects at the San Jose, Sacramento, and Stanislaus

campuses. Whereas the Sacramento and Stanislaus projects remain in preliminary plans, the San Jose campus has already entered into an agreement with the intent to purchase an existing property using bond proceeds. Given the state's projected multiyear budget deficits, the Legislature could consider pausing some or all of these projects and sweeping the associated funding for debt service

**LAO Recommendation: Recommend Aligning Funding With Estimated Debt Service Costs.** Whereas the state provided \$100 million ongoing General Fund intended to support the debt service associated with 21 capital outlay projects, including student housing projects, actual debt service costs (even with the higher rates for taxable bonds) are expected to be lower than originally budgeted. The savings will be most substantial in the first two years because not all of the bonds will have been sold. Beginning in the third year, costs might still be slightly lower than the original appropriation depending on interest rates. Based on CSU's most recent estimates, the debt service costs associated with these projects total \$25 million in 2023-24, \$68 million in 2024-25, and \$87 million in 2025-26 and ongoing. Especially in light of the state's budget deficit, the LAO recommends the Legislature reduce the \$100 million appropriation to align with actual debt service costs. Based on current estimates, this would yield \$75 million in savings in 2023-24, \$32 million in 2024-25, and \$13 million annually thereafter.

### **Suggested Questions**

- **UC and CSU:** Please provide status updates on projects funded in the Higher Education Student Housing Grant Program. Are there challenges or difficulties that the Legislature should know about?
- **Administration:** Explain the rationale behind suspending the Revolving Loan Program. To date, how much funding has been spent and what activities have occurred?
- **UC and CSU:** What was UC and CSU's involvement in the implementation of the Revolving Loan program to date? Did UC and CSU plan to apply for funding for projects under the Revolving Loan Fund Program? If this program is suspended, then how will UC and CSU cover the costs of these projects?

**Staff Recommendation.** Hold Open

**6610 CALIFORNIA STATE UNIVERSITY (CSU)****Issue 3: CSU Enrollment****Panel**

- Devin Mitchell, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Nathan Evans, California State University

*Available for additional questions or details:* Ryan Storm, California State University

**Governor's Budget**

**Governor's Budget Maintains Enrollment Expectations Set in Compact.** Although the Governor's budget delays the planned base increase under the compact until 2025-26, it makes no changes to the associated enrollment expectations. The Governor's budget expects CSU to increase resident undergraduate enrollment by one percent annually from 2023-24 through 2026-27. The compact does not include an expectation for CSU to increase graduate enrollment.

**Background**

***Most CSU Students Are Resident Undergraduates.*** About 85 percent of CSU's students are resident undergraduates. Undergraduates may enter CSU either as freshmen or as transfer students. Historically, roughly half of CSU's incoming class each year has consisted of freshmen, and the other half has consisted of transfer students. In addition to resident undergraduates, CSU also enrolls resident postbaccalaureate and graduate students, comprising about 10 percent of its students.

***State Budget Typically Sets Enrollment Growth Expectations for CSU.*** In most years, the state sets enrollment growth expectations for CSU in the annual budget act. These growth expectations historically applied to all resident students, undergraduate and graduate. But, in recent years the state has applied them only to resident undergraduates. In addition, whereas the state historically set growth expectations for the budget year, some recent budgets have set an expectation for the following year. This approach of setting expectations one year in advance gives campuses more time to plan for growth, particularly since campuses make most of their admissions decisions for any given year before the budget is enacted in June.

***State Typically Funds Enrollment Growth According to Per-Student Formula.*** Typically, the state supports enrollment growth at CSU by providing a General Fund augmentation based on the number of additional students CSU is to enroll. The per-student funding rate is derived using a "marginal cost" formula. This formula estimates the cost of the additional faculty, support services, and other resources required to serve each additional student. It then shares those costs between state General Fund and anticipated tuition revenue. In 2023-24, the total marginal cost per student is \$14,749, with a state share of \$10,070.

***CSU Also Offers Self-Supported Courses.*** Like the other public higher education segments, CSU offers some self-supported courses (also referred to as extended education or professional and continuing education). Self-supported courses generally charge student fees intended to cover the full cost of offering them, without any state subsidy. Self-supported course offerings include an array of academic courses, professional certificate programs, and personal enrichment courses offered throughout the year.

In 2022-23, CSU enrolled 26,334 FTE students in self-supported courses. These students are not counted toward state enrollment targets.

**Many Summer Courses Have Been Self-Supported.** All CSU campuses offer some academic courses during the summer. Historically, many campuses have chosen to offer summer courses as self-supported, while others have offered them as state-supported. (Of the self-supported FTE enrollment in 2022-23, 52 percent was generated in the summer term.) Each campus sets its own fees for self-supported summer courses. Based on a review of campus websites, these fees are different from, but not consistently higher or lower than, the tuition charged for comparable state-supported courses. Students in both types of summer courses have opportunities to receive financial aid, but those opportunities tend to be greater for students in state-supported courses.

**Total CSU CA Resident Funded Enrollment Targets in Compact.** The Governor's compact does not specify the number of students CSU should enroll each year, but it sets forth that CSU is to add approximately 14,000 FTE students in total between 2022-23 and 2026-27 by increasing resident undergraduate enrollment by one percent annually. As shown in Table 7 below, this expectation is added to CSU's funded enrollment target, bringing that target from 383,680 resident FTE students in 2022-23 to 397,623 resident FTE students in 2026-27. Rather than provide designated funding for this enrollment growth, the Governor expects CSU to cover the associated cost from within its base increase each year.

**Table 7:** Governor's Compact Expectations for Resident Enrollment Growth (*Total Resident FTE Students*)

	2022-23	2023-24	2024-25	2025-26	2026-27
Enrollment target under compact	383,680 (Baseline)	387,114	390,582	394,085	397,623
Annual percentage growth under compact	--	1%	1%	1%	1%

**CSU Progress Towards Compact Target.** In a status update to the committee, the CSU also projected enrolling more than 368,042 in 2023-24- 1.6 percent higher over 2022-23 levels. Despite this rebound, CSU's estimated enrollment level of 368,042 resident FTE students is 19,072 students (4.9 percent) below its enrollment target of 387,114 FTE for 2023-24. This target reflects the number of students for which CSU has previously received ongoing state support, either directly or from within its base funding.

**CSU Progress Towards 2023 Budget Act CA Resident Undergraduate Enrollment Target.** The 2023 Budget Act included Legislative intent that CSU grow its resident undergraduate enrollment by 4,057 full-time equivalent (FTE) students and, subsequently, bring its total resident undergraduate enrollment level to 330,080 FTE students in 2023-24 relative to CSU's enrollment level in 2022-23. The increase was intended to be supported the \$227.3 million base increase in the 2023 Budget Act. CSU estimates it is enrolling 331,139 resident undergraduate FTE students in 2023-24.

**Explaining Recent Enrollment Progress.** The CSU's increase in total CA resident FTEs is attributed to the addition of approximately 5,000 annualized full-time enrolled students in summer instruction. CSU explains the increase was due to campuses shifting certain summer courses from self-supported to state-supported. The increase in state-supported students was largely offset by an accompanying decrease in self-supported students. CSU indicates the courses shifted to state-supported were generally academic courses that students took to make progress toward their degree. These include courses taken by continuing students as well as new students participating in summer transition programs. Data is not available on the specific courses that were shifted or the number of FTE students enrolled in those courses.

Despite the record new freshmen increases, transfer declines still exist. CSU estimates that less than 50,000 students transferred to the CSU compared to 62,000 new transfer students in Fall 2020. Similar to transfer student declines in UC (to be discussed later in Issue 4), this decline is attributed to community college enrollment declines, which accelerated at the start of the pandemic.

**CSU Intends to Recover Total CA Resident Enrollment Over Multiyear Period.** As discussed in the March 9, 2023 Subcommittee No. 1 hearing, because of CSU’s enrollment trends in the previous and current academic year, it would need to grow faster than one percent annually (as originally proposed in the compact) to reach these targets. CSU is planning to grow enrollment by 2.4 percent in 2024-25, followed by 2.7 and 2.8 percent annually in 2025-26 and 2026-27 respectively. Under this plan, CSU effectively would catch up to its enrollment target by the last year of the compact. Table 8 displays CSU’s plan to reach its overall funded enrollment target. The one percent increase in CSU’s enrollment target set forth in the compact equates to 3,468 additional resident undergraduate FTE students in 2024-25. CSU plans to allocate an associated \$38 million in new funding to campuses, corresponding to the state share of the marginal cost of adding those students, using reserves due to the base budget deferral covered in Issue 1.

**Table 8:** Under CSU’s Plan, Enrollment Would Recover Over Multiyear Period (*Resident Full-Time Equivalent Students*)

	2022-23	2023-24	2024-25	2025-26	2026-27
<b>Compact Expectations for Total CA Resident FTES Targets</b>					
Enrollment target under compact	383,680 (Baseline)	387,114	390,582	394,085	397,623
Annual percentage growth under compact		1%	1%	1%	1%
<b>CSU Plan to Meet Growth Target</b>					
CSU’s planned enrollment level	362,254	368,042	376,794	387,091	397,823
Annual planned percentage growth		1.6%	2.4%	2.7%	2.8%
CSU's planned enrollment relative to compact target	-5.6%	-4.9%	-3.5%	-1.8%	0.1 <sup>b</sup>
<sup>a</sup> Reflects CSU’s estimated enrollment level as of Governor’s budget. <sup>b</sup> In 2026-27, CSU plans to slightly exceed the enrollment target under the compact (0.1 percent higher).					

**In 2024-25, CSU Plans to Begin Reallocating Existing Enrollment Funding Among Campuses.** For many years, CSU has allowed campuses that miss their enrollment target to keep the associated funding. As part of its efforts to attain systemwide enrollment growth, CSU developed a plan to begin reallocating enrollment funding from campuses below their target. In 2024-25, if a campus is 10 percent or more below its enrollment target in the previous year, CSU will reallocate three percent of the campus’s target and the associated funding to campuses at or above their target. CSU plans to repeat this process in 2025-26 and 2026-27. This plan is intended to incentivize all campuses to grow, while potentially also adding capacity at the highest-demand campuses. Currently, eight campuses are more than 10 percent below their enrollment target.

## **Legislative Analyst's Office Comments and Recommendations**

***Enrollment Growth in 2023-24 Is Overstated Due to Shift in Summer Courses.*** When the Legislature sets enrollment growth expectations for CSU in the state budget, it intends for CSU to add more students. The majority of the increase in FTE students that CSU is reporting in 2023-24 is unrelated to adding more students and instead stems from shifting summer courses from self-supported to state-supported. This approach to enrollment growth does not appear to align with legislative intent. Moreover, given the state's projected budget deficits, the state likely cannot afford to begin supporting activities that were previously self-supported. Based on the decline in self-supported enrollment from the previous summer, the LAO estimates that CSU shifted 4,705 resident FTE students from self-supported to state-supported in summer 2023. If not for this shift, we estimate CSU would be enrolling only 363,337 resident FTE students in 2023-24—23,777 students fewer than its funded enrollment target.

***LAO Recommendation: CSU's Actual Enrollment Level Is Notably Below Its Funded Enrollment Target and Its Target Can Be Held Flat in 2024-25.*** Given that CSU is notably below its target, it could add many more students before it needs to allocate new funding for enrollment growth, indicating new funding for enrollment growth is unwarranted at this time. New funding is particularly unwarranted if those funds are to come from CSU's reserves, as they likely would under the Governor's budget. It would be more prudent to use those reserves to temporarily cover operating costs that cannot be avoided.

***LAO Recommendation: If More Budget Solution Is Needed, Consider Aligning CSU Funding With Its Actual Enrollment.*** One of the first options the state tends to consider when facing budget deficits is aligning funding with actual caseload. This is an approach the state has used across sectors of its budget—from education programs to health and social service programs. Given CSU's funded enrollment target is substantially higher than its actual enrollment level, the Legislature could achieve notable budget savings using this approach. The LAO estimates that the state could achieve \$239 million in ongoing General Fund savings if it reset CSU's funded enrollment target at 363,337 FTE students—reflecting its estimated 2023-24 enrollment level, adjusted to remove the estimated number of students shifted from self-supported courses. (It could set the enrollment target at a higher level for less corresponding savings.) Depending on the severity of the state budget condition, the Legislature could apply such a reduction retroactively to 2023-24 or beginning in 2024-25. This option is unlikely to have a direct impact on student access, as the new target would be based on the number of students CSU currently enrolls. It could, however, impact CSU operations, as it would reduce the amount of funding available for its operating costs. Nonetheless, having this option available could help balance the budget, particularly were the state budget condition to deteriorate further over the coming months.

## **Suggested Questions**

- **CSU:** Please provide any updates on CSU's resident undergraduate enrollment growth target for 2023-24. Does it have confidence that it will reach its 2024-25 resident undergraduate enrollment growth target? Which campuses are experiencing the most difficulty with enrollment and what challenges are they experiencing?
- **CSU:** Why did the CSU shift some summer courses from self-supported to state-supported? Is this the first time that CSU shifted self-supported courses to state-support? How many courses were selected for this support shift and why were these courses selected? How many of these students are full-time undergraduates vs part-time undergraduates? Is this practice going to occur in Summer 2024?

- **CSU:** Can you walk the subcommittee through how enrollment funding will shift in 2024-25 under the new systemwide enrollment funding formula?
- **CSU and DOF:** Do you have any comments on the LAO's recommendations? If the recommendation addresses the gap between total funded enrollment level and actual enrollment, without compromising funding for actual enrollment, then how would CSU's general operations be impacted?

**Staff Recommendation.** Hold Open

## 6440 UNIVERSITY OF CALIFORNIA (UC)

### Issue 4: UC Enrollment

#### **Panel**

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst's Office
- Seija Virtanen, University of California

#### **Governor's Budget**

**Governor Maintains Resident Undergraduate Enrollment Growth Expectations Set in Compact.** Consistent with his compact with UC, the Governor expects UC to increase resident undergraduate enrollment by one percent annually through 2026-27. The Administration retains provisional budget language allowing the Director of the Department of Finance to reduce UC funding if a target is not met. Specifically, for each student below the 2024-25 target, UC funding could be reduced at the state marginal cost rate of \$11,930. Under the compact, UC is expected to accommodate enrollment growth from within its five percent annual base General Fund increases. The Governor's budget makes no changes to these enrollment expectations although, as highlighted in Issue 1, it delays the planned base General Fund increase until 2025-26.

**Resident Undergraduate Enrollment Growth Deferral.** The Governor's budget proposes a one-time deferral of \$31 million General Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three campuses with an equivalent number of California resident undergraduate students at these campuses in 2024-25. Similar to the compact deferrals fiscal approach, the Administration expects UC to pursue various interim financing to support the planned 2024-25 support and to plan for a repayment of the one-time deferral and \$31 million General Fund ongoing to be included in its base budget in 2025-26.

#### **Background**

***State Typically Sets Enrollment Targets and Provides Associated Funding.*** Over the past two decades, the state's typical enrollment approach for UC has been to set systemwide resident enrollment targets. Until the 2015 Budget Act, these targets applied to overall resident enrollment, giving UC flexibility to determine the mix of additional undergraduate and graduate students. Since the 2015 Budget Act, however, the state has set resident undergraduate enrollment growth targets. If the overall systemwide

target has reflected growth (sometimes the state leaves the target flat), the state typically has provided associated General Fund augmentations. Augmentations have been determined using an agreed-upon per-student funding rate derived from the “marginal cost” formula. This formula estimates the cost to enroll each additional student and shares the cost between state General Fund and anticipated tuition revenue.

***Two Important Recent Modifications to State’s Enrollment Growth Approach.*** In recent years, the state has set enrollment growth targets only for undergraduates and has set those targets one year in advance (for example, setting a target in the 2021-22 budget for the 2022-23 academic year). Setting an out-year target allows the state to better influence UC’s admission decisions, as campuses typically have already made their admission decisions for the coming academic year before the enactment of the state budget in June.

***State Adopted a Nonresident Enrollment Reduction Plan for UC in the 2021 Budget Act.*** AB 132 (Committee on Budget), Chapter 144, Statutes of 2021 created a nonresident reduction plan at UC Berkeley, UCLA and UC San Diego. AB 132 specified legislative intent that UC limit the share of nonresident students at every campus to no more than 18 percent of the campus undergraduate enrollment. The law also specified legislative intent UC to gradually make progress towards achieving this policy at UC Berkeley, UCLA, and UCSD. The budget agreement noted that the state will provide \$31 million ongoing General Fund in 2022-23, \$61 million ongoing General Fund in 2023-24, and \$92 million in 2024-25 to reduce nonresident enrollment to 18 percent of the undergraduate student body, replacing about 900 nonresident students with California students annually. The 18 percent cap applies to all UC campuses, but only those three campuses currently are notably above the cap. The planned reductions are spread evenly over each year of the phase-down period. The 2022 and 2023 Budget Act agreements subsequently provided UC with funding to backfill for the loss of associated nonresident tuition revenue. If UC does not meet the reduction target, provisional language directs the Administration to reduce UC’s appropriation proportional to any shortfall.

***UC 2023 Budget Act Enrollment Targets.*** The Budget Act of 2023 directs UC to increase California resident undergraduate enrollment by 7,800 full-time equivalent (FTE) students over a two-year period—from 2021–22 to 2023–24. This increase includes:

1. The aforementioned replacement of 902 nonresident undergraduate students with California resident students at Berkeley, Los Angeles, and San Diego campuses,
2. Growth of resident undergraduate enrollment by 4,730 students with \$51.5 million, and
3. An additional 2,168 resident students using part of its General Fund base augmentation.

Altogether, the state expected UC to enroll 203,661 resident undergraduate FTE students in 2023-24. The 2023 Budget Act included budget bill language expressing the expectation that UC grow by 2,927 resident undergraduate FTE students in 2024-25, 2,947 FTE students in 2025-26, and 2,968 FTE students in 2026-27. These amounts reflect annual growth of 1.4 percent. The state’s intent was that UC would fund this new growth from base General Fund augmentations provided in each of the next three years. Table 9 below displays the 2023 Budget Act expectations for UC resident enrollment growth.

**Table 9:** 2023 Budget Act Expectations for UC Resident Enrollment Growth (*Total Resident FTE Students*)

	2021-22 Actual	2022-23 Estimated	2023-24 Projected	2024-25 Projected	2025-26 Projected	2026-27 Projected	Cumulative Growth <sup>a</sup>
Enrollment target under compact	195,861 (baseline)	197,111	203,661	206,588	209,535	212,503	16,642
Change over prior year	—	1,250	6,550	2,927	2,947	2,968	—
Annual percent change	—	—	3.3%	1.4%	1.4%	1.4%	—

**UC Progress towards Enrollment Expectations.** A January 2024 status update to the committee indicated that that UC will not reach this target and that UC may be 1400 FTE short. UC will finalize its 2023-24 enrollment counts later this year after it has better data on student unit-taking. Nevertheless, UC believes that it will come closer to hitting the enrollment target and that it will achieve its out year growth targets as well.

According to UC, the Fall 2023 entering class of California residents set a record at 59,915 new students—first-years grew over five percent and transfers were relatively flat.

While the new freshman cohort is estimated to increase for 2023-24, UC indicates that several campuses needed to go further into their waitlists later in the admissions cycle last year, which left a few campuses short of their enrollment targets. Additionally, UC’s first-to-second-year retention rate declined for three consecutive years (from 2019 through 2021)—dropping by 0.9 percentage points. UC attributes this decline to challenges students encountered during the COVID-19 pandemic.

Compared to the Fall 2022 term, nonresident undergraduate enrollment in the fall 2023 term declined at the Berkeley, Los Angeles, and San Diego campuses by an estimated 1,138 FTE students. This exceeds the state reduction target of 902 FTE students. As detailed below in Table 10 and in the November 2023 UC compact report, the share of nonresident students at Berkeley, Los Angeles, and San Diego decreased by 0.9 percent, 1.6 percent, and 1.8 percent respectively. UC projects achieving the goals set in its agreement by 2026-27.

**Table 10:** Change in share of Non-resident Students at UC Berkeley, UCLA, and UC San Diego between 2021-22 and 2026-27. (*Percent Share*)

Campus	2021-22 Non-resident Enrollment Share (%)	2022-23 Non-resident Enrollment Share (%)	2023-24 projected Non-resident Enrollment Share (%)	2024-25 projected Non-resident Enrollment Share (%)	2025-26 Non-resident Enrollment Share (%)	2026-27 Non-resident Enrollment Share (%)
Berkeley	24.4	23.5	22.0	20.6	19.2	18.0

Los Angeles	23.4	21.8	20.4	19.4	18.5	18.0
San Diego	23.6	21.8	20.5	20.1	18.3	18.0
<i>UC Systemwide Total</i>	17.7	17.1	16.4	16.1	15.5	15.3

### **Legislative Analyst’s Office Comments and Recommendations**

**LAO Recommendation: Revert Any Unearned 2023-24 Enrollment Growth Funds.** After the state enacts the 2024-25 budget, UC will finalize its enrollment counts for 2023-24. If actual enrollment that year falls short of the state target, the LAO recommends the state revert any unearned funds as part of the 2025-26 budget. Existing provisional budget language allows this reduction to occur administratively, without requiring legislative action. (Legislative action would be needed only if the Director of Finance chose not to exercise this authority.) Based on UC’s 2023-24 enrollment estimates as of February 2023, \$16 million in enrollment growth funding has been unearned.

**LAO Recommendation: Hold UC’s Resident Undergraduate Enrollment Target Flat for 2024-25 and 2025-26.** Consistent with their recommendation in Issue 1 to hold state funding for UC flat, the LAO recommends holding UC’s enrollment target at the current level of 203,661 resident FTE students for 2024-25 and 2025-26. While student demand to attend UC generally is strong, the state budget at this time cannot afford to fund enrollment growth at UC unless it can find spending reductions or revenue increases elsewhere in the budget. Moreover, even without raising UC’s enrollment target for 2024-25 or 2025-26, UC still could add some students. At its existing funded level, UC still has some room to grow (by as many as 1,383 FTE students). Furthermore, CSU has considerable room to accommodate undergraduate enrollment growth within its existing funded level.

**LAO Recommendation: Reserves Are an Option for Keeping the Nonresident Enrollment Reduction Plan on Track.** Given student demand is so strong at the Berkeley, Los Angeles, and San Diego campuses, the state might want to request that UC use its system reserves for the specific purpose of keeping the nonresident enrollment reduction plan on track. If UC were to continue implementing this plan in 2024-25, as it now expects to do, more than 1,000 slots for resident undergraduate students would become available at UC’s highest-demand campuses. Though the associated enrollment costs are ongoing, using system reserves for this specific purpose for a year or two would help relieve substantial enrollment pressures at these campuses. While using reserves for ongoing enrollment costs is not sustainable over many years, the approach might be considered on a temporary basis given the nonresident enrollment reduction plan has been such a high legislative priority.

### **Suggested Questions**

UC previously indicated confidence in reaching an enrollment growth target of 7,800 in 2023–24 over the estimated 2021–22 baseline level. Now, UC indicates difficulty with reaching its target and will fall 1400 FTE short.

- **UC:** What factors are causing UC to fall short of this target?
- **UC:** Does UC have confidence that it will reach its 2024-25 growth target?
- **DOF:** Has DOF considered potential action in response to this?

**Staff Recommendation.** Hold Open



**Issue 5: Governor's Proposals for UC****Panel**

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst's Office
- Seija Virtanen, University of California

**Governor's Budget Proposals**

**Medical School Project at UC Merced.** Consistent with a Budget Act of 2019 agreement, the budget includes an increase of \$14.5 million General Fund in 2024-25 and ongoing to support a Medical School Project at UC Merced.

**Institute for Immunology and Immunotherapy at UC Los Angeles (UCLA) Reduction.** The Governor's budget proposes to forego a \$300 million General Fund investment for a new construction project at UCLA because the project scope shifted to the acquisition and maintenance of an existing facility.

**Background**

**Medical School Project at UC Merced.** The Budget Act of 2019 (AB 74 (Ting), Chapter 23, Statutes of 2019) authorized UC to pursue a medical school project at, or near, the Merced campus and included legislative intent to support the debt service for bonds associated with this project.

The medical education program at UC Merced is a collaboration between UC Merced, UCSF, and its regional campus UCSF Fresno to address the profound physician shortage in the San Joaquin Valley by educating, in the Valley, students with strong cultural and family ties to the Valley. The program has multiple phases:

*Phase 1*

- a) San Joaquin Valley Programs In Medical Education (SJV PRIME), a four-year UCSF medical education program that is a tailored track at UCSF School of Medicine for medical students who are committed to improving health for populations, communities, and individuals in California's San Joaquin Valley.
- b) Building off SJV PRIME is an eight-year Baccalaureate-MD dual degree program called SJV PRIME+. This iteration of the program provides students a Baccalaureate degree from UC Merced and a Doctor of Medicine from UCSF, creating and expanding infrastructure and capacity at UC Merced and UCSF Fresno. According to UC, the first SJV PRIME+ cohort entered UC Merced in Fall 2023. The initial class size is 12-15 students per year.

*Phase 2*

The next phase expands the class size from 12-15 to 50 students per year.

*Phase 3*

Finally, a fully accredited independent medical school at UC Merced will be launched no sooner than 2035 and the UC Merced medical school will house this program.

***Implementation Updates for Medical School Project at UC Merced.*** The UC Regents gave final approval for the final design, California Environmental Quality Act findings, the full budget and financing of the new medical education building at UC Merced on November 15, 2023. The total project cost is \$300 million. Of this amount, \$243 million is covered by state General Fund, \$45 million by gift funds, and \$12 million by campus funds. Construction is anticipated to begin in Spring 2024 with completion slated for Fall 2026. UC indicates that a medical education facility will be necessary to receive accreditation as a medical school.

***Institute for Immunology and Immunotherapy at University of California, Los Angeles (UCLA).*** In response to the budget deficit in 2023-24, the 2023 Budget Act agreement modified the funding schedule for an independent research institute funded through a public-private partnership with the nonprofit California Institute for Immunology and Immunotherapy. This institute, originally envisioned as a new construction project, is a long-term research affiliation between UCLA and the Institute for Immunology and Immunotherapy. Under the modified funding schedule, \$500 million General Fund is spread across three fiscal years (\$100 million in 2022-2023, \$100 million in 2023-24, and \$300 million in 2024-25). Additionally, private donors pledged \$500 million to the project.

Since the adoption of the 2023 Budget Act agreement, the UC Regents approved the affiliation agreement with the Institute for Immunology and Immunotherapy in August 2023 and the project scope shifted to the acquisition and maintenance of the Westside Pavilion in Los Angeles. As of December 2023, UCLA acquired the Westside Pavilion in Los Angeles, the location will be renamed the UCLA Research Park, and will house the California Institute for Immunology and Immunotherapy, the UCLA Center for Quantum Science and Engineering, as well as programs across multiple disciplines. According to UC, the official purchase cost of the Westside Pavilion was \$700 million, of which \$357 million was covered by seller credits, \$200 million by previous State appropriations, and \$143 million by UCLA borrowing. UC estimates that the renovation costs for the Westside Pavilion to the UCLA Research Park is \$560 million.

### **Legislative Analyst's Office Comments and Recommendations**

***LAO Recommendation: Recommend Pausing New UC Merced Medical Education Building.*** The state authorized UC to finance the new medical education building using UC bonds, with the state committing to cover the associated debt service. Based on the most recent estimates, this project has a state cost of \$243 million (which the LAO highlights is the most expensive state-supported UC project to date). The Governor is proposing to provide \$14.5 million beginning in 2024-25 to cover the associated debt service. While having entered into a construction contract for the project, UC indicates that it has neither drawn commercial paper nor issued a revenue bond for the project. Under the existing project schedule, construction is to begin in Summer 2024 and be completed by Fall 2026, with the building opening to students in Fall 2027. The LAO recommend pausing this project and removing the \$14.5 million ongoing General Fund for debt service from UC's budget. The state could revisit the project once its budget condition improves.

***LAO Recommendation: Recommend Aligning Funding for Other UC Capital Outlay Projects With Estimated Debt Service Costs.*** Whereas the state's typical fiscal practice is to cover actual debt service costs when they become due, the state forward-funded UC for debt service on multiple projects in the 2023 Budget Act. That is, the state provided the funds before UC had issued bonds and knew its actual debt service costs. Because UC has not yet sold bonds for all of the approved projects, it has not needed all the associated state funding. The LAO estimates that UC has at least \$50 million in unspent debt service funding in 2023-24. The LAO notes that the state could achieve some one-time savings by aligning the

state appropriation for debt service with UC's actual debt service costs. The state could continue to achieve some one-time savings until UC has sold all the bonds. The amount of one-time savings would shrink over the next few years as additional bonds are sold.

**Suggested Questions on California Institute for Immunology and Immunotherapy at UCLA**

**UC:** Do you have an updated project timeline? Do you have an update on the amount of private funding committed to the project so far? Please share details about the terms and agreement.

**Staff Recommendation.** Hold Open

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Scott Wilk**



**Thursday, April 4, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas

<b>6100 Department of Education .....</b>	<b>2</b>
Issue 1: Expanded Learning Opportunities Program – Update.....	2
Issue 2: Attendance Recovery .....	4
Issue 3: Instructional Continuity .....	10
Issue 4: Learning Recovery Emergency Block Grant .....	14

## Public Comment

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

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**6100 DEPARTMENT OF EDUCATION****Issue 1: Expanded Learning Opportunities Program – Update****Panel.**

- Sabrina Adams, Department of Finance
- Michael Funk, Department of Education
- Edgar Cabral, Legislative Analyst’s Office

**Background.**

**Expanded Learning Opportunities Program.** The 2021 Budget established the Expanded Learning Opportunities Program to provide students access to after school and intersessional expanded learning opportunities for nine hours of developmentally appropriate academics and enrichment activities per instructional day and for at least 30 non-school days. Classroom-based local educational agencies are allocated funds based on their prior year enrollment of unduplicated pupils (low-income, foster youth, and English learners) in grades TK through sixth grade.

Beginning with the current 2023-24 fiscal year, local educational agencies with an unduplicated pupil percentage of 75 percent or above must offer expanded learning opportunity program services to all of its students and provide access to services to any student in kindergarten through sixth grade whose parent or guardian requests it. Local educational agencies with an unduplicated pupil percentage below 75 percent are required to offer it to all of its K-6 unduplicated students and provide program access to at least 50 percent of its unduplicated population. Funds provided to local educational agencies for the Expanded Learning Opportunities Program in the 2021-22 and 2022-23 fiscal year must be used to develop an expanded learning opportunity program or provide services in accordance with program requirements, and local educational agencies may use these funds until June 30, 2024.

Local educational agencies are allowed to incorporate all three after school programs and funding streams – After School Education and Safety (ASES), 21<sup>st</sup> Century Community Learning Centers, and the Expanded Learning Opportunities Program – into one comprehensive program for its communities. For example, unduplicated students who are counted towards ASES program funding are allowed to be counted towards the expanded learning program requirements, and funds provided through the expanded learning opportunities program are allowed to be used for the local match in ASES.

Funding for the Expanded Learning Opportunities Program is \$4 billion annually, with a guaranteed rate of \$2,750 per pupil multiplied by the unduplicated pupil percentage for local educational agencies with unduplicated pupil percentages of 75 percent and above (known as Tier 1). The remaining funds are divided by the local educational agencies with unduplicated pupil percentages below 75 percent (also known as Tier 2). In 2022-23, the Tier 2 rate per pupil was \$2,052, and in 2023-24, the Tier 2 rate per pupil dropped to \$1,803. Local educational agencies

may charge a fee for after school programs to students that are not eligible for free or reduced priced meals or are homeless.

**Licensure for offsite Expanded Learning Programs serving TK and Kinder Students.** During the budget development for the 2023-24 Budget Act, the Administration proposed language that would require licensure under the Department of Social Services for third-party providers of expanded learning programs serving TK and kindergarten students on off-campus sites. Ultimately, while the 2023-24 Budget did not include the licensure requirement of expanded learning programs, it did include the following provisions to give the Legislature more information and time to consider this proposal:

- Requires local educational agencies to submit expanded learning program access information for purposes of the resource and referral agency.
- Requires the Department of Education, in consultation with the Department of Social Services, to submit a report to the Legislature by February 1, 2024 on relevant data from local educational agencies on expanded learning contract partners and how many TK and kindergarten students served on a non-school site.
- Requires an expanded learning program operated by a third party that was licensed by the Department of Social Services to maintain its license if it is offering expanded learning programs in the 2023-24 school year, until June 30, 2024.

**Suggested Questions.**

- Department of Education: What have been the challenges in collecting information on expanded learning programs for statewide purposes?

**Staff Recommendation.** Hold open.

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**Issue 2: Attendance Recovery**


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**Panel.**

- Alex Shoap, Department of Finance
- Aaron Heredia, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.*****Chronic Absenteeism***

California experienced a record high statewide chronic absenteeism rate of 30 percent in 2021-22 during the COVID-19 pandemic. In 2022-23, the statewide chronic absenteeism rate remained high at 24.3 percent. Further disaggregation of the 2022-23 chronic absenteeism data shows that chronic absenteeism rates for African American, Latino, Indigenous, and Pacific Islander students are higher than the statewide average:

Race / Ethnicity	Chronic Absenteeism Eligible Enrollment	Chronic Absenteeism Count	Chronic Absenteeism Rate
African American	301,921	110,537	36.6%
American Indian or Alaska Native	26,551	9,647	36.3%
Asian	578,202	58,964	10.2%
Filipino	134,249	17,988	13.4%
Hispanic or Latino	3,344,977	966,459	28.9%
Pacific Islander	25,120	9,191	36.6%
White	1,221,741	241,143	19.7%
Two or More Races	263,620	56,315	21.4%
Not Reported	62,508	16,058	25.7%

Source: Department of Education, Data Quest

According to a May 2022 report<sup>1</sup> by the Legislative Analyst's Office, statewide attendance and enrollment declined at higher rates during the pandemic. After a few decades of significant growth, the state has faced declining enrollment and attendance over the last decade. These declines are mainly due to declines in the school-age population caused by historically low birth rates.

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<sup>1</sup> Legislative Analyst's Office, *Update on K-12 Attendance*, <https://lao.ca.gov/Publications/Report/4595>, 11 May 2022

Additionally, birth rates are projected to remain relatively low, resulting in continued declines in K-12 student enrollment.

At Governor’s Budget, the average daily attendance (ADA) – the average number of students in class each day throughout the school year, which also determines the funding a local educational agency receives through its Local Control Funding Formula apportionment – was estimated to be 5,396,404 in 2022-23 (reflecting a 0.87% growth), 5,401,820 in 2023-24 (reflecting a 0.10% growth), and 5,400,244 in 2024-25 (reflecting a decline of -0.03%).

In order to address declining attendance and enrollment and create a softer landing for the correlated decreases in funding, the 2022-23 Budget Act modified the way in which the funded ADA is calculated for school districts under the Local Control Funding Formula. Trailer bill legislation related to the 2022-23 Budget Act allowed school districts to be funded at either the current year, prior year, or the average of the three prior years of ADA, whichever is higher. Prior to this change, school districts were funded at either their current year or prior year ADA, whichever was higher.

**Minimum Instructional Time**

Existing law specifies the number of required days and required total minutes that school districts and charter schools must provide for instruction to students, with school districts also being required to meet minimum daily instructional minutes, or risk fiscal penalties for any audit findings. Below are these requirements, as provided by the Department of Education:

Charter School	Required Days	Required Minutes	Minimum Daily Instructional Minutes Requirement	Penalty for Not Offering Required Instructional Minutes	Penalty for Not Offering Required Instructional Days
Applicable to all charter schools	175	K 36,000 1-3 50,400 4-8 54,000 9-12 64,800	Charter schools do not have minimum day requirements by law.  However, charter schools do have annual day and minute requirements.	Product of total apportionment for affected students multiplied by percentage of instructional time the school failed to offer.	Apportionment proportionately reduced for each school day less than 175.

School District Conditions	Required Days	Required Minutes	Minimum Daily Instructional Minutes Requirement	Penalty for Not Offering Required Instructional Minutes	Penalty for Not Offering Required Instructional Days
Applicable to all school districts	180	K 36,000 1-3 50,400 4-8 54,000 9-12 64,800	School districts have minimum day requirements by law.  A day that doesn't meet these requirements is not considered an instructional day.	Product of total apportionment for affected grade level multiplied by percentage of instructional time school district failed to offer.	Sum of the Local Control Funding Formula (LCFF) apportionment for affected grade level average daily attendance (ADA) times .0056 times the number of days short, up to five days. For each day beyond five days that falls below the minimum required days the penalty is the product of .01143 times the school district's LCFF apportionment.

Further, classroom-based charter schools must offer at least 80 percent of its instructional time in the classroom; if a charter school offers less than 80 percent in-classroom instructional time, it

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must apply to the State Board of Education for a funding determination in order to receive funding for its nonclassroom-based average daily attendance.

### **Governor’s Budget.**

The Governor’s Budget would allow local educational agencies, excluding non-classroom based charter schools, to add attendance recovery time to the attendance data submitted to the Department of Education, both for funding purposes and chronic absenteeism data, through “attendance recovery programs.” These programs would allow students who were absent to recover instructional time through expanded learning programs (before or after school programs and/or summer intersession), and Saturday schools (which is already allowed). Expanded learning programs that would allow students to recover attendance must have instruction provided by certificated staff, include content that is substantially equivalent to what the student would have received as part of their instruction, and meet ratio requirements (1:10 for TK students, and 1:20 for all other grades).

### **Legislative Analyst’s Office.**

***Proposals Could Potentially Address Key Issues for Schools and Students.*** The proposed attendance recovery and instructional continuity programs could be effective ways to address key issues currently facing schools. Attendance recovery programs could help students mitigate learning loss due to absences. They could also help LEAs recover lost funding associated with increased rates of student absences while incentivizing additional instruction. The added flexibility provided to students through instructional continuity programs, relative to current short-term independent study, could potentially help students have an easier transition in and out of their classroom-based instructional program as issues arise throughout the school year, while also making the process less administratively burdensome for school districts.

***State Likely Cannot Support Costs Associated With New Programs.*** The Governor’s budget does not include any funding associated with the cost of attendance recovery or instructional continuity programs. Given most school districts are experiencing declining enrollment and are being funded based on the rolling average of three prior years, they likely would not generate significant additional funding in the first year of implementation. Additionally, as we discuss below, it may take time for districts to implement their new programs. Charter schools, however, would see immediate increases in funding given they are funded based on their attendance in the current year. Over the longer run, the programs likely would increase LCFF costs more substantially. Although the estimated effects of the proposals are unknown, even a 0.1 percent increase in statewide ADA could result in LCFF costs of roughly \$100 million statewide. (Of the two proposals, attendance recovery programs likely would have higher costs in the long run. Since instructional continuity programs would be replacing short-term independent study, they are less likely to result in significant additional costs.) If the Legislature is interested in implementing these programs, we recommend the Legislature delay them for at least one year. In future years, the Legislature may want to consider whether it can cover the associated costs of this proposal within its ongoing Proposition 98 funding levels. Below, we describe other specific issues the Legislature may want

to consider if it does adopt this proposal, or if it is interested in adopting the proposal in future years.

***Implementing Changes Immediately Would Be Logistically Challenging.*** Under the Governor’s proposal, LEAs could implement attendance recovery and instructional continuity programs beginning in 2024-25. Even if the state can afford to pay for these new programs immediately, the Legislature may want to delay the effective date to give the state and LEAs more time to carefully implement these programs. For attendance recovery, LEAs would need time to integrate attendance recovery into their existing programs. Trailer legislation directs CDE to develop guidance on attendance recovery programs by June 30, 2025. Delaying implementation would give LEAs the opportunity to incorporate this guidance into their initial plans. Regarding instructional continuity, LEAs cannot generate funding through the program unless their governing board adopts a written policy in line with rules and regulations set forth by CDE. Given the typical time lines for adopting regulations, final regulations may not be available in time for local governing boards to develop and adopt written policies in 2024-25. In the meantime, under the proposed language, LEAs would not be able to offer short-term independent study. Delaying implementation would allow for more time for the state and LEAs to more deliberately work through the details and would ensure that LEAs would not generate funding from these programs until they comply with rules and regulations set by CDE.

***Attendance Recovery Language Raises Several Implementation Issues.*** Many of these issues are related to how this proposal interacts with existing statute related to calculating attendance for funding purposes. Prior to adopting this proposal, the Legislature will want to ensure it understands how the proposed changes could affect attendance, which would, in turn, affect LCFF costs.

- ***Proposal Creates Two Attendance Recovery Programs With Different Requirements.*** Under the Governor’s proposal, new attendance recovery programs would operate before or after school and during intersessions, while the existing Saturday school program would operate on weekends. This would result in two programs with different requirements. Currently, Saturday school makeup classes do not have any cap on the number of days of attendance a student can generate and do not have comparable requirements around student-to-teacher ratios. To provide a more consistent set of standards, the Legislature may want to align current Saturday school requirements with the proposed attendance recovery program requirements, or consolidate both into one program.
- ***Student Participation Is Not Limited by Their Absences.*** The proposed trailer legislation specifies that students cannot generate more than 15 days of attendance through attendance recovery. The language, however, does not require that the amount of attendance generated be less than the student’s absences. This means that a student could potentially generate attendance for more than 180 days in the year. (For example, a student who attends school for 170 days and participates in 15 days’ worth of attendance recovery could generate 185 days’ worth of attendance.) We recommend the Legislature limit the amount a student can generate to no more than the amount of absences they have within the school year.
- ***Overlap Between Attendance Recovery and Other Programs.*** Attendance recovery programs also could be integrated with other existing programs that occur after school and in intersessions, such as high school credit recovery. Under the existing proposal, LEAs

likely could generate attendance recovery funding for students participating in existing credit recovery programs. This could result in significant statewide costs without necessarily higher levels of service.

- ***Expectations Around Instruction.*** The Governor’s proposal provides significant discretion to LEAs in deciding the type of instruction that will be provided in attendance recovery programs. The Legislature may want to consider setting more specific expectations for instruction provided in these programs. For example, the Legislature could direct LEAs to focus their before and after school programs for high school students on helping them keep up with their existing coursework, while intersession instruction could prioritize credit recovery. In deciding on the level of specificity, however, the Legislature will want to weigh the benefits of these requirements with the loss of flexibility that may reduce LEA participation in the program.
- ***Lack of Clarity Regarding Implementation for Charter Schools.*** The proposed trailer legislation specifies that, for the purposes of calculating ADA generated through attendance recovery programs, the minimum instructional day requirements apply to all LEAs, including charter schools. However, it is unclear how this would be implemented. For example, the proposed language does not specify whether charter schools would need to comply with the daily minimum minutes of school districts or programs operated by COEs. The Legislature may want to add more specificity to the language to ensure expectations for charters schools are clear.

### **Staff Comment.**

Since the establishment of the Expanded Learning Opportunities Program and its associated funding, local educational agencies have exercised various ways to provide enrichment and developmentally appropriate activities to its students outside of the instructional day. These activities can be provided in partnership with local community partners or be provided by the local educational agency’s certificated staff, and local educational agencies do both.

The Administration’s intent for its attendance recovery proposal is to “provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss and chronic-absenteeism, as well as related fiscal impacts.” Certificated teachers can and in some districts already do provide academic enrichment as part of the district’s expanded learning programs. Depending on how the state determines whether the lessons meet the standard of being substantially equivalent to the student’s instruction, some of these programs may qualify for attendance recovery if these changes were enacted today.

The role of expanded learning programs in a student’s educational experience can be integral in not only academic enrichment, but also in personal enrichment. CalMatters<sup>2</sup> reports:

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<sup>2</sup> Jones, Carolyn. “California Schools gained billions during COVID-19. Now the money is running out.” *CalMatters*, 5 March 2024. <https://calmatters.org/education/k-12-education/2024/03/funding-for-schools/>

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*“Mia Cooper, a parent with three children in San Bernardino City Unified, said her childrens’ after-school program has been a life-saver. In fact, it’s the main reason they want to go to school, she said.*

*“They not only benefit from tutoring, but they get to enjoy ballet and acting lessons, field trips to science museums and Disneyland, robotics classes, performances by folklórico dance troupes and other fun activities.*

*“During the pandemic, one of Cooper’s daughters was withdrawn and depressed, but the after-school program helped her reconnect with friends and fall in love with school again. Keeping the program intact should be a priority, Cooper said.*

*“‘The kids were exposed to so many different activities and cultural things,’ she said. ‘If program is working for kids and we’re seeing good outcomes, I think it’s something we need to keep. ... We shouldn’t lose that sparkle in kids’ eyes.’”*

The subcommittee may wish to consider whether the proposed changes may discourage school districts from providing interactive and non-traditional experiences that may not meet the requirements of attendance recovery programs but would otherwise provide enrichment and experiences to students that they may not otherwise receive.

Additionally, the subcommittee may wish to consider whether after school and intersession programs are an appropriate space for students to recover core instructional minutes and days, and whether local educational agencies will have the capacity to implement what essentially is a new program.

Finally, the subcommittee may wish to consider whether the proposed changes to count time spent during expanded learning programs toward funded attendance authentically target the root causes of chronic absenteeism and learning loss. While most districts may experience an immediate increase in both their Local Control Funding Formula funds and improvement in their chronic absenteeism indicator on the School Dashboard should this proposal be enacted, would these outcomes end up plateauing in a few years or will the state continue to see improvement? And, if the enrollment continues to decline, will districts face decreasing revenues again in a few years?

**Staff Recommendation.** Hold open.

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**Issue 3: Instructional Continuity**

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**Panel.**

- Katie Lagomarsino, Department of Finance
- Aaron Heredia, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.**

***Independent Study.*** Independent Study programs are intended to be an alternative to classroom instruction consistent with the local educational agency's (LEA) course of study, and is not an alternative curriculum. The flexibility of independent study programs allows it serve a variety of students – for example, students who are parents, who have been bullied, or are child actors or aspiring Olympic athletes.

In general, attendance for apportionment purposes in independent study is earned based on how long it would take to complete a lesson or assignment and not on “seat-time,” or the statutorily required time that students must be in school. In traditional independent study, a time value is assigned to student work products as determined by the teacher. Students in course-based independent study earn attendance if all of the certified course requirements are met and the student is making satisfactory progress.

With the emergency declaration of the COVID-19 pandemic in March 2020, the Governor issued a series of executive orders that allowed LEAs to waive or suspend certain requirements and provide instruction through distance learning or independent study, which continued into the 2020-21 school year. For the 2021-22 school year, however, students who wished to remain in distance learning were shifted into independent study programs.

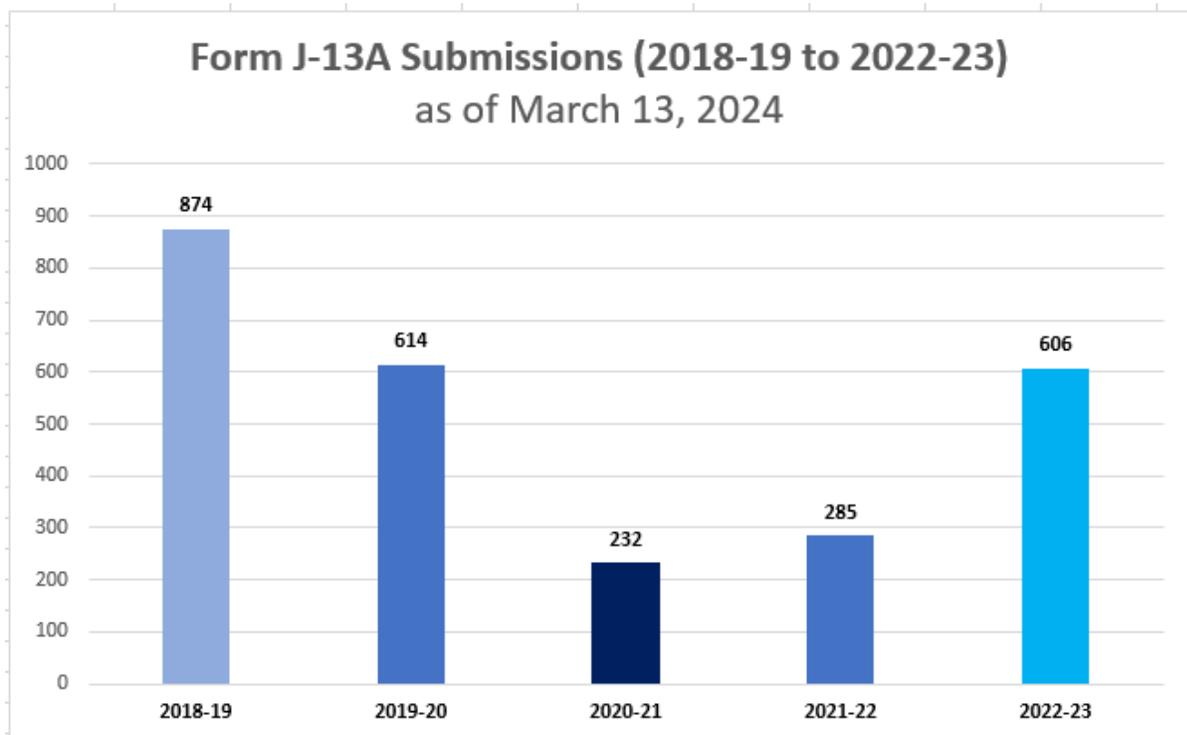
AB 130 (Chapter 44, Statutes of 2021) allowed independent study for students whose parent or guardian determined that in-person instruction would put the student's health at risk, and to allow for the tracking of ADA. Independent study can be used on a short-term or long-term basis. Short-term independent study applies to students who participate in independent study for less than 15 cumulative instructional days, and long-term independent study applies to students that participate in this program for longer than 15 days. For short-term independent study programs, some of the independent study requirements would not apply.

***Emergency-Related Funding Protection***

In the event of emergency-related school closures or material decreases in attendance, local educational agencies can use the Request for Allowance of Attendance Due to Emergency Conditions, Form J-13A to obtain approval of attendance and instructional time credit without incurring a fiscal penalty to its Local Control Funding Formula funding. Recent emergencies that resulted in the submission of J-13A forms are wildfires, flooding, power outages, and unanticipated inclement weather. Currently, local educational agencies must submit a certified plan for which independent study will be offered to students within ten days of the first day of a

school closure or material decrease with all J-13A requests. According to the Department of Education’s website, approval of a Form J-13A request is not conditioned upon the implementation of the independent study plan.

Since 2018-19, an average of 522 J-13A forms have been submitted annually to the state. According to the Department of Education, the below chart details the total number of J-13A requests that have been submitted each year:



Source: California Department of Education

These requests are broken down by types of emergencies, as follows:

Type of Emergency	2018-19	2019-20	2020-21	2021-22	2022-23
Illness Outbreak	10	9	4	73	28
Incident Weather	164	21	23	41	238
Power Outage - not PSPS	91	36	20	24	225
PSPS	19	390	57	50	61
Threat of Violence	32	27	0	17	3
Wildfire	495	114	120	25	15
Other	63	17	8	61	36
<b>Grand Total</b>	<b>874</b>	<b>614</b>	<b>232</b>	<b>285</b>	<b>606</b>

Source: California Department of Education

Additionally, of the requests since 2020-21, the number of J-13A requests that have been 5 days or longer comprise approximately 17.5% of the total requests submitted during the same time:

5 + Day Closures by Fiscal Year	Total Submissions	% of Total Submissions
2022-23	89	14.7%
2021-22	53	31.2%
2020-21	54	38.4%
<b>Total 5 + Day Closures</b>	<b>196</b>	<b>17.5%</b>

Source: California Department of Education

Most of the J-13A submissions for closures that were 5 days or longer in 2020-21 and 2022-23 were related to weather and wildfire-related emergencies; in 2021-22, the submissions were related to the COVID-19 pandemic and wildfire-related emergencies.

### **Governor's Budget.**

The proposed budget would effectively replace short-term independent study programs with instructional continuity programs. Beginning on July 1, 2025, any Form J-13As that are submitted for events that causes a school closure or material decrease of more than five days would require local educational agencies to offer students access to remote or in-person instruction, or support students and families that may be enrolled or temporarily re-assigned to another local educational agency.

The proposed budget also includes \$6 million one-time Proposition 98 General Fund to do the following:

- (1) Research existing, and develop new, models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity; and
- (2) Investigate local student information systems to identify opportunities and make recommendations to allow local educational agencies to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school.

### **Legislative Analyst's Office.**

***Instructional Continuity Exception Language Is Too Broad.*** Although instructional continuity is intended to be used for short periods of time, the language provides broad exceptions with no limit on how long instructional continuity could be used in these cases. The proposed language provides a broad definition of what it means for a student to be facing significant personal difficulties that make them unable to attend school. (We have no concerns with the other two proposed exceptions, for students dealing with an emergency or undergoing medical or other inpatient treatments.) Moreover, students exempt from the 15 day cap would have no limit on the amount of time they

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could be enrolled in an instructional continuity program. This creates an opportunity for students to be enrolled in instructional continuity for up to a full year. Considering the proposal also does not require written agreements be signed until the end of the school year, students could be enrolled in an instructional continuity program for a long period of time without having understood expectations of the program, and without having known key details required to be included in the written agreement (such as that the program is voluntary). We recommend the Legislature set narrower exemptions to the 15 day cap. The Legislature may also want to set more specific rules for students who remain enrolled beyond the 15 day cap. For example, the Legislature could set a maximum cap for all students, or it could require that a written agreement be signed by the student and parent or guardian prior to enrolling in instructional continuity more than 15 days. This would ensure that students with longer-term needs are enrolled in independent study, where LEAs are required to implement tiered reengagement strategies to better support students who are not completing their coursework.

***Consider Feasibility of Changes to Emergency Planning.*** The Legislature may want to consider whether requiring LEAs to offer instruction to all students within five calendar days of an emergency (rather than ten days) is feasible under emergency circumstances. Providing instruction as soon as possible can mitigate possible learning loss and could benefit students socioemotionally by giving them the opportunity to interact with familiar peers and adults in times of possible distress. In cases of major emergencies, however, offering instruction within five calendar days may be particularly challenging.

***Recommend Rejecting \$6 Million Grants.*** Due to the Proposition 98 shortfall, we recommend rejecting the one-time funding for COEs to conduct research. Although the specific activities proposed to be funded could be beneficial, the state currently cannot support its existing Proposition 98 commitments. The Legislature could consider providing funding for this purpose in the future when more funding is available.

### **Suggested Questions.**

- During severe climate, health, or other related emergencies, is it reasonable to expect that the adults of the local educational agency, who may also be affected by the emergency, offer instruction or support to students who transferred to neighboring local educational agencies within 5 days?

**Staff Recommendation.** Hold open.

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**Issue 4: Learning Recovery Emergency Block Grant**

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**Panel.**

- Hugo Solis Galeana, Department of Finance
- William McGee, Department of Education
- Legislative Analyst's Office

**Background.**

The 2022 Budget Act budget included a \$7.9 billion one-time Proposition 98 General Fund for the Learning Recovery Emergency Block Grant, to be allocated based on a local educational agency's unduplicated pupil percentage and available for use for up to five years to establish learning recovery initiatives. Specifically, these funds were intended to be used to:

- Increase the number of instructional days or minutes, providing summer school or intersessional instructional programs, or other programs that increases or stabilizes the amount of instructional time or services, or decreases or stabilizes staffing ratios, provided to students.
- Implement, expand, or enhance learning supports to close learning gaps. For example, tutoring, early intervention and literacy programs, expanded learning programs, and community schools.
- Address other barriers to learning – for example, mental health and counseling services, access to school meals, and expanded learning programs.
- Support credit recovery programs for students to complete graduation or grade promotion.

In the 2023 Budget Act, the budget delayed the Learning Recovery Block Grant by \$1.1 billion, for a revised total available appropriation of \$6.8 billion Proposition 98 General Fund.

A lawsuit filed in 2020, *Cayla J. v. California*, alleged that the state failed to provide the equipment, services, and support needed for low-income students to keep pace with classmates when the COVID-19 pandemic forced schools to shut down in March 2020. The state settled the lawsuit with the plaintiffs in early 2024, which include the following conditions, among others:

- Any unencumbered funds from the Learning Recovery Block Grant as of July 1, 2024 are to be used for purposes of the settlement, and a needs assessment on identified student need related to academic performance on English Language Arts and Mathematics, as well as chronic absenteeism, must be done before further spending can occur. Assessments done during the differentiated assistance process for identified local educational agencies can be leveraged for this provision.

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- Require the Local Control and Accountability Plan (LCAP) to include actions supported by the Learning Recovery Block Grant funds address student needs as identified by the needs assessment, and the rationale for selecting these actions.
  - Add a provision to the Learning Recovery Block Grant statute to encourage local educational agencies to contract or partner with community-based organizations with “a track record of success” serving high-need students to deliver services or programs funded by the block grant.
  - Clarify the Uniform Complaint Procedure complaints around LCAP adoption/approval include any member of the public.

The terms of the settlement are subject to trailer bill legislation enacted as part of the 2024-25 budget process, as passed by the Legislature, and must “substantially conform” with the parties’ agreed-upon proposals. The Administration has stated that should these changes be enacted, the LCAP template for 2025-26, 2026-27, and 2027-28 will be affected.

### **Governor’s Budget.**

The budget does not propose to adjust the total allocation amount for the Learning Recovery Emergency Block Grant, and proposes trailer bill legislation that is aligned with the settlement. In addition, the Administration proposes to add as an eligible expenditure professional development related to the July 2023 adoption of the Mathematics Framework.

### **Legislative Analyst’s Office.**

*Approve Clarification That Learning Recovery Emergency Block Grant Funds Can Be Used for Mathematics Framework Professional Development.* Using block grant funds for Mathematics Framework professional development aligns with and further supports the overall goal of accelerating learning and closing the learning gaps.

### **Suggested Questions.**

- DOF: Local educational agencies have raised concerns around the length and complexity of the Local Control and Accountability Plans. How will the template be updated to help streamline some of the requiring information in the LCAP?
- DOF: Why include the use of the Learning Recovery Emergency Block Grant funds for professional development related to the Mathematics Framework if it is not a stipulation of the settlement?

**Staff Recommendation.** Hold open.

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Scott Wilk**



**Thursday, April 11, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultants: Yong Salas and Christopher Francis

<b>6100 Department of Education .....</b>	<b>2</b>
Issue 1: California College Guidance Initiative .....	2
Issue 2: Math Curriculum Professional Development .....	6
Issue 3: Literacy Screener Professional Development .....	7
Issue 4: Inclusive College Technical Assistance Center .....	8
<b>6360 Commission on Teacher Credentialing.....</b>	<b>9</b>
Issue 5: Elementary Arts Career Technical Education Credential .....	9
Issue 6: Teacher Credential Streamlining .....	13
<b>6980 Student Aid Commission.....</b>	<b>14</b>
Issue 7: Golden State Teacher Grant Program .....	14

## Public Comment

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

**6100 DEPARTMENT OF EDUCATION**

**Issue 1: California College Guidance Initiative**

**Panel.**

- Melissa Ng, Department of Finance
- Tessa De Roy, California College Guidance Initiative
- Madison Jablonski-Sheffield, California Student Aid Commission
- Jackie Barocio, Legislative Analyst’s Office

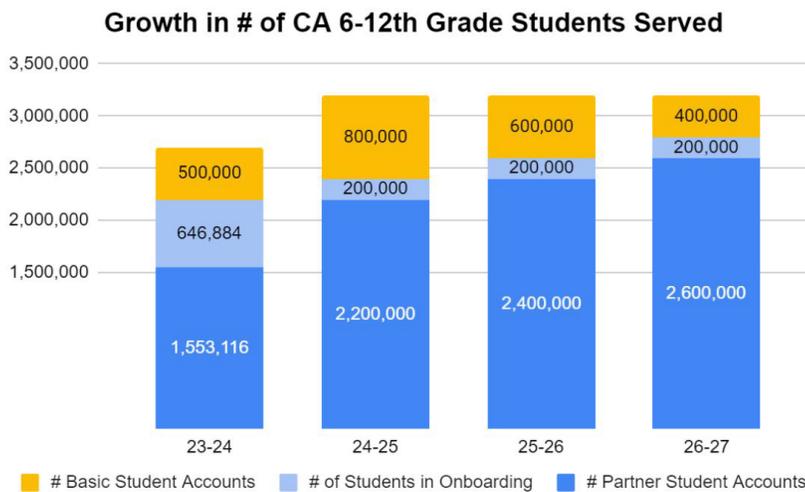
**Background.**

The California College Guidance Initiative (CCGI) was established in 1998, and since 2013 manages CaliforniaColleges.edu, an online platform that is intended to offer access to college planning, financial aid lessons, and career exploration tools to students from grades 6 to 12. CCGI and its partner local educational agencies for CaliforniaColleges.edu is scheduled to be used by all eligible students by June 30, 2026.

According to CCGI, there are 417 traditional school districts and 973 charter school sites that serve California’s 1.9 million 9-12<sup>th</sup> grade students. As of February 2024, CCGI is partnered with 212 traditional districts (serving 1.1 million students), is currently working to partner with 124 traditional districts (serving 530,000 students), and not yet in a relationship with 81 traditional districts (serving 200,000 students). Below is a chart provided by CCGI that details the expansion for eligible students served in California:



**Projected Growth in Students Served**



Source: California College Guidance Initiative

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Partner districts upload verified academic transcript data onto the platform and into students' accounts. When students from these partner districts apply to a California Community College (CCC) or California State University (CSU), relevant high school data is automatically shared. The college or university, in turn, can use the data to inform decisions about admissions and course placement. (CCGI is currently working with the University of California (UC) Office of the President to provide the same transcript functionality to UC applicants.)

***Cash for College Program.*** The Student Aid Commission manages the Cash for College outreach program in coordination with Regional Coordinating Organizations (RCO). The program provides workshops to help students in their senior year, and their families, complete their Free Application for Federal Student Aid or California Dream Act Application forms and Chafee Grant for Foster Youth application. Funds are allocated to RCOs (typically nonprofit entities) that help administer the program, supporting the high schools and colleges that host the workshops. The RCO also assist in advertising, volunteer recruitment, and navigating the process. In 2021-22, the program provided an estimated 900 workshops across the state.

The Budget Act of 2022 appropriated \$500,000 General Fund one-time in 2022-23 to expand and supplement existing Cash for College RCO, and includes reporting language. The Budget Act of 2023 increased baseline funding by \$103,000 General Fund in 2023-24 and ongoing to bring total state support for the program to \$431,000 ongoing General Fund.

***California Student Opportunity and Access Program (Cal-SOAP).*** Cal-SOAP was established by the Legislature in 1978 and is administered by the California Student Aid Commission. Between 1978 and 2021, the program focused on improving the flow of information about postsecondary education and financial aid while raising the achievement level of low-income students, first-generation college students, students from schools with documented low postsecondary education participation rates, and homeless youth. Cal-SOAP's projects provide services directly to students in middle and high schools.

After the governing statute remained the same for over 40 years, SB 737 (Limón), Chapter 575, Statutes of 2021 modernized and shifted Cal-SOAP's focus. The law shifted away from raising student achievement as one of its primary functions, moved towards increasing financial aid access, and expanded the target groups served. Specifically, the law expanded to foster youth, students who identify as being LGBTQ+, students from mixed immigration status households, students who have a disability, and other specified groups.

The program consists of the following 16 regional consortia (or projects): Central Coast (Santa Maria), Central Valley (San Joaquin), East Bay/Solano (Oakland, Richmond and Solano County), Inland Empire (through CSU San Bernardino), Long Beach, Los Angeles, Merced, Northcoast (Eureka), Riverside, Sacramento, San Diego/Imperial, San Francisco, San Jose, Santa Barbara, South County Gilroy, and South San Joaquin.

Because each project specializes in serving students within its community, the types of programs and services may differ. Some common services provided by the consortia include advising, tutoring, parent outreach, and college awareness workshops. Individual projects apply each year for continued state funding. Each state allocation must be matched by an equal or higher level of local resources.

**Past Budgets.** According to the Legislative Analyst’s Office, in 2023-24, the state provided CCGI \$18.4 million ongoing Proposition 98 for operational costs. The state currently funds CCGI as part of CDE’s budget, with Riverside COE and the nonprofit Foundation for CCC acting as intermediaries. CCGI generates some additional funding by collecting fees from participating districts and charter schools. Fee revenue for 2023-24 is projected to be slightly less than \$700,000. CCGI also receives funding from private philanthropy and institutional partners, which is projected to be less than \$1 million in 2023-24. The 2022-23 budget increased CCGI funding by \$9.2 million Proposition 98 General Fund (bringing total Proposition 98 funding to \$16.8 million). These funds were meant to cover the costs of technological development projects, new staff, and new districts joining the platform. By the end of 2022-23, \$3.9 million of Proposition 98 funds went unspent due to hiring and project delays. These unspent funds carried forward into 2023-24 on a one-time basis.

### **Governor’s Budget.**

The budget proposes \$5.1 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative and cover costs associated with providing universal accounts to all students in grades 6 to 12, expand the number of partner school districts (Year 3 of 5 of the expansion timeline), enhance the functionality of CaliforniaColleges.edu, and further support communications with other state agencies and offices to promote use of CaliforniaColleges.edu. The proposed augmentation would bring total ongoing Proposition 98 funding levels to \$23.4 million (a 24 percent increase relative to 2023-24). The 2024-25 budgeted authority does not include any expected one-time Proposition 98 carry over funds.

Trailer bill legislation is also proposed to do the following:

- Requires community college districts to include students’ coursework and grades through eTranscriptCA or its successor system so that it can be a part of students’ transcript information on CaliforniaColleges.edu.
- Requires the California School Information Services (CSIS), which currently maintains the K-12 data system CALPADS, to create and maintain a Student Information System vendor list that provides a special designation for approved vendors that meet certain criteria.
- Beginning in Fall 2024, or whenever universal basic student accounts are available on CaliforniaColleges.edu, requires local educational agencies to first direct high school students to register for an account and use services available through the platform, and then direct students and families to “supplemental programs” administered by California Student Aid Commission and other resources and community-based organizations.
- Beginning on September 1, 2024, or upon the implementation of universal basic student accounts on CaliforniaColleges.edu, require that all 11<sup>th</sup> graders be advised to complete the 11<sup>th</sup> grade financial aid lessons on CaliforniaColleges.edu.
- Requires that a representative at each local educational agency obtain a district administrator account with CaliforniaColleges.edu.

- Require local educational agencies to submit 9<sup>th</sup>-12<sup>th</sup> grade student-level data, including information related to transcript and grades, to California College Guidance Initiative once every two weeks. Local educational agencies currently submit data to the Department of Education on certain dates.

### **Legislative Analyst's Office.**

***Consider Workload Costs Associated With CCGI-Related Trailer Bill Language.*** While the proposed changes may improve the reach of CaliforniaColleges.edu across eligible districts, the Legislature may want to consider if these changes would require additional resources to implement. To the extent these changes require additional resources, the Legislature could consider delaying the implementation date until budget conditions improve.

***Reject Proposed CCGI Augmentations.*** Due to the Proposition 98 shortfall, the state cannot support additional spending without making reductions to existing commitments. As a result, we recommend the Legislature reject the proposed increase to Proposition 98 funding levels in CCGI. Given that this recommended action would delay CCGI expansion activities, the Legislature could consider amending statute to delay the implementation date of impacted activities.

***Reassess HSN and CCGI Budgets in May.*** Similar to 2022-23, total HSN and CCGI expenditures in 2023-24 may come in lower than budgeted levels by a couple of millions of dollars. These unspent funds would carry over into 2024-25. As a part of the spring hearing process, we recommend the Legislature request an estimate of unspent funds in 2023-24 and adjust 2024-25 Proposition 98 levels accordingly. Additionally, given the Proposition 98 shortfall may be greater than initial Governor's budget estimates, we believe the Legislature may need to reconsider and weigh existing funding commitments across all Proposition 98 activities, including HSN and CCGI.

### **Suggested Questions.**

- DOF: There are partner districts that are still onboarding or waiting to onboard with CCGI. Why rush a mandate for universal basic accounts before all the partner districts can join, and resolve any issues that may arise?
- DOF: The programs administered by the Student Aid Commission are well-established and are familiar with students and families. Why is the Administration proposing to direct students and families first to CaliforniaColleges.edu and its resources before programs administered by CSAC, instead of concurrently? How will counselors be prepared to provide this guidance by this fall?
- CSAC: The proposal requires local educational agencies to frequently submit coursework and grades data to CCGI, in addition to submitting data to the Department of Education. Would this align with how CSAC receives its data and how would this impact the way CSAC may receive the data it needs?

**Staff Recommendation.** Hold open.

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**Issue 2: Math Curriculum Professional Development**

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**Panel.**

- Megan Sabbah, Department of Finance
- Cheryl Cotton, Department of Education
- Jackie Barocio, Legislative Analyst's Office

**Background.**

The State Board of Education cyclically adopts various subject curriculum frameworks based on recommendations made by the Instructional Quality Commission. In July 2023, the State Board of Education approved the 2023 Mathematics Framework for California Public Schools, Kindergarten Through Grade Twelve (Mathematics Framework). The adoption in July 2023 came after much public input and multiple drafts of the Mathematics Framework. The Mathematics Framework is then used to inform classroom instruction and instructional materials adoption as well as professional development.

**Governor's Budget.**

The budget proposes \$20 million Proposition 98 General Fund, subject to the approval of the State Board of Education executive director, to one or more county offices of education, or consortia of county offices of education, to partner with the California Mathematics Project to develop and deliver educator training, including the training of mathematics coaches, that is aligned with the Mathematics Framework that was recently adopted by the State Board of Education in July 2023. These funds would be available through June 30, 2028.

Additionally, the budget includes a proposal for the Learning Recovery Block Grant to add as an eligible expenditure professional development related to the July 2023 adoption of the Mathematics Framework, which was discussed at this subcommittee's April 4 hearing.

**Legislative Analyst's Office.**

***Reject Duplicative Funding for Instructional Resources and Training for Math Coaches.*** We recommend rejecting the proposed augmentation given that it is duplicative of existing block grant activities. LEAs can use existing Learning Recovery Emergency Block Grant funds for these activities, and could choose to partner with the California Mathematics Project to develop and administer professional development activities. Moreover, existing Proposition 98 funding is not sufficient to cover the state's existing commitments. If the Legislature wanted to require LEAs to implement a specific professional development model, it could instead require a portion of existing block grant funds be used for this purpose.

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**Suggested Questions.**

- DOF: If the Legislature approves the addition of professional development for the mathematics framework as an eligible cost for the Learning Recovery Block Grant, why would an additional \$20 million for this purpose be necessary?

**Staff Recommendation.** Hold open.

<b>Issue 3: Literacy Screener Professional Development</b>
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**Panel.**

- Megan Sabbah, Department of Finance
- Nancy Brynelson, Department of Education
- Jackie Barocio, Legislative Analyst's Office

**Background.**

The 2023 Budget requires local educational agencies to screen students in grades kindergarten through 2<sup>nd</sup> grade, beginning in 2025-26, for risks of reading difficulties. The 2023 Budget also included \$1 million to convene an independent expert panel to approve a list of screening instruments by December 31, 2024, and requires local educational agencies to adopt a screening instrument from this list by June 30, 2025.

**Governor's Budget.**

The budget proposes \$25 million ongoing Proposition 98 General Fund for professional development to provide literacy difficulties screeners for students in grades kindergarten through second grade. This funding is proposed to be a part of the K-12 Mandates Block Grant.

**Legislative Analyst's Office.**

***Delay Implementation Date of Reading Screening Requirement Until the State Can Properly Assess Ongoing Training Costs.*** We believe it is premature to provide funding on an ongoing basis for training activities prior to knowing the exact screener tools LEAs could use, the number of educators that would need to be trained, and the scale of ongoing training needs. Additionally, LEAs may have a limited amount of time to start up and complete training activities prior to the required implementation date. By delaying the implementation date of the reading difficulties screening requirement, the state would have time to calculate a realistic and appropriate cost estimate. Additionally, delaying the implementation date would give the Legislature more time to consider the benefits and trade-offs of funding training activities either through the K-12 mandates block grant or annual budget process. For example, funding training activities through the annual budget process gives the Legislature more flexibility to right-size funding levels based on actual expenditures in any given year. Delaying implementation also would avoid adding \$25 million in

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ongoing Proposition 98 costs in a time when Proposition 98 funding cannot support existing commitments.

**Suggested Questions.**

- DOF: Will this professional development include guidance on how English Learners or bilingual/multilingual learners be screened?

**Staff Recommendation.** Hold open.

<b>Issue 4: Inclusive College Technical Assistance Center</b>
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**Panel.**

- Jodi Lieberman, Department of Finance
- Shiyloh Becerril, Department of Education
- Sara Cortez, Legislative Analyst's Office

**Background.**

What are the postsecondary options available for students with disabilities after graduation?

According to the California State University (CSU), all universities in the CSU system have an office providing services to students with disabilities. The disabilities range from physical limitations to neurodiversity with various accommodations (e.g., assistive technologies, digital text, interpreters, real-time captioners, note takers, readers, and testing accommodations) to support the students. In Fall 2022, universities in the CSU system served over 23,000 students with disabilities, and students who are neurodiverse accounted for 73% of the total served.

Within the University of California (UC) system, currently two campuses – UC Davis and UCLA – have programs specifically for students with intellectual disabilities.

At UC Davis, the Redwood SEED program is a four-year program through UC Davis Continuing and Professional Education for students aged 18-23 with intellectual disabilities. Redwood SEED is currently seeking Certified Transition Program status (as a new program it will be eligible to apply after a full year of operation).

At UCLA, Pathway is a two-year certificated program through UCLA Extension for students with developmental disabilities. All campuses provide services for students with disabilities, including intellectual disabilities.

For pathways to college, UC engages in educational partnerships with K-12 schools through its Student Academic Preparation and Educational Partnerships (SAPEP) programs; these programs serve primarily K-12 schools and assist students with plans and transition to postsecondary education. These programs would be available to local educational agencies and to a Technical

Assistance Center (TAC) to assist students with intellectual disabilities to plan for college. According to the UC, SAPEP programs serve students preparing for any postsecondary institution, not only UC.

Services and resources within the Community Colleges system vary depending on local campuses, however, according to the California Community College Chancellor's Office, most college websites at minimum give detailed information on how to transition from high school to college with Disabled Students Programs and Services (DSPS) supports, along with who to contact if they need additional support. Examples of support may include: Student/Parent workshops on the transition from high school to college, in partnership with Regional Centers and Department of Rehabilitation; or push-in counseling (i.e., going into the school and completing initial/comprehensive education plans)

### **Governor's Budget.**

The budget proposes an ongoing \$2 million Proposition 98 General Fund to support an Inclusive College Technical Assistance Center. The California Center for Inclusive College, which will be administered by a county office of education, is proposed to increase awareness of, and access to, inclusive and experiential postsecondary education and employment opportunities for students with intellectual disabilities through degree, certificate, or non-degree programs that ideally include an independent living component.

The California Center for Inclusive College will be administered by a county office of education, in partnership with a local regional center, its local public postsecondary educational institutions, and the University of California, Davis MIND Institute.

**Staff Recommendation.** Hold open.

## **6360 COMMISSION ON TEACHER CREDENTIALING**

### **Issue 5: Elementary Arts Career Technical Education Credential**

#### **Panel.**

- Megan Sabbah, Department of Finance
- Erin Skubal, Commission on Teacher Credentialing
- Jackie Barocio, Legislative Analyst's Office

#### **Background.**

With the passage of Proposition 28, the Arts and Music in Schools ballot initiative in 2022, nearly \$1 billion outside of Proposition 98 is dedicated to funding for arts education in schools a year. Additionally, the initiative requires that for local educational agencies with 500 or more students, at least 80 percent of its funds must be used for salaries and benefits and 20 percent be used for

training and materials. The 2023-24 fiscal year was the first year in which Proposition 28 dollars were allocated.

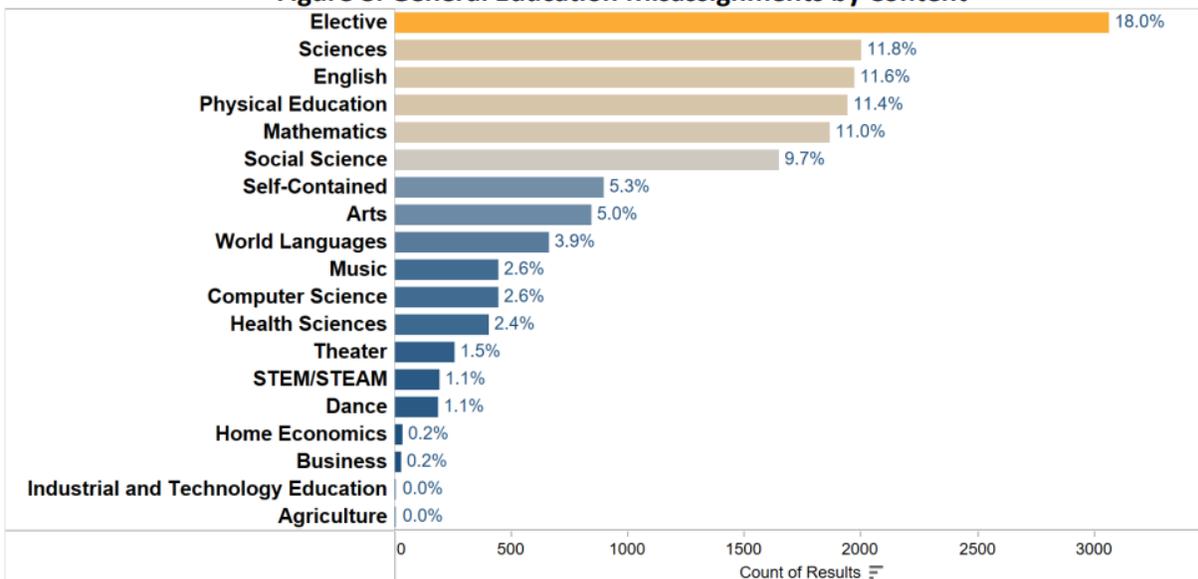
**Pathways to becoming an arts teacher.** Currently, general education courses in art at the elementary level may be offered in one of two ways: as a standalone course where there is a dedicated art teacher that is responsible for teaching the art content throughout the day to different groups (classes) of students, known as departmentalized delivery, or as embedded content into their regular school day from the teacher that also teaches them other subject areas, known as self-contained delivery. There are different credentialing requirements depending on which delivery model is used.

For departmentalized delivery, a teacher must hold either a single subject credential that authorizes the art content being taught (art, music, theater, or dance), or a single or multiple subject with a supplementary authorization added. Supplementary authorizations require at least 20 semester units of coursework in the content area being sought or a degree major in the content area.

For self-contained delivery, a teacher must hold a multiple subject credential which allows them to teach any subjects to the same group of students throughout the day.

Data from the 2020-2021 assignment monitoring year showed that art, music, theater, and dance together make up only 10.2% of all teacher misassignments. Misassignments can be the first indicator of a teacher shortage, as they represent instances where a local educational agency was required to employ an educator that does not hold the appropriate credential for the assignment. In comparison, the core content areas of Science, English, Mathematics, and Social Science make up a total of 44.1% of misassignments in this monitoring year. The table below originally appeared in page 15 of Agenda Item 6A, presented at the Commission on Teacher Credentialing’s October 2022 public meeting.

**Figure 8: General Education Misassignments by Content**



A preliminary Career Technical Education (CTE) credential is issued to individuals who have verified three years of work experience (with each year equaling 1,000 hours) directly related to each industry sector named on the credential. At least one year of the required work experience must be within the last five years, or two years within the last ten years. Self-employed individuals must verify that they were self-employed under penalty of perjury, with third-party substantiating this self-employed work experience. A CTE credential holder may teach grades 7 through 12.

There is evidence that a shortage of CTE credential holders with the Arts, Media, and Entertainment industry sector exists for CTE Pathway programs in grades 7-12. In the same report noted above, page 18 shows that CTE courses within the Arts, Media, and Entertainment sector were by far the most misassigned content area, with nearly 30% of all CTE misassignments.

**Figure 10: Misassigned Courses by Industry Sector**

CTE Industry Sector Misassignments		
Broad Subject	Courses	Percent of Total
<b>Arts, Media, and Entertainment</b>	2,309	29.32%
<b>Health Science and Medical Technology</b>	1,055	13.40%
<b>Information and Communication Technology</b>	640	8.13%
<b>Engineering and Architecture</b>	560	7.11%
<b>Public Service</b>	514	6.53%
<b>Hospitality, Tourism, and Recreation</b>	507	6.44%
<b>Transportation</b>	444	5.64%
<b>Building and Construction Trades</b>	385	4.89%
<b>Business and Finance</b>	309	3.92%
<b>Agriculture and Natural Resources</b>	287	3.64%
<b>Education, Child Development, and Family Services</b>	265	3.37%
<b>Manufacturing and Product Development</b>	198	2.51%
<b>Marketing, Sales, and Service</b>	178	2.26%
<b>Fashion and Interior Design</b>	102	1.30%
<b>Energy, Environment, and Utilities</b>	64	0.81%
<b>Work Experience Education</b>	57	0.72%
<b>Grand Total</b>	<b>7,874</b>	<b>100.00%</b>

Misassigned Courses and Percent of Total broken down by Industry Sector. Misassignments include *2019-20 Charter, Corrected MA, Misassigned, None and Vacancies* determinations.

**Governor’s Budget.**

The Administration proposes to authorize individuals to teach an arts, music, dance, or theater program to students in grades kindergarten through six while holding an elementary CTE credential. Individuals who are seeking to hold this credential would also have to complete 24 units for preparation in the elementary school context, including courses on teaching students with special needs.

The proposal also requires that any local educational agency that employs individuals with these elementary arts CTE credentials will need to provide them mentorship and support of a teacher with a single subject clear credential or a multiple subject clear credential in the first two years.

The proposal also authorizes a one-year emergency permit and renewals that authorizes art, dance, music, or theater to holders of clear CTE credentials authorized in arts, media, and entertainment, as long as certain conditions are met.

**Legislative Analyst’s Office.**

*Consider Benefits and Trade-Offs of Elementary Arts and Music Education Authorization.* The proposed elementary arts and music education authorization may make it easier for schools to hire arts and music teachers. However, the Legislature may want to weigh this benefit against the likelihood that teachers with the new authorization may not be as prepared to teach in an elementary and early childhood setting as teachers with a single subject credential in arts or music. Additionally, the Legislature may want to consider whether the Governor’s proposal can be amended to address any potential trade-offs, or if the administration should present a revised proposal next year that addresses these issues.

**Suggested Questions.**

- DOF: If misassignment data may be an indicator of teacher shortages, there seems to be subject areas where the teacher shortages may be more acute. Why is the expansion of CTE credential holders in arts, media and entertainment necessary for elementary school-aged students, given that a pathway for multiple-subject credentialed teachers to obtain an authorization to teach these areas already exist?

**Staff Recommendation.** Hold open.

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**Issue 6: Teacher Credential Streamlining**

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**Panel.**

- Megan Sabbah, Department of Finance
- David DeGuire, Commission on Teacher Credentialing
- Jackie Barocio, Legislative Analyst’s Office

**Background.**

The 2023 Budget Act included trailer bill legislation that directed the Commission on Teacher Credentialing to examine and determine how it can ensure that transcripts will be reviewed for all candidates requiring determinations of basic skills or subject matter competence as part of their credentialing requirements. The Commission was required to provide recommendations to the Legislature and the Administration by November 15, 2023.

***Basic skills requirement.*** In California, all teacher candidates must verify basic skills proficiency before a teaching credential, certificate, or permit is issued by the Commission on Teacher Credentialing. Historically, many, if not most, teacher candidates met this requirement by taking the California Basic Educational Skills Test (CBEST) exam.<sup>1</sup> AB 130 in 2021, as part of the 2021 Budget, expanded the options for candidates to meet the basic skills requirement through other exams, coursework, and other methods. Now, the basic skills requirement can be met by several different methods, including: (1) specified coursework that is completed with a passing grade of “B” or better; (2) specified coursework and passing qualifying exams such as the CBEST or the California Subject Examinations for Teachers (CSET); (3) qualifying scores on an AP exam, the SAT or ACT; (4) passing the CBEST or CSET; (5) or other methods as identified by the Commission.

***Subject matter competency requirements.*** All teacher candidates must demonstrate proficiency in the subject matter area of their intended credential. Like the basic skills requirements, historically, candidates met subject matter competency requirements through passing the CSET or completing a subject matter program at a four-year institution. AB 130 in 2021 allowed more flexibility for candidates to meet this requirement with applicable coursework and the CSET

***CTC Report to the Legislature on Basic Skills Requirements and Subject Matter Competency.*** The report found that teacher preparation programs at institutions of higher education, as well as the Commission on Teacher Credentialing, had challenges reviewing transcripts for subject matter competency. It recommended that the requirements of subject matter competency be clarified and that there be a central clearinghouse of recognized coursework at higher education institutions that would meet subject matter competency requirements. As an alternative, it also offered to conduct the subject matter competency coursework transcript review itself.

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<sup>1</sup> Commission on Teacher Credentialing, *CTC Report to the Legislature Regarding Senate Bill 114, Section 107*. 15 November 2023.

**Governor’s Budget.**

The budget proposes trailer bill legislation that clarifies that completing a bachelor’s degree satisfies the basic skills proficiency exam for a credential, and proposes to streamline the transcript review process to certify subject matter competency by leveraging the Commission on Teacher Credentialing’s current accreditation process.

**Legislative Analyst’s Office.**

***Approve Changes to Basic Skills and Subject Matter Competency Requirement and Continue to Investigate Other Possible Improvements.*** Given how burdensome the basic skills proficiency exam and current subject matter transcript review process is for teacher candidates, we recommend the Legislature approve the relevant changes included in the Governor’s proposed trailer bill legislation. The Legislature may also want to consider further identifying other barriers that exist within the current teacher credentialing and authorization process. For example, CTC identified that the current subject matter transcript review process could be further improved by (1) creating a single, statewide master list of courses across all regionally accredited institutions that meet specific subject matter domains, and (2) providing ongoing outreach to increase the awareness among candidates that the subject matter competency requirement could be satisfied through coursework. (We would note that, due to the budget deficit, improvements to the credentialing process that require additional resources cannot be supported without making reductions in other areas at this time. The Legislature could consider adopting these improvements in the future when budget conditions improve.)

**Staff Recommendation.** Hold open.

## 6980 STUDENT AID COMMISSION

### Issue 7: Golden State Teacher Grant Program

**Panel**

- Aman Singh, Department of Finance
- Chris Ferguson, Department of Finance
- Madison Jablonski-Sheffield, California Student Aid Commission
- Jackie Barocio, Legislative Analyst’s Office

**Background**

***California Has Teacher Shortages in Certain Subject Areas and Schools.*** Over the years, some school districts have experienced challenges finding credentialed teachers. These challenges have been concentrated in certain subject areas and schools. The state has identified persistent teacher shortages in special education, science, and math. Additionally, urban schools and rural schools in low-income areas tend to experience greater difficulties with staffing and are more likely than other schools to hire underprepared teachers. Although these challenges are

long-standing, teacher shortages have worsened since the start of the pandemic, which prompted teachers to leave the workforce at accelerated rates.

***State Created the Golden State Teacher Grant (GSTG) for Prospective Teachers in 2019.*** The California Student Aid Commission administers the GSTG program. This is one of several initiatives the state created in recent years to address teacher shortages. The program provides grants of up to \$20,000 to students in professional preparation programs approved by the Commission on Teacher Credentialing (CTC) and working towards earning their preliminary teaching or pupil personnel services credential. These students must commit to working for four years at a priority school or preschool program. Under current law, the service requirement involves working for four years at a “priority school”—defined as a school where at least 55 percent of students are low-income, English learners, or foster youth. Originally, recipients were also required to commit to teaching in certain subject areas—special education; science, technology, engineering, and math; bilingual education; elementary school; and transitional kindergarten (TK). If a student either decides to not complete their credentialing or the service requirement, the GSTG funds will need to be returned to the state via the Student Aid Commission.

***Budget Actions in 2021, 2022, and 2023.*** The 2021 Budget Act included \$500 million one-time General Fund to support the program. The \$500 million appropriation for Golden State Teacher Grants was to be spent across five years, ending June 30, 2026. The 2022 Budget Act also made several changes to the program. Most notably, whereas the program previously was open only to teacher candidates in certain high-need subject areas, it is now open to teacher candidates in any subject area, as well as candidates for pupil personnel services credentials (which authorize individuals to work in school counseling, social work, psychology, and child welfare). The 2023 Budget Act further modified the program to allow participants to serve at preschools and expanded program eligibility to institutions that offers services online to students and offers a professional preparation program approved by the Commission on Teacher Credentialing as of January 1, 2023, among other requirements.

***Implementation Updates.*** Tables 1 through 4 provide information on applications received and awards from the GSTG program between the 2020-2021 and 2023-2024 cycles. This data reflects the Commission’s updates as of March 14, 2024.

**Table 1: Number of GSTG applications received by segment**

SEGMENT	2020-2021	2021-2022	2022-2023	2023-2024
CSU	270	1,154	3,649	5,669
UC	6	272	513	602
AICCU	503	1,922	5,984	8,471
LEA	N/A	608	1,069	1,077
<b>TOTAL</b>	779	3,956	11,215	15,819

*Source: California Student Aid Commission*

**Table 2: Number of GSTG applications awarded by segment**

SEGMENT	2020-2021	2021-2022	2022-2023	2023-2024
CSU	135	695	2,400(2,252 new*)	3,097 (2,645 new)
UC	0	206	389 (385 new)	405 (401 new)
AICCU	354	1,272	4,358 (4,267 new)	4,702 (4,241 new)
LEA	N/A	542	815 (811 new)	748 (734 new)
<b>TOTAL</b>	489	2,715	7,962 (7,715 new)	8,952 (8,021 new)

Source: California Student Aid Commission

\*The Commission notes that “new” refers to new awardees in that year. Awardees can receive payments across multiple years.

**Table 3: Total Dollar Amount of GSTG Awards Paid by segment**

SEGMENT	2020-2021	2021-2022	2022-2023	2023-2024
CSU	\$1,945,787	\$10,383,993	\$36,461,958	\$45,732,909
UC	\$0	\$3,933,232	\$7,491,573	\$7,727,177
AICCU	\$5,659,048	\$23,716,542	\$76,646,455	\$80,571,824
LEA	N/A	\$10,552,117	\$15,909,668	\$14,707,936
<b>TOTAL</b>	\$7,604,835	\$48,585,884	\$136,509,654	\$148,739,846

Source: California Student Aid Commission

**Table 4: Average Amount of GSTG Award Paid by segment**

SEGMENT	2020-2021	2021-2022	2022-2023	2023-2024
CSU	\$14,413	\$14,941	\$15,192	\$14,767
UC	\$0	\$19,093	\$19,259	\$19,079
AICCU	\$15,986	\$18,645	\$17,588	\$17,136
LEA	N/A	\$19,469	\$19,521	\$19,663
<b>OVERALL AVERAGE</b>	\$15,552	\$18,037	\$17,890	\$17,661

Source: California Student Aid Commission

At the current rate of applications, eligibility for awards, and expenditure, the Commission’s analysis suggests that up to \$177 million could ultimately be awarded in the 2023-24 year. To date, approximately \$341 million has been spent on awards. Although the funding for GSTG is available through June 30, 2026, the Student Aid Commission notes that the high demand will lead to the fully expended funding during the 2024-25 fiscal year. This demand is attributed to expanded eligibility in this most recent cycle.

### **LAO Assessment and Recommendation**

**LAO Recommendation: Some Golden State Teacher Grant Funds Remain Unspent and Given State Budget Condition, Recommend Pulling Back Unspent Funds.** The LAO estimated, as of January 1, 2024, that the Student Aid Commission spent \$277 million (consisting of \$272

million for awards and \$5 million for program administration) of the original appropriation. This leaves an estimated \$223 million in unspent funding. Given that Student Aid Commission continues to issue awards for 2024-25, the amount of unspent funding is likely to be several tens of millions of dollars lower by the end of the fiscal year. Given the state budget deficit, the LAO recommends the Legislature to pull back these unspent funds and to consider taking early action to maximize savings, as less funding will remain available by the end of the fiscal year.

**Suggested Questions**

- Does the Commission anticipate the funding for the program to be exhausted by July 1, 2024? Or is the expectation that all awards will be obligated/expended at some point in the 2024-25 fiscal year?
- Has the Commission experienced any challenges with program administration?
- Given the projected budget deficit, does the Commission recommend any adjustments to the program?

**Staff Recommendation.** Hold Open.

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Scott Wilk**



**Thursday, April 18, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas

<b>6100 Department of Education .....</b>	<b>2</b>
Issue 1: Federal Funds Status .....	2
Issue 2: Homeless Education Technical Assistance Centers .....	4
Issue 3: Nutrition.....	7
Issue 4: Parks Access .....	15

## Public Comment

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

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**6100 DEPARTMENT OF EDUCATION****Issue 1: Federal Funds Status****Panel.**

- Melissa Ng, Department of Finance
- Dan Merwin, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.**

Since the beginning of the COVID-19 pandemic, California has received approximately \$24 billion in federal one-time relief funding, which was provided in three rounds of grants enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA), and the American Rescue Plan (ARP) Act. Most of the funds dedicated to education from these pieces of legislation were administered through the Elementary and Secondary School Emergency Relief (ESSER) fund and the Governor's Emergency Education Relief (GEER) fund. CARES Act funding is administered through the ESSER I and GEER I funds, CRRSA funding is primarily administered through the ESSER II and GEER II funds, and ARP Act is primarily administered through the ESSER III and GEER III funds, in addition to some smaller pots of set-aside funds as described below.

All funds must be liquidated up to 120 calendar days following the obligation deadline for each round, and liquidation extensions were offered by the United States Department of Education for the three rounds of grant funding.

**CARES Act Funding.** In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on Friday, March 27, 2020.

This relief package provided states with both funding and streamlined waivers to give State educational agencies (SEAs) necessary flexibilities to respond to the COVID-19 pandemic. The relief package includes \$30.75 billion in emergency education funding.

California's allocation was approximately \$1.7 billion through ESSER I, and California's allocation through GEER I was \$355.2 million. These funds provide local educational agencies (LEAs) with emergency relief funds to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

The obligation deadline for these funds was in September 2022. According to the Department of Education, local educational agencies did not apply for liquidation extensions, and ultimately, ESSER I funds were 99.98 percent expended, and GEER I funds were 99.81 percent expended.

**CRRSA Act Funding.** In response to COVID-19 the U.S. Congress passed the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act which was enacted on December 27, 2020.

The two main funding sources are the ESSER II fund and the GEER II fund. The ESSER II fund accounts for approximately \$54.3 billion of funding for all states, and California's allocation was \$6.7 billion. The GEER II fund accounts for approximately \$4.05 billion of funding for all states, and California's allocation is \$341.5 million. Within the GEER II fund, there is the set-aside for non-public schools, the Emergency Assistance to Non-Public Schools (EANS), which accounts for \$2.75 billion for all states and California's allocation is \$187.5 million. These funds will provide LEAs with emergency relief funds to address the impact COVID-19 has had, and continues to have, on elementary and secondary schools across the nation.

The obligation deadline for these funds was in September 2023. However, 15 applications were submitted to the United States Department of Education from 12 local educational agencies for a total of \$14.9 million. The U.S. Department of Education approved these applications on January 16, 2024 and the extended liquidation deadline for these funds is March 31, 2025.

**ARP Act Funding.** In response to COVID-19, the U.S. Congress passed American Rescue Plan (ARP) Act, which was signed into law on March 11, 2021. This federal stimulus funding is the third act of federal relief in response to COVID-19.

The ESSER III fund accounts for approximately \$122 billion of funding for all states, and California's allocation is \$15.1 billion. The ARP Act also included a special set-aside for non-public schools, EANS II, which provided \$181.3 million for California's non-public schools to provide emergency assistance to students and teachers. The ARP Act also established a second set-aside for homeless children and youth (HCY), which accounts for \$98.8 million of California's ARP Act allocations. These funds will provide eligible LEAs and non-public schools with emergency relief funds to address the impact COVID-19 has had, and continues to have.

The obligation deadline for these funds is in September 2024. In January 2024, the U.S. Department of Education released guidance that would extend the liquidation period. These funds must be obligated by September 30, 2024, and liquidated by January 28, 2025. The applications to request extensions are due by December 31, 2024, and extensions may be up to March 2026.

**Suggested Questions.**

- Does the Department of Education anticipate local educational agencies to apply for liquidation extension requests for the American Rescue Plan Act funds, and if so, does the Department have a sense of the amount of funding that could potentially be eligible for extension requests?

**Staff Recommendation.** This item is informational.

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**Issue 2: Homeless Education Technical Assistance Centers****Panel.**

- Melissa Ng, Department of Finance
- William McGee, Department of Education
- Michael Alferes, Legislative Analyst's Office

**Background.**

The U.S. Congress passed American Rescue Plan (ARP) Act, which was signed into law on March 11, 2021. The ARP Act included a special set-aside for homeless children and youth (HCY), which accounts for \$98.8 million of California's ARP Act allocations. The Department of Education disbursed ARP-HCY funds from two funding sources. Approximately \$18.5 million was disbursed to 120 local educational agencies that currently receive an Education for Homeless Children and Youth grant. Approximately \$55.6 million was allocated to almost 700 local educational agencies, based on a local educational agency's Title I allocation and their homeless children and youth population in 2018-19 or 2019-20.

These funds can be used for allowable activities under McKinney-Vento Homeless Assistance Act, as well as wraparound services, reliable high-speed internet, needed supplies and cell phones, short-term temporary housing (2-3 days), and store cards or pre-paid debit cards.

\$4.5 million of the ARP HCY funds were used to support Homeless Education Technical Assistance Centers. These technical assistance centers are intended to provide support and technical assistance to other county offices of education to ensure they have the capacity, resources, and tools required to support their local educational agencies in educating youth experiencing homelessness, including the accurate identification of its homeless students.

Three county offices were selected – Contra Costa County Office of Education, Los Angeles County Office of Education, and San Diego County Office of Education – and were allocated \$1.5 million each to spend beginning in the 2021-22 fiscal year. Supports provided by the Homeless Education Technical Assistance Centers include: (1) the development and maintenance of the HETAC website, which provides informational and practical homeless education resources, (2) the development and provision of virtual homeless education trainings, (3) the planning and hosting of in-person homeless education trainings and conferences, (4) the development of homeless education resources such as issue briefs and implementation tools and templates, and (5) other resources, according to the evolving needs of California county offices of education and local educational agencies.

The ARP-HCY II Funds Annual Report<sup>1</sup> provides fiscal and program data for homeless and children youth served with some of these dollars from March 13, 2020 through December 31,

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<sup>1</sup> <https://www.cde.ca.gov/sp/hs/arphcyiiannualreport.asp>

2022, and a snapshot of how these funds were used to provide educational support during this period can be found below:

### Educational Support Services Provided with ARP-HCY II Funds

The number of educational support services provided by LEAs using ARP-HCY II funds during March 13, 2020 through December 31, 2022. Please note that some of these totals can reflect duplicated counts due to services provided more than once throughout this time.

Educational Support Services	Number of Provisions
Tutoring or other instructional support	79
Expedited evaluations	15
Staff professional development and awareness	97
Referral services for medical, dental, mental, and other health services	78
Transportation	214
Early childhood education programs	23
Assistance with participation in school programs	125
Before-, after-school, mentoring, summer programs	57
Obtaining or transferring records necessary for enrollment	45
Parent education related to rights and resources for children	76
Coordination between schools and agencies	100
Counseling	76
Addressing needs related to domestic violence	42
Clothing to meet a school requirement	181
School supplies including personal protective equipment, eyeglasses, school supplies, personal care items, etc.	267
Referral to other programs and services	93
Emergency assistance related to school attendance	72
Wraparound services with and/or through community-based organizations	59
The purchase of cell phones or other technological devices for unaccompanied youth to enable the youth to attend and fully participate in school activities	28
The provision of access to reliable high-speed internet	38
Paying for short-term, temporary housing (e.g., a few days in a motel)	95
The provision of store cards/prepaid debit cards to purchase materials	113

The Department of Education reports that as of January 31, 2024, \$11.6 million from HCY I has been expended and \$6.8 million still has yet to be expended, and that \$20 million from HCY II has been expended with \$35.5 million remaining as of December 31, 2023. These numbers do not reflect the funds that have been obligated, or encumbered.

**Governor's Budget.** The Governor's Budget includes \$1.5 million ongoing Proposition 98 General Fund for three county offices of education to continue the work of Homeless Education Technical Assistance Centers, as well as providing targeted technical assistance for local educational agencies with regard to maximizing funding streams and improving academic outcomes for homeless students.

**Suggested Questions.**

- Does the state expect local educational agencies to be able to obligate and expend all the funds related to Homeless Children and Youth by the federal deadlines?
- Were there effective practices or services that local educational agencies were able to provide with these funds that may be discontinued with the expiration of these funds?
- What does the Administration envision technical assistance from the county offices of education to look like with these funds?

**Staff Recommendation.** Hold open.

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**Issue 3: Nutrition****Panel.**

- Melissa Ng, Department of Finance
- Kim Frinzell, Department of Education
- Sara Cortez, Legislative Analyst's Office

**Background.****School Nutrition Programs (SNP)**

Since 2022-23, Local Educational Agencies, including charter schools, will be required to provide two school meals to students free of charge for grades Transitional Kindergarten to grades twelve during each school day, regardless of a student's eligibility for federally funded free and reduced price meals under California's education code. The budget provides for the state reimbursement of school meals up to the combined free breakfast and lunch reimbursement rate amounts not covered by the federal meal reimbursements for schools participating in the federally funded school meals program.

Education Code Section 49550(c) defines "school day" as any day that pupils in kindergarten or grades 1 to 12, inclusive, are attending school for purposes of classroom instruction, including, but not limited to, pupil attendance at minimum days, state-funded preschool, transitional kindergarten, summer school including incoming kindergarten pupils, extended school year days, and Saturday school sessions.

A nutritionally adequate meal (breakfast and lunch) must meet the federal meal pattern requirements and qualify for federal reimbursements.

**Types of Meal Programs**

The California Department of Education (CDE) administers school meal programs overseen by the United States Department of Agriculture (USDA). The main programs are as follows:

**National School Lunch Program (NSLP)** – The National School Lunch Program is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The National School Lunch Program is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. State reimbursement is paid for all free and reduced price meals. Federal reimbursement is paid for all free, reduced price, and paid meals. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs.

**School Breakfast Program** – Local Educational Agencies may also choose to participate in the School Breakfast Program. The School Breakfast Program is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. If a child already qualifies for free or reduced-price lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. State reimbursement is paid for all free and reduced price meals. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were free or reduced-price). Sites must annually re-establish their eligibility for the Severe Need Breakfast Reimbursement.

**Summer Food Service Program** - The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites.

Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for free or reduced-price (F/RP) school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers. The camp receives reimbursement only for meals served to enrolled children who qualify for F/RP meals. Closed sites are open only to enrolled children or to an identified group of children, as opposed to the community at large. Closed enrolled sites must also establish their eligibility through the individual income eligibility of the children attending the site.

LEAs may also choose to operate a Seamless Summer Option through the National School Lunch (NSLP) or School Breakfast Programs (SBP). School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP “free” rates.

### **Eligibility**

Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child’s immigration status. The family-size income levels are prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and free milk. The free guidelines are 130 percent of the Federal poverty guidelines. The reduced price guidelines are 185 percent of the Federal poverty guidelines.

LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

### **Alternative Ways to Claim Student Meals**

**Community Eligibility Provision (CEP)** - The CEP was implemented by the federal Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. In October 2023, the USDA expanded access to the Community Eligibility Provision by lowering the minimum identified student percentage participation threshold from 40 percent to 25 percent. The identified student percentage is determined by how many students are eligible under direct certification. The deadline for local educational agencies to submit applications for participation to the California Department of Education is June 30 of every year. Reimbursement under CEP is determined by multiplying the identified student percentage by the multiplier, which is 1.6 (a number set by the U.S. Department of Agriculture). This is the percentage of meals that can be claimed at the free rate. The meals reimbursed at the free rate will be reimbursed with federal reimbursement, while additional state reimbursement will cover the cost of any meals claimed at the paid rate.

All schools eligible for the Community Eligibility Provision, the federal universal meals provision, are required to apply for the program, and local educational agencies may group schools and average their identified student percentage to meet the 25 percent threshold. The state will then cover any remaining unreimbursed costs up to the federal free per-meal rate.

**“Provision 2.”** Provision 2 requires that the school serve meals to participating children at no charge but reduces application burdens to once every four years. It also simplifies meal counting and claiming procedures by allowing a school to receive meal reimbursement based on claiming percentages. Additional four-year extensions of Provision 2 are possible when certain conditions are met.

### **Recent Budget Actions**

Typically, an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above.

**2020-21 Budget Act.** In response to the concerns that LEAs’ nutrition programs were struggling to cover costs, the 2020-21 budget provided \$192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break

and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

**2021-22 Budget Act.** The 2021-22 Budget provided \$54 million ongoing Proposition 98 General Fund for the Child Nutrition Program to provide the state reimbursement rate for universal breakfast and lunch in the 2021-22 budget year. Additionally, the 2021-22 Budget included \$150 million one-time Proposition 98 General Fund for school districts to upgrade kitchen infrastructure and equipment, as well as provide training to food service employees. Of this amount, \$120 million will provide a minimum of \$25,000 per district for kitchen upgrades and equipment, and \$30 million to provide a minimum of \$2,000 per district for training to promote nutritious foods, food preparation, and healthy food marketing. Eighty percent of eligible local educational agencies (940 out of 1176 local educational agencies) registered for the funds. For kitchen infrastructure funding, most LEAs requested funding to purchase cooking equipment and make associated facility upgrades (91 percent), followed by service equipment (88 percent)—such as mobile carts—and refrigeration and storage (88 percent). By June 30, 2023, CDE is required to collect expenditure reports and narrative responses explaining how these funds were used to improve the quality of school meals or increase school meals participation from each participating local educational agency.

On December 17, 2021, the USDA announced \$1.5 billion nationwide to states and school districts to help school meal program operators deal with the challenges of supply chain disruptions brought on by the pandemic. Of this amount, California received \$171.5 million.

**2022-23 Budget Act.** The 2022-23 Budget included \$596 million Proposition 98 General Fund to cover the costs of universal meal requirements that were enacted in the 2021-22 budget, to bring total funding to \$650 million.

Additionally, the budget included \$600 million in one-time Proposition 98 General Fund to upgrade school kitchen infrastructure and equipment, and \$100 million one-time Proposition 98 General Fund for School Food Best Practices Grant for local educational agencies. The School Food Best Practices Grant funding is intended to assist local educational agencies to purchase California-grown or produced, sustainably grown, whole or minimally processed foods, and plant-based or restricted diet meals.

The Budget also included a new provision that allows the Department of Finance to administratively augment funding for school meals if a shortfall for the current year is projected. In May 2023, the Department of Finance augmented approximately \$110 million Proposition 98 General Fund to ensure that school meal reimbursements were fully funded.

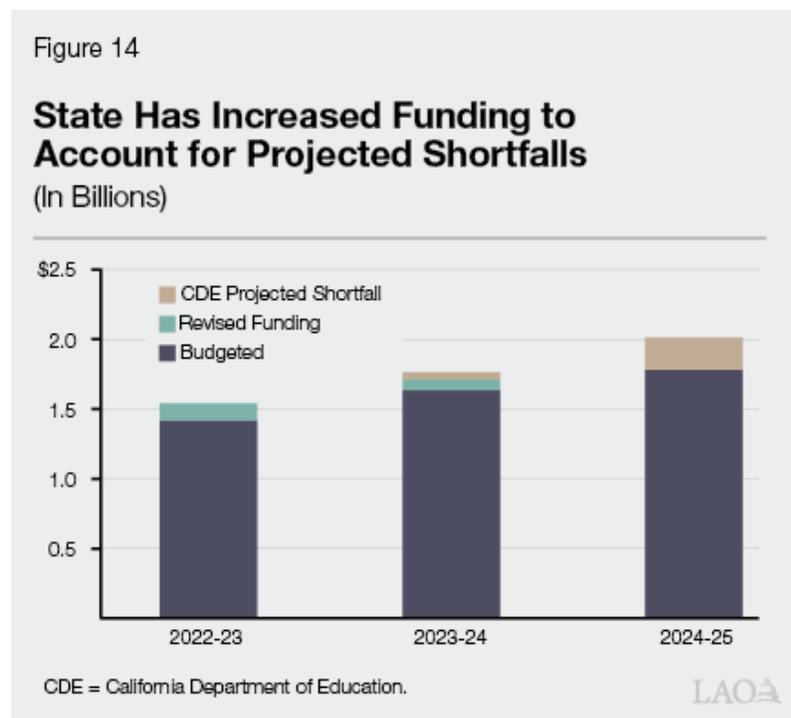
**2023-24 Budget Act.** The 2023-24 Budget included an augmentation of \$154.1 million for costs related to the universal meal requirements, in addition to a cost-of-living adjustment of \$75.8 million, for total Proposition 98 General Fund allocation of \$1.4 billion.

In January 2024, the Department of Education notified the Department of Finance and the Legislature that it projects a budget shortfall of \$126.3 million in 2023-24 related to universal meals implementation.

**Governor’s Budget.** The Governor’s Budget includes an augmentation of \$122.2 million for costs related to the universal meal requirements, in addition to a cost-of-living adjustment of \$13.4 million, for total Proposition 98 General Fund allocation of \$1.8 billion.

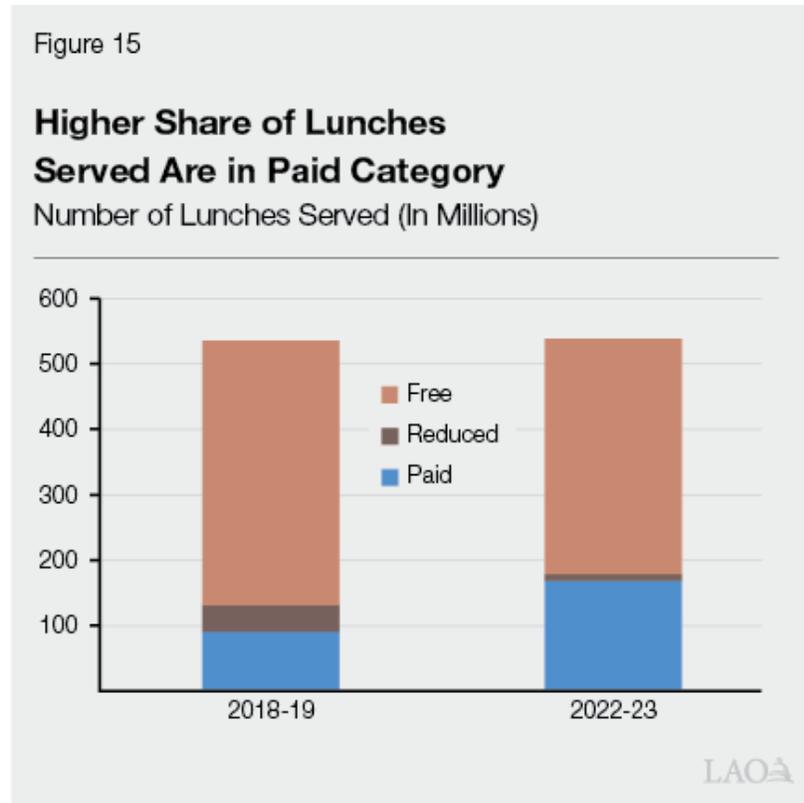
**Legislative Analyst’s Office.**

***Program Costs Have Been Higher Than Anticipated.*** In the first two years of implementing universal school meals, costs for the program have exceeded estimates in the enacted budget (see Figure 14). In 2022-23, the state budgeted \$1.4 billion for school nutrition programs, while costs came in \$122 million higher. For 2023-24, the Governor’s budget includes a \$65 million increase to the \$1.6 billion included in the June 2023 budget plan. CDE’s recent required January report, however, anticipates needing an additional \$61 million above what was proposed at the Governor’s budget to cover current-year nutrition costs. This would bring total costs to \$1.8 billion. CDE also projects 2024-25 costs will be \$226 million higher than proposed in the Governor’s budget. As we discuss below, these higher costs are associated with its estimates of implementing the new federal rule change.



***Increase in Share of Meals Served in the Paid Category.*** One reason school nutrition costs have been higher than expected is the change in the category of meal served. Figure 15 shows lunches served by category in 2018-19 compared to 2022-23. Although the total number of lunches served was relatively stable, schools served 78 million more lunches in the paid category in 2022-23 compared to 2018-19. This contributes to increased state costs since the state share of

reimbursement is higher for meals at the paid level compared to those at the free or reduced level. During this period, the share of students that qualify for free or reduced-price lunch has remained stable. In 2018-19, 59.4 percent of students were eligible for free and reduced-price meals compared to 59.9 percent in 2022-23.



**State Costs Grow Due to Federal COLA.** Under the Governor’s budget, the combined federal and state reimbursement for lunch is projected to grow 4.7 percent in 2024-25. This is a much higher rate of growth than the 0.76 percent COLA that is assumed under the Governor’s budget in other select K-12 education programs. Under the Governor’s budget, state costs for lunches reimbursed by the federal government at the paid rate are anticipated to grow 6.6 percent. This higher growth rate in costs is due to the state’s policy that paid meals receive the same combined rate as free meals.

**Provisional Language Limits Options to Contain Nutrition Program Costs.** Provisional language added as part of the 2022-23 budget package requires the administration provide additional funds for school nutrition programs if CDE projects a shortfall. Prior to this provisional language, a shortfall would result in meal rates being prorated, unless the Legislature provided an additional augmentation. While the new provisional language was intended to give schools more certainty regarding their state funding, it limits Legislative options in cases where the number of meals served or the cost of those meals exceeds the projected amount included in the annual budget.

**Federal Rule Change Could Increase State Costs.** Both DOF and CDE have provided estimates of state costs associated with the federal rule change that expands CEP eligibility. DOF assumes that the rule change will not impact the number of school meals served, but will impact the categories in which the meals are reimbursed. DOF assumes the shifts in categories will result in

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minor state costs of \$172,000. These costs are included in the Governor’s budget. CDE alternatively estimates roughly 81 million more meals will be served as a result of the rule, resulting in a \$226 million increase in state costs above the funding level in the Governor’s budget.

***Required Participation in Federal Alternative Reimbursement Options May No Longer Maximize Federal Funding.*** A key goal of requiring schools to participate in an alternative federal reimbursement option is to maximize federal reimbursements (thereby reducing state costs of implementing universal school meals). However, some newly eligible CEP schools may be better off from a federal meal reimbursement perspective using the traditional reimbursement process. This is because the CEP formula sets the proportion of meals reimbursed at the free and paid rates using a school’s ISP—a metric that is not used in traditional reimbursement. The effect of participating in CEP will depend on each school’s specific ISP and the share of meals it serves at each rate. To assess the effects of these schools shifting to CEP, we developed projections of school reimbursement amounts using 2022-23 meal data. Based on our analysis, we estimate roughly half of schools newly eligible for CEP would receive greater federal reimbursement under CEP. The other half of newly eligible schools would receive greater federal reimbursement under the traditional approach. To explain how a school could receive more federal reimbursement under the traditional approach, we can use as an example a school that received the free or reduced-price rate for two-thirds of the lunches it served in 2022-23 and has an ISP of 29 percent. Under the traditional approach, the school received the state paid rate for one-third of lunches served. In contrast, under CEP the school would have 54 percent of its meals reimbursed at the paid rate. (The school’s ISP of 29 percent would be multiplied by 1.6 to determine the share of meals reimbursed at the free rate [46 percent]. The remainder would be reimbursed at the paid rate.) If this school had been required to participate in CEP in 2022-23, it would have received less federal funding due to the increase in lunches reimbursed at the paid rate. This also would have resulted in a corresponding increase in state funds needed to cover these meal costs. Requiring these schools to participate in a federal reimbursement option would result in the state paying for a higher share of their meal costs. This analysis does not account for anticipated meal growth from either universal meals or CEP participation.

### ***Options for Containing Future Cost Growth***

Given the budget situation, the Legislature may want to be proactive in containing future cost growth in the school nutrition program. In the “K-12 Spending Plan” section of this report, we recommend the Legislature reject the COLA for all K-12 programs this year and reject the other proposed adjustments to school nutrition. This is because Proposition 98 funding is not sufficient to cover the state’s current ongoing spending level. In this section, we identify several options for further containing the growth of the school nutrition program in 2024-25 and future years. These options are focused on reducing state reimbursement rates and maximizing the amount of federal funding the state receives for school meals. They would not change the requirement that public schools offer free meals to all their students.

***Set Nutrition Rates at a Lower Level.*** Given the budget condition, the Legislature may want to consider reducing the state reimbursement rate. The Legislature could provide an across-the-board reduction where all meals served would receive a lower state contribution per meal. We estimate reducing the state rate by 63 cents (the size of the discretionary rate increase provided in 2022-23) would result in \$541 million in savings in 2024-25. Alternatively, the Legislature could take a

more targeted approach and decide to reduce reimbursement rates for a specific reimbursement level, such as paid meals.

***Revisit Approach to COLA.*** Given the current approach to the COLA in school nutrition is much more generous compared to other areas in K-12 education, the Legislature may want to revisit how it sets annual rate increases. One option is to no longer provide the federal COLA to the paid rate. This would mean that the combined state and federal *free* rate would grow at a different pace from the combined state and federal *paid* rate. A second option is for the state to suspend the automatic COLA adjustment for school nutrition and decide on an appropriate inflationary adjustment annually as part of the budget process. In deciding the annual change to rates, the Legislature could take into consideration the projected federal COLA and anticipated total meal costs.

***Suspend Administrative Augmentation Authority.*** The Legislature could remove the provisional language that requires the administration to provide additional funds for school nutrition programs if CDE projects a shortfall. The Legislature could instead decide on an amount through the budget process. In the event of a projected shortfall and if budget conditions allow, the Legislature could provide an additional augmentation. This allows the Legislature to consider increases in the school nutrition program along with other priorities within K-12 education.

***Remove Mandatory Participation Requirement for Newly Eligible CEP Schools.*** Given the likely state costs associated with newly eligible schools using CEP, we recommend the Legislature amend the existing state participation requirement. The Legislature could maintain the requirement for previously eligible CEP schools (schools with an ISP of 40 percent or higher). For newly eligible CEP schools, the Legislature could allow CEP participation only if schools demonstrate their projections indicate this option would maximize federal meal reimbursements.

### **Suggested Questions.**

- Does the state have a sense yet of how the new federal Community Eligibility Provision rules could impact the state cost for universal school meals?
- What can the state do to incentivize families to submit federal meal eligibility forms?

**Staff Recommendation.** Hold open.

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**Issue 4: Parks Access**

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**Panel.**

- Katie Lagomarsino, Department of Finance
- Elizabeth McGuirk, Department of Parks and Recreation
- Michael Alferes, Legislative Analyst's Office

**Background.**

The 2021 Budget included \$9.1 million one-time General Fund through the California Department of Parks and Recreation for a pilot program to expand parks pass distribution, and it included the “California State Parks Adventure Pass” (for all 4<sup>th</sup> graders or 4<sup>th</sup> grade equivalent children), the “California State Library Parks Pass” (for all library-card holders), and the “Golden Bears Pass” (for families who are enrolled in CalWORKs). The Adventure Pass expires on July 1, 2024.

The Adventure Pass allows all 4<sup>th</sup> graders in California, including 4<sup>th</sup> graders that are homeschooled or attending non-public schools, access to California State Parks for free. This includes vehicle fee waivers for vehicles transporting the 4<sup>th</sup> grader, and entrance fee waivers for up to three adults and all children that accompany the 4<sup>th</sup> grader.

As of November 2023, the number of Adventure Passes that were issued are as follows (these numbers reflect the number of passes and are not inclusive of those individuals who accompanied the student):

- 2021 school year -17,481
- 2022 school year – 25,930
- 2023 school year – 5,016

**Governor's Budget.** The Governor's Budget includes \$2.1 million ongoing Proposition 98 General Fund for a county office of education to partner with the Department of Parks and Recreation to provide free access for 4<sup>th</sup> graders attending public schools to California State Parks.

This funding is based on operations costs at the California State Parks, which supports \$1.7 million in staff costs, \$300,000 in operating equipment, and \$100,000 for transportation services to Adventure Pass holders where transportation is a barrier to access. These costs do not include maintenance costs, which the Department of Parks and Recreation states can be absorbed within their existing resources.

**Staff Recommendation.** Hold open.

# SUBCOMMITTEE NO. 1

# Agenda

Senator John Laird, Chair  
Senator Dave Min  
Senator Scott Wilk



**Thursday, April 25, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1020 O Street- Room 2100**

Consultant: Christopher Francis, Ph.D.

### Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
<b>6870</b>	<b>Board of Governors of the California Community Colleges (CCC)</b> .....	<b>2</b>
	Issue 1: CCC System Updates .....	4
	Issue 2: Adjustments for Apportionments and Categorical Programs.....	12
	Issue 3: Enrollment .....	16
	Issue 4: Student Housing at CCC.....	21

### Public Comment

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## DISCUSSION ITEMS

### **6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES (CCC)**

#### Overview

The Board of Governors of the California Community Colleges was established in 1967 to provide statewide leadership to California's 73 community college districts, which operate 116 community colleges. The Board has 17 voting members and one nonvoting member as specified in statute. Twelve members are appointed by the Governor, require Senate approval for six- year terms, and must include two current or former local board members. Five members are appointed by the Governor to two- year terms and include two students, two faculty members, and one classified member. The Lieutenant Governor also serves as a member of the Board. The objectives of the Board are to:

- Provide direction and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

California's community colleges enroll about two million students, more than twice as many as the California State University and University of California systems combined. California's 73 community college districts (districts) serve almost every part of the State. Community colleges offer a variety of educational services, including access to apprenticeships and learning English as a second language, and about 60 percent of students have a goal of earning a two-year or four-year college degree.

On February 23, 2023, following an extensive and nationwide search over the past seven months, the California Community Colleges Board of Governors announced the unanimous selection of Kern Community College District Chancellor Sonya Christian as the next permanent chancellor to lead the largest and most diverse system of public higher education in the nation. Dr. Christian is the first woman and the first person of South Asian heritage to be appointed as permanent chancellor. She began her duties on June 1, 2023.

**3-YEAR EXPENDITURES AND POSITIONS †**

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5670	Apportionments	-	-	-	\$9,242,740	\$9,958,522	\$10,374,450
5675	Special Services and Operations	171.8	214.1	214.1	2,757,828	2,809,596	2,836,035
5685	Mandates	-	-	-	36,107	38,290	39,232
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>		<b>171.8</b>	<b>214.1</b>	<b>214.1</b>	<b>\$12,036,675</b>	<b>\$12,806,408</b>	<b>\$13,249,717</b>
<b>FUNDING</b>					<b>2022-23*</b>	<b>2023-24*</b>	<b>2024-25*</b>
0001	General Fund				\$64,154	\$260,105	\$26,029
0001	General Fund, Proposition 98				7,172,064	7,688,920	8,193,201
0342	State School Fund				6,724	6,545	6,545
0574	1998 Higher Education Capital Outlay Bond Fund				16	-	-
0660	Public Buildings Construction Fund				-62	-	-
0814	California State Lottery Education Fund				367,243	315,905	315,568
0925	California Community Colleges Business Resource Assistance and Innovation Network Trust Fund				-	25	25
0942	Special Deposit Fund				1,256	155	155
0986	Local Property Tax Revenues				3,859,906	4,039,588	4,215,826
0992	Higher Education Fees and Income				399,257	399,257	400,687
0995	Reimbursements				17,300	88,679	88,679
3085	Mental Health Services Fund				106	120	123
3273	Employment Opportunity Fund				-3,891	4,251	-
6028	2002 Higher Education Capital Outlay Bond Fund				19	-	-
6049	2006 California Community College Capital Outlay Bond Fund				93	-	-
6087	2016 California Community College Capital Outlay Bond Fund				2,490	2,858	2,879
8506	Coronavirus Fiscal Recovery Fund of 2021				150,000	-	-
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>					<b>\$12,036,675</b>	<b>\$12,806,408</b>	<b>\$13,249,717</b>

<b>Issue 1: CCC System Updates</b>
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**Panel**

- Sonya Christian, Chancellor, California Community Colleges
- Justin Hurst, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office

*Available for additional details and questions:*

David O'Brien, California Community Colleges Chancellor’s Office

Wrenna Finche, California Community Colleges Chancellor’s Office

Chris Ferguson, Department of Finance

**Governor’s Budget Proposition 98 Proposals for CCC**

Table 1 from the Legislative Analyst’s Office highlights the Governor’s budget proposals, many of which will be discussed at today’s hearing.

**Table 1:** Governor’s Budget Proposition 98 Proposals for CCC for 2024-25

<b>Ongoing Spending</b>	<b>2024-25 Amount (In Millions)</b>
COLA for apportionments (0.76 percent) - <i>Covered in Issue 2</i>	\$69
COLA for select categorical programs (0.76 percent) <sup>a</sup> - <i>Covered in Issue 2</i>	9
Enrollment growth (0.5 percent) - <i>Covered in Issue 3</i>	30
Student Success Completion Grant (caseload adjustment)	50
<b>Subtotal</b>	<b>(\$158)</b>
<b>One-Time Initiatives</b>	
Nursing education*	\$60
<b>Subtotal</b>	<b>(\$60)</b>
<b>Total Spending Increases</b>	<b>\$218</b>
<sup>a</sup> Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the mandates block grant.	
COLA = cost-of-living adjustment.	
* Staff notes that this proposal will be covered at a May 2024 Subcommittee No. 1 hearing	

**Background**

*Proposition 98, Projected Budget Deficit, and CCC Systemwide Reserves*

***Proposition 98 Minimum Guarantee Is Revised Downward Over Budget Window.*** Proposition 98 (1988) established a constitutional funding formula that sets a minimum annual funding level for schools and community colleges. Commonly known as the “minimum guarantee,” this funding requirement is met through a combination of state General Fund and local property tax revenue. Since the 2023-24 budget was enacted, the administration has revised its estimates of state General Fund revenues down substantially. These downward revenue revisions in turn lead to significant downward revisions in the administration’s estimates of the Proposition 98 minimum guarantee from 2022-23 through 2024-25.

***State Faces Unusually Large Drop in 2022-23 Proposition 98 Guarantee.*** Of the downward revisions, \$9.1 billion is attributable to 2022-23. This is the largest reduction to the guarantee in a prior year since

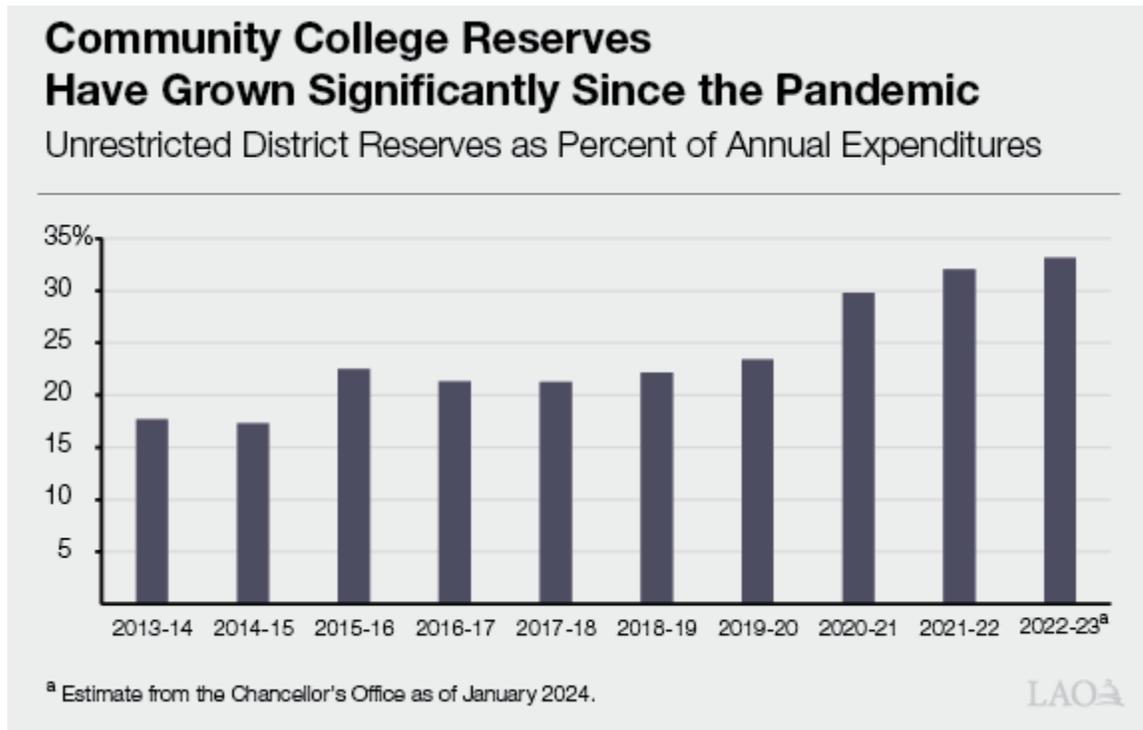
the passage of Proposition 98 in 1988. Previous downward revisions to the prior-year guarantee have been no more than a few hundreds of millions of dollars. The administration attributes the unusually large adjustment primarily to the late tax filing deadline for 2022 returns (November rather than April 2023) and the lack of reliable revenue data prior to budget enactment in June 2023.

***Governor Proposes Large Budget Maneuver Relating to Reduction in 2022-23 Guarantee.*** The Governor proposes to realign Proposition 98 spending with the revised estimate of the minimum guarantee in 2022-23. The main way the Governor addresses the reduction in the guarantee is by proposing to reclassify \$8 billion in Proposition 98 General Fund payments already made to schools and community colleges. Of the \$8 billion, \$910 million would be attributed to community colleges. The \$8 billion would be reclassified as non-Proposition 98 General Fund payments, removed from the state's books in 2022-23, and recognized back on the state's books in even increments spread across 2025-26 through 2029-30. This maneuver would not reduce any previous funding provided to colleges or attempt to recoup any of this funding in subsequent years—districts would retain the associated cash they originally received. Rather than colleges being affected, the impact of the maneuver would occur entirely on the non-Proposition 98 side of the budget beginning in 2025-26. In effect, the state would be borrowing from future non-Proposition 98 funds to pay for 2022-23 school and college spending. Unlike a traditional loan, however, the state would not score this mechanism as borrowing, make payments to an external creditor, or accrue any interest.

***Governor Accommodates Higher Proposed Spending in 2024-25 Using More Reserves.*** To cover his new proposed CCC spending in 2024-25, the Governor proposes to make another discretionary withdrawal from the Proposition 98 Reserve. For schools and colleges combined, the Governor proposes to withdraw \$2.6 billion. Of this amount, \$486 million would be used for ongoing community college apportionment costs. Under the Governor's plan, \$3.9 billion in Proposition 98 reserves would remain available entering 2025-26.

***Systemwide Reserves Continue to Increase.*** In addition to the state's Proposition 98 Reserve, districts maintain their own local reserves. Figure 1 from the Legislative Analyst's Office (LAO) shows that district unrestricted reserves increased over the past several years. Whereas unrestricted reserves totaled \$1.8 billion (22 percent of expenditures) in 2018-19, they grew to an estimated \$3.1 billion (33 percent of expenditures) in 2022-23. Both the Government Finance Officers Association and the Chancellor's Office's recommend that unrestricted reserves comprise a minimum of 16.7 percent (two months) of expenditures.

Figure 1



**Funding Increases, Together With Budget Savings, Contributed to Higher Reserve Levels.** The increase in districts' local reserves is the result of at least three factors. One factor is that the state notably increased community college funding during the pandemic years despite enrollment drops. Given enrollment drops and large state augmentations (even beyond high COLA rates), districts purposefully have tended not to spend all their state allotments the past few years. Additionally, federal relief funds provided during the pandemic reduced pressure on local and state funds that colleges would otherwise have needed to cover technology and certain other operating costs. Amid these federal and state funding increases, colleges also achieved savings from staff reductions and vacancies.

#### *CCC Roadmap with Governor and Vision 2030*

The roadmap for CCC is somewhat different than the compacts for California State University (CSU) and the University of California (UC) in that it does not set forth in advance out year base increases. Instead, it leaves these base increases to be determined depending upon available Proposition 98 funds in future years. The roadmap is similar to the university compacts, however, in setting forth certain expectations to be achieved by the colleges by 2026. Building on the 2017 *Vision for Success* initiative, the 15 expectations for the colleges are the following:

1. Increase student completions rates by specified amounts
2. Decrease average units to completion and time to completion
3. Increase number of students transferring to CSU and UC
4. Annually publish specified student completion rates
5. Close specified achievement gaps for underrepresented and Pell Grant students
6. Close equity gaps in dual enrollment programs
7. Fully participate in implementation of the Cradle to Career data system

8. Support campuses in adopting a common learning management system
9. Develop common tool to identify trends to address equity gaps
10. Support efforts to establish common integrated admissions platform
11. Increase percentage of high school students completing a semester of college credit through dual admission
12. Establish baseline for prior learning credit and launch new direct assessment competency based education programs
13. Increase percentage of completing students earning a living wage
14. Establish/expand programs in early education, education, health care, and climate action fields
15. Establish coordinated educational pathways for high school students in education, health care, technology, and climate action fields

As well, the roadmap emphasizes equitable outcomes for historically under-represented students and regions through equitable improvement of transfer pipelines and “student-centric measures” that require intersegmental collaboration with TK-12 local educational agencies, the CSU and UC, and other state agencies. The CCC is expected to provide updates on strategic collaborations with intersegmental partners, including how the partnerships contributed to advancing the performance outcomes, structural or process changes achieved and needed, and projected annual priority focus areas for collaboration. By August 30 of each year for the term of the agreement, the CCC Chancellor’s Office furnishes a report to the Administration and the Legislature describing what specific actions are planned to achieve each goal.

In September 2023, the Chancellor’s Office released *Vision 2030: A Roadmap for California Community Colleges* that further builds on the Governor’s roadmap and *Vision for Success*. This encompasses three overarching goals, to be achieved through various actions and using six measurable associated outcomes to track progress towards the goals.

- **Goal 1:** Equity in Success. Ensure the academic and career success of all Californians who are current and prospective California community college students.
- **Goal 2:** Equity in Access. Broaden the opportunities for all Californians to participate in higher education by starting or continuing their higher education at a California community college.
- **Goal 3:** Equity in Support. Partner with other systems, agencies, institutions and community-based organizations to provide students the academic, financial and social supports necessary to thrive by taking education opportunities and the accompanying support to Californians.

**Achievement Gaps Exist by Ethnicity.** According to the most recent data on the Chancellor’s Office, CCC student completion rates by ethnicity are detailed below.

**Table 2:** Rate of Completion by Student Ethnicity

Student Ethnicity	Rate of Completion
African American	21
American Indian	22
Asian	40
Filipino	30
Hispanic	20
Pacific Islander	23
White, Non-Hispanic	33

Despite a stated goal of increasing with equity the number of California community college students completing a certificate, associate degree or baccalaureate degree by 30 percent by 2030, persistent equity gaps exist.

### *Deferred Maintenance and Capital Outlay Needs*

The CCC system wide assets include more than 25,000 acres of land, 6,000 buildings and 87 million gross square feet, which includes approximately 56 million assignable square feet of space as well as several off-campus outreach centers. In its 2024-25 five-year capital outlay report, the Chancellor's office notes approximately \$27.5 billion in unmet facilities need. This amount includes new facilities for enrollment growth and modernization of existing facilities. Separately, CCC identifies a deferred maintenance backlog total of \$1.6 billion over the five-year period, from 2023-24 through 2027-28 which is not included in the unmet needs.

### *Recruitment and Retention Efforts During and Post-Pandemic*

***Colleges Have Been Trying a Number of Strategies to Attract Students.*** Using federal relief funds, as well as state funds provided in 2021-22 and 2022-23, colleges used various strategies to attract students. All colleges have been offering students special forms of financial assistance. For example, all colleges provided emergency grants to financially eligible students that could be used for any living expense. Some colleges are offering gas cards or book and meal vouchers to students who enroll. Many colleges loaned laptops to students. Many colleges have expanded advertising through social media and other means, including in languages other than English. Additionally, many colleges have increased outreach to local high schools, and many colleges have created phone banks to contact individuals who recently dropped out of college or had completed a CCC application recently but did not register for classes. In addition, a number of colleges have begun to offer more flexible courses, with shorter terms and more opportunities to enroll throughout the year (rather than only during typical semester start dates). The state leveraged budget surpluses in 2021 and 2022 to invest in the COVID-19 Block Grant and specific recruitment and retention strategies to drive enrollment at colleges.

***COVID-19 Block Grant (2022).*** The 2022 Budget Act, through AB 182 (Committee on Budget), Chapter 53, Statutes of 2022, established the Learning Recovery Emergency Fund for emergency COVID-related learning recovery initiatives at the TK-12 schools and community colleges. The grant includes \$650 million one-time Proposition 98 funding for the California Community College COVID-19 Recovery Block Grant to assist with basic needs, mental health needs, professional development opportunities for faculty and student services professionals needed to continue educational instruction due to COVID-19, investments to close the digital divide, and other COVID-19 related support.

***CCC Recruitment and Retention Funding (2021 & 2022).*** The 2021 Budget Act provided \$100 million one-time Proposition 98 General Fund to support community college efforts to increase student retention rates and enrollment by primarily engaging with former students who may have withdrawn from college due to the impacts of COVID-19, and with current and prospective students who are hesitant to remain or enroll in college due to the impacts of COVID-19. The 2022 Budget Act included an appropriation of \$150 million one-time Proposition 98 General Fund for similar purposes.

***CCC Flexible Spending (2023).*** In response to budget deficit, the 2023 Budget Act included trailer bill legislation that allows districts to spend flexibly among the following purposes: 1) Recruitment and retention initiatives, 2) all purposes within the CCC COVID-19 Recovery Block Grant included in the

2022 Budget Act, and 3) the CCC Deferred Maintenance categorical program. The budget agreement also reduced the amount scored to 2022-23 from \$150 million to \$94.16 million Proposition 98 General Fund.

### *Full-Time and Part-Time Faculty*

***Instruction at CCC Is Provided by a Mix of Full-Time and Part-Time Faculty.*** Instruction at the community colleges is provided by nearly 20,000 full-time faculty and about 35,000 part-time faculty. Districts generally require full-time faculty to teach 15 units (credit hours) per semester (commonly five three-unit classes). Full-time faculty are either tenured or on tenure-track and are considered permanent employees of the district. In contrast, part-time faculty members are classified as temporary employees and generally receive fewer employee benefits. Districts can decide whether to retain part-time faculty, who are considered temporary employees, for any given term depending on course scheduling and other considerations. Statute limits part-time faculty to teaching 67 percent of a full-time load at a given district (about ten units per semester or about three classes). Many part-time faculty maintain an outside job, some are retired and teaching only a course or two, and others teach part time at two or more districts (with their combined teaching load potentially equaling, or even exceeding, a full-time teaching load).

***Staffing Levels Have Declined, Particularly Among Part-Time Faculty, Over the Past Few Years.*** While districts are facing pressure to increase salaries and cover pension and health care rate increases, staffing levels systemwide are down. From fall 2019 to fall 2022, the total number of CCC FTE employees declined by 2.5 percent, falling from nearly 66,000 FTE employees in fall 2019 to approximately 64,000 FTE employees in fall 2022. Part-time faculty—which historically have made up nearly half of all CCC employees—experienced the largest decline (14 percent in both FTE and headcount terms). This decline was due to districts offering fewer course sections as a result of lower enrollment. When districts reduce course sections, they typically reduce their use of part-time faculty, who are hired as temporary employees, compared to full-time faculty, who are hired as permanent employees. Most districts across the state have been affected by enrollment declines and, in turn, have experienced staffing reductions. While CCC compensation costs have increased over the past several years, they have been offset somewhat due to these reductions in staffing.

***Auditor February 2023 Report on Full-Time Faculty and Diversity Efforts.***<sup>1</sup> At the urging of legislators and stakeholders, a State Audit was recently conducted to assess the CCC districts' hiring practices. Specifically, the audit assessed their use of state funds towards promoting diversity and increasing the percentage of instruction taught by full-time faculty. The Chancellor's Office has allocated \$450 million in state funds intended to facilitate full-time faculty hiring through previous budget act agreements. As well, the 2022 Budget Act included \$10 million Proposition 98 General Fund to support the sustainable implementation of EEO best practices to diversify community college faculty, staff, and administrators. Among the key findings were the following:

- Districts have not met the state goal, long-standing since 1988, of having 75 percent of instruction taught by full-time faculty.
- The Chancellor's Office's current method of determining full-time faculty instruction is unsuitable to measure or drive progress toward the 75-percent goal. The current metric measures faculty members, not actual instructional hours, which demonstrates the need for a new metric.
- The Chancellor's Office has not created a valid way to measure districts' progress towards the State's 75 percent goal.

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<sup>1</sup> Ibid.

- Some districts did not properly use the funds for hiring full-time faculty. For example, one district spent some of this special funding on part-time faculty costs and another left more than \$4 million unspent over a four-year period.
- The Chancellor’s Office has not ensured that the districts use the funding appropriately.
- Districts have made some progress in hiring more diverse faculties, but many students still lack sufficient representation of their own backgrounds among the faculty. 47 percent of community college students in California identify as Hispanic, but only 18 percent of faculty identify as Hispanic.
- The Chancellor’s Office does not verify whether the districts adequately implement requirements in order to receive EEO funds.

To address these shortcomings, the Auditor recommended the following steps for the Chancellor’s Office:

- Implement and report on a metric to calculate full-time faculty instruction and use it to set benchmarks for the amount of instruction at districts.
- Post on its website each district’s report on its use of the funds to hire full-time faculty and verify that the districts are using the funds for their designated purpose.
- Regularly determine the most effective and feasible practices for hiring diverse faculty and verify that districts conduct those and other best practices.

**2023 Budget Act Trailer Bill Legislation on Full-Time Faculty.** In response to the Auditor’s findings, the Budget Act of 2023 higher education budget trailer bill<sup>2</sup> does the following:

- Requires community college districts, as a condition of receiving funding for FT Faculty, to report its progress in increasing the percentage of instruction by full-time faculty and in diversifying faculty.
- Requires the Chancellor’s Office to, no later than May 30 of each year, synthesize the information received from the districts into a systemwide report to be posted on a public website.
- Requires the Chancellor’s Office to establish and implement a process that verifies that district expenditures related to FT Faculty are used for that purpose.
- Requires colleges to expand their use of best practices in terms of Equal Employment Opportunity programs to promote faculty diversity by directing the Chancellor’s Office to ensure that districts are performing analyses needed to identify and determine the causes of any underrepresentation in the faculty they hire.

### **Legislative Analyst’s Office Assessment and Recommendations to Address Budget Shortfall**

**State Adopted Many One-Time CCC Initiatives Over Past Three Years.** From 2021-22 through 2023-24, the Legislature approved a total of about \$3 billion in one-time Proposition 98 General Fund support for more than 60 one-time CCC initiatives and projects. Some of the largest appropriations were for facilities maintenance, student outreach, student basic needs, and an initiative for faculty to create open educational resources.

**State Also Expanded Funding for Ongoing CCC Programs.** During the past several years, the state has appropriated ongoing funding both to create new CCC programs and to expand existing ones. For example, the state created a CCC student mental health program and doubled funding for the California Apprenticeship Initiative. In some cases, the CCC augmentations provided by the state have been

<sup>2</sup> Senate Bill 117 (Committee on Budget and Fiscal Review), Chapter 50, Statutes of 2023

exceptionally large. For example, in 2022-23, the state increased annual funding for the long-standing Part-Time Faculty Health Insurance Program from \$490,000 to \$200.5 million (a 400-fold increase).

***Recommendation: Recommend Reverting Unallocated and Unspent Funds to Address CCC Budget Gap in Current Year.*** The LAO notes that the CCC budget has an approximately \$800 million gap between current spending and available funding under their office’s February revenue estimates. The budget gap could end up being higher or lower depending upon revenue developments over the coming months. Under their recommended approach, Proposition 98 reserves likely could help address a small part of the budget gap in 2023-24, but hundreds of millions of dollars likely still would be needed in other budget solutions. One-time solutions are a typical way for addressing reductions in the current-year minimum guarantee, as these types of solutions tend to be the least disruptive.

***Recommendation: Recommend Achieving Ongoing General Fund Savings Outside of Core Programs.*** Under their February revenue estimates, the LAO identifies approximately \$700 million in ongoing CCC solutions would be required to align ongoing spending with the minimum guarantee in 2024-25. (The \$700 million assumes that the Governor’s CCC COLA proposals, totaling \$78 million, have been withdrawn.) More or less savings might be needed depending on budget developments over the coming months. In thinking about budget solutions for 2024-25, the LAO recommend the Legislature to attempt to preserve funding for key priorities, including CCC’s core instructional mission, student support services, and aid for financially needy students. Areas the Legislature might consider finding savings include athletics, enrichment activities, and aid for non-financially needy students. Reducing these latter types of programs would minimize the negative implications for colleges’ core programs and low-income students.

**Staff Comment:** Staff notes that the Proposition 98 overview, structure, and Governor’s proposal were discussed in the February 29, 2024 Subcommittee No. 1 hearing.

### **Suggested Questions to CCC**

- *On Overall Challenges.* What are the biggest perceived challenges that the system faces?
- *On Equity Gaps.* What is CCC doing to investigate the causes behind, and ultimately close persistent equity? How will enrollment trends impact this goal?
- *On CCC Flexible Spending.* Please provide the subcommittee with updates on how districts spent flexible funding for recruitment and retention efforts, deferred maintenance, and COVID-19 Block Grant purposes. What challenges, if any, have districts encountered as it implements these initiatives?
- *On Full-Time Faculty.* Trailer bill legislation in the Budget Act of 2023 included multiple requirements regarding full-time faculty. Please provide like a status update on each requirement.

The Legislature authorized CCC to offer limited number of BA degrees, and it further established a process for resolving disputes around program duplication with CSU and UC.

- What efforts are you making internally to avoid duplication with CSU and UC?
- What efforts are you making internally to maintain collaborative intersegmental partnerships?
- What policy changes have you made to avoid duplication and leverage existing strengths of other segments?

**Staff Recommendation.** Hold Open**Issue 2: Adjustments for Apportionments and Categorical Programs****Panel**

- Justin Hurst, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

*Available for additional details and questions:*

David O'Brien, California Community Colleges Chancellor's Office

Chris Ferguson, Department of Finance

**Governor's Budget**

**K-14 Rainy Day Fund Support for Student Centered Funding Formula Needs (SCFF).** The Governor's budget proposes a withdrawal of \$235.9 million, scored to 2023-24 and \$486.2 million scored to 2024-25 to support SCFF resource needs.

**CCC Apportionments Cost-Of-Living Adjustment (COLA).** The Governor's budget includes an increase of \$69.1 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 0.76-percent COLA for Student Centered Funding Formula apportionments.

**Categorical Program Cost-Of-Living Adjustment (COLA).** The Governor's budget also includes an increase of \$9 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 0.76 percent cost-of-living adjustment to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus childcare support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the mandates block grant.

**Background**

***Most CCC Proposition 98 Funding Is Provided Through Apportionments.*** All community college districts (except the statewide online Calbright College) receive funding from apportionments. This funding is available for covering core operating costs.

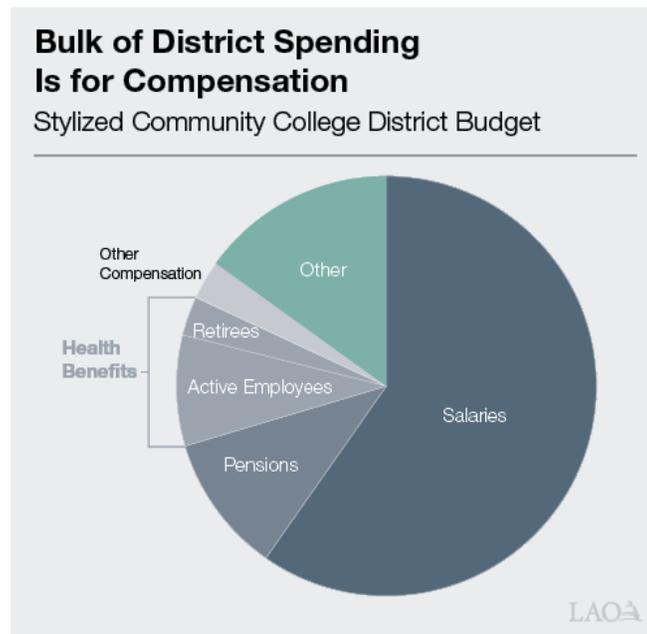
The amount each district receives is based on the state's Student Centered Funding Formula (SCFF). SCFF takes into account many factors, including the amount of credit and noncredit instruction each district provides. In 2023-24, community college districts collectively received 70 percent of all their Proposition 98 funding through apportionments. The remainder of CCC Proposition 98 funding is allocated to community colleges districts through more than 40 categorical programs.

***COLAs.*** Although the state is not statutorily required to provide community colleges a COLA on their apportionment funding (as it is for K-12 schools), the state has a longstanding practice of providing one when there are sufficient Proposition 98 resources. The COLA rate is based on a price index published by the federal government that reflects changes in the cost of goods and services purchased by state and local governments across the country.

**COLA for Apportionments in Prior Years.** The Budget Act of 2021 provided a 5.07 percent cost-of-living adjustment to apportionments, or \$371.2 million ongoing Proposition 98 General Fund. The Budget Act of 2022 included \$493 million ongoing Proposition 98 General Fund to colleges for a 6.56 percent COLA for apportionments. The Budget Act of 2023 included an 8.22 percent cost-of-living adjustment for apportionments for a total of \$678 million ongoing Proposition 98 General Fund. Collectively, the COLAs over the last three budget agreements are historically large and much higher than the average COLA provided over 30 years—three percent. Because of these apportionments increases—as well as funding increases for numerous categorical programs in recent years—budgeted per-student Proposition 98 funding is at an all-time high.

**Compensation Is Largest District Operating Cost.** On average, community college districts spend about 80 to 85 percent of their core operating budget on salary and benefit costs. While the exact split varies from district to district, salaries and wages can account for up to about 70 percent of total compensation costs. District pension contributions typically account for another 10 percent to 15 percent of total compensation costs. Health care costs vary among districts, but costs for active employees commonly account for roughly 10 percent of compensation costs, with retiree health care costs typically comprising less than 5 percent. Additionally, districts must pay various other compensation-related costs, including workers' compensation and unemployment insurance, which collectively tend to account for about 5 percent of total costs. Districts' other core operating costs include utilities, insurance, software licenses, equipment, and supplies. On average, about 15 percent of districts' operating budget is for these non-compensation-related expenses.

Figure 2



### Legislative Analyst's Office Assessment and Recommendations

**Districts Likely to Feel Salary Pressure in 2024-25.** Over 2021-22 and 2022-23, both inflation and wage growth (across the nation and in California) were at their highest levels in several decades. Elevated inflation and broad-based wage growth are expected to continue in 2024-25. Although inflation and wage

growth among workers have slowed noticeably over the past year, both are likely to remain above historical averages for the next few years. As a result, community college districts are likely to continue feeling pressure to provide their employees with salary increases. This is particularly true in districts that report having challenges recruiting faculty and other staff due to less competitive salary levels.

***Districts' Pension Costs Also Are Rising.*** About half of CCC employees (namely faculty) participate in the California State Teachers' Retirement System (CalSTRS), with the other half (namely staff and administrators) participating in the California Public Employees' Retirement System (CalPERS). Districts' employer contribution rates for these two systems are set by the respective retirement boards, rather than at the local community college district level (meaning all college districts are subject to the same contribution rates). Districts' pension costs have been increasing over time. In 2013-14, districts' employer contribution rate was 8.3 percent of payroll for CalSTRS and 11.4 percent of payroll for CalPERS. Those rates are up to 19.1 percent of payroll for CalSTRS and 26.7 percent of payroll for CalPERS in 2023-24. Based on current assumptions, districts' CalSTRS contribution rate is expected to stay constant at 19.1 percent in 2024-25, whereas the CalPERS rate is projected to increase to 27.8 percent. (Community colleges are not included in the Governor's CalPERS proposal involving changes in how a previous state supplemental payment is applied.) Accounting for both retirement systems, community college costs are expected to increase by \$76 million in 2024-25.

***Colleges Face Various Other Cost Pressures.*** Similar to other education segments, community college districts generally also expect to see higher costs in 2024-25 for health care premiums, insurance, equipment, supplies, and utilities. Health care costs are the largest of these remaining cost pressures. Districts are likely to face even greater pressure in this area than normal, as premiums in 2024 are increasing at historically high rates. Cost drivers include new medical technologies, increases in prescription drug costs, and inflation. Districts generally cover premium increases for their respective health care plans, though those decisions are collectively bargained. In some cases, employees are responsible for covering all or a portion of the premium increases.

***Proposed COLA Worsens State's Funding Shortfall for CCC.*** Under the Governor's budget, the state has insufficient Proposition 98 funds to cover even existing CCC costs, before applying any COLA in 2024-25. Given Proposition 98 funding is insufficient to cover CCC costs, the Governor proposes to draw down \$486 million in Proposition 98 reserves. The Governor must dedicate \$78 million of his proposed Proposition 98 Reserve withdrawal for covering the added ongoing cost of the proposed COLA for CCC apportionments and certain CCC categorical programs. Historically, the state has not used reserves to augment ongoing spending. Rather, the state historically has used reserves during times of recessions to mitigate program reductions.

***Recommendation: Reject Proposal, Revisit Available Funding Next Year.*** As a first step in addressing the lowered estimates of the minimum guarantee, the LAO recommends the Legislature not provide a COLA to CCC apportionments or any CCC categorical programs, thereby containing ongoing spending in 2024-25. This would result in savings of \$78 million Proposition 98 General Fund relative to the Governor's budget. Under the Governor's budget proposal, one-time reserves are required to cover these higher ongoing costs. Such an approach sets up the state for more difficult choices next year. Were the Legislature not to provide the COLA in 2024-25, it would lessen the ongoing shortfall for CCC programs and allow for better choices in 2025-26. This recommendation is consistent with LAO's recommendations not to increase funding and spending expectations for CSU and UC in 2024-25- which was covered in the March 14, 2024 Subcommittee No. 1 hearing. If sufficient state revenues do not materialize over the coming months, all higher education segments face the further prospect of ongoing program cuts.

While a year without a COLA would have implications for districts, it likely would be manageable given the circumstances. The likely leaner budget year comes after several years of high apportionment funding increases, including a large above-COLA base increase in 2022-23. Districts generally also have relatively high local reserves that could be tapped to address cost increases that are unavoidable in the near term (such as higher health care premiums or software licenses and other technology). The impact of not providing a COLA in 2024-25 also might be mitigated by a weakening statewide labor market and slowing wage growth, making it easier for districts to recruit and retain employees.

**Suggested Questions**

- If the state's budget situation gets worse, and the state is unable to provide CCC with a COLA, then what will be the impacts across the districts?
- Previous final budget agreements also included COLAs for categorical programs such as Puente Project, Mathematics, Engineering, Science Achievement (MESA), part-time faculty office hours and part-time faculty compensation. Why were these programs not included in the Governor's budget proposal for a COLA?

**Staff Recommendation.** Hold Open

**Issue 3: Enrollment****Panel**

- Justin Hurst, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

*Available for additional details and questions:*

David O'Brien, California Community Colleges Chancellor's Office

Chris Ferguson, Department of Finance

**Governor's Budget**

The Governor's budget includes \$29.6 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment. This equates to about 5,400 additional FTE students. The average base rate for each of these students is \$5,440. To be eligible for these growth funds, a district must first recover to its pre-pandemic enrollment level. The Governor's proposed enrollment growth rate of 0.5 percent is the same rate the state has adopted the past three years. The Governor's budget also continues the practice of including provisional language redirecting any unearned enrollment growth funds first to backfilling apportionment shortfalls.

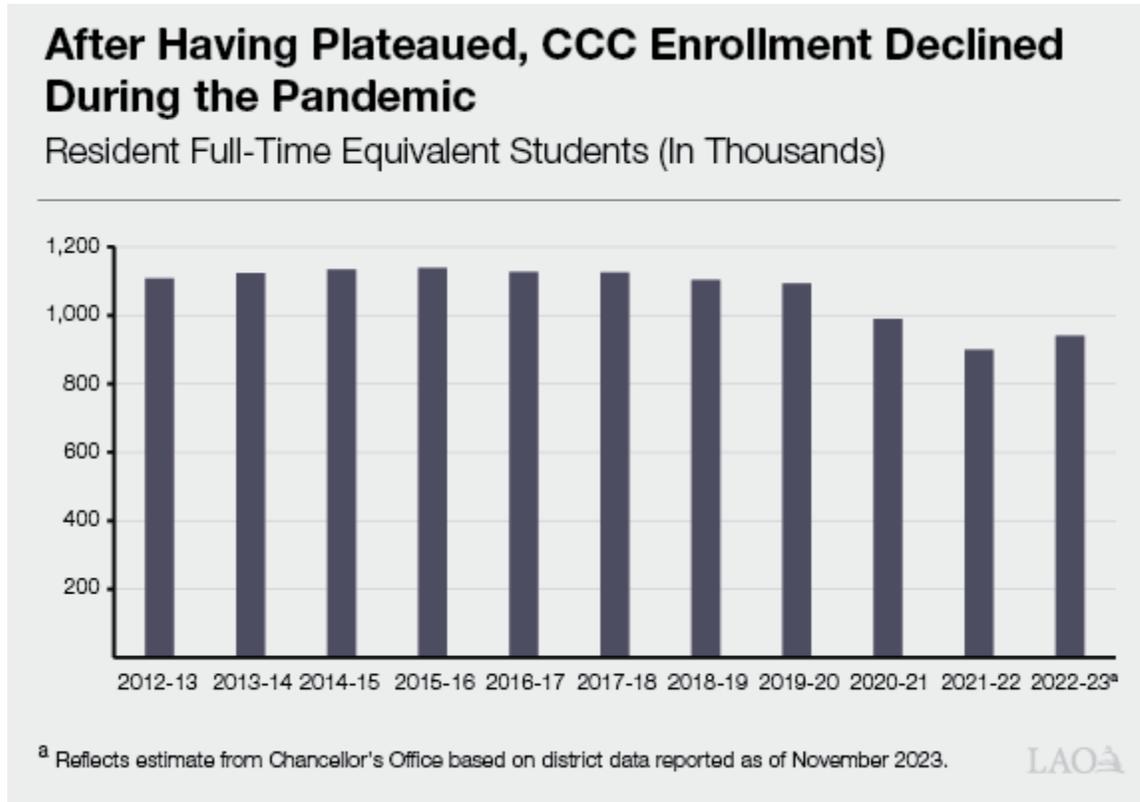
**Background**

Under the state's *Master Plan for Higher Education* and state law, community colleges operate as open access institutions. That is, all persons 18 years or older may attend a community college. (While CCC does not deny admission to students, there is no guarantee of access to a particular class.) Many factors affect the number of students who attend community colleges, including changes in the state's population, particularly among young adults; local economic conditions, particularly the local job market; the availability of certain classes; and the perceived value of the education to potential students.

*Enrollment Trends Before and During Pandemic*

***Prior to the Pandemic, CCC Enrollment Had Plateaued.*** During the Great Recession, community college student demand increased as individuals losing jobs sought additional education and training. Yet, enrollment ended up dropping as the state reduced funding for the colleges. A state funding recovered during the early years of the economic expansion (2012-13 through 2015-16), systemwide enrollment increased. Figure 3 from the LAO shows that enrollment flattened thereafter, as the period of economic expansion continued and unemployment remained at or near record lows. The plateau in CCC enrollment during this period was commonly attributed to the long economic expansion, strong labor market, and unemployment remaining at or near record lows.

Figure 3



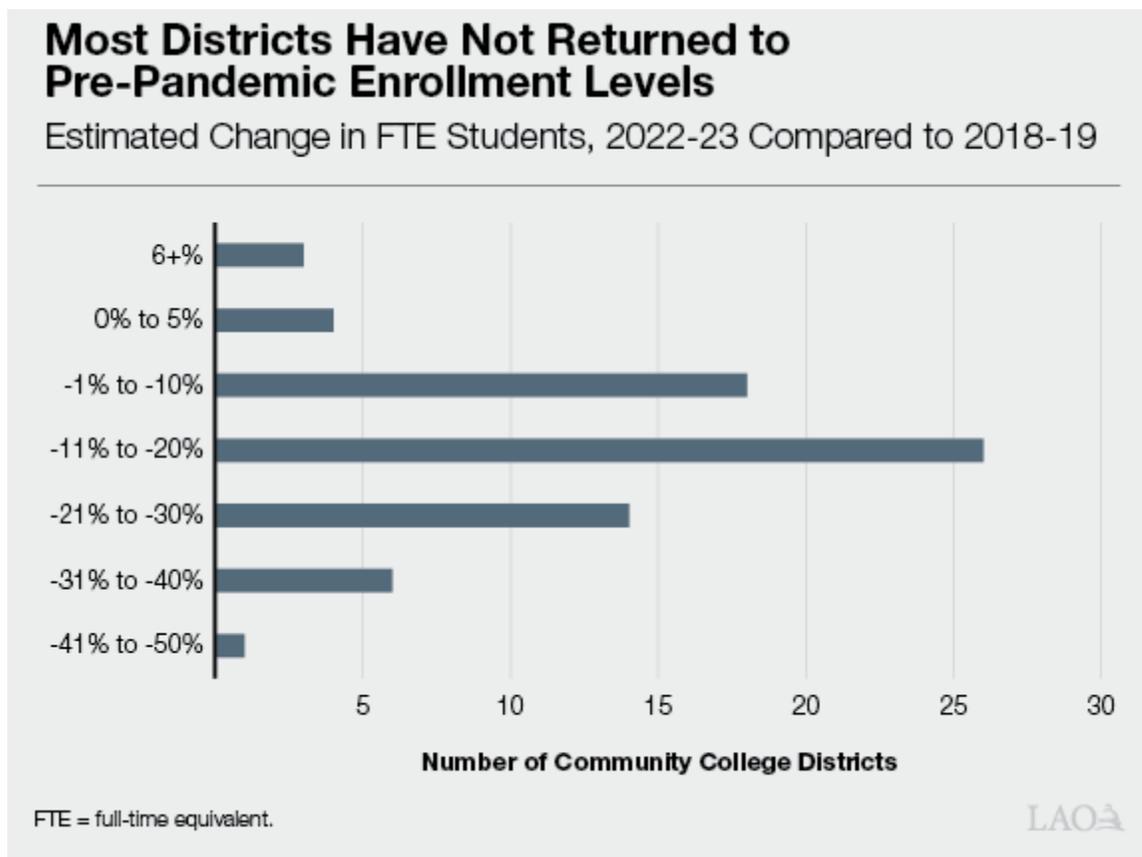
**CCC Enrollment Dropped Notably During the Pandemic.** Between 2018-19 (the last full year before the start of the pandemic) and 2021-22, full-time equivalent (FTE) students at CCC declined by more than 200,000 (19 percent). While CCC enrollment declines over these years affected virtually every student demographic group, most districts reported the largest enrollment declines among African American, male, lower-income, and older adult students. Although four-year institutions both in California and elsewhere experienced much more modest declines, the impacts the CCCs experienced in California are highly consistent with what was observed across the country among community colleges. For example, when comparing the results of the California Community Colleges to other public two-year colleges using the National Center for Educational Statistics, the decline in headcount across the California Community Colleges is highly similar to that exhibited by public community colleges across the country.

**Several Factors Likely Contributed to Enrollment Drops.** Community college students are more likely to be underrepresented students of color, low-income students, working students, students with dependent children, non-native speakers of English, first generation college students, and older students. These populations, across a range of indicators, are experiencing far greater health and economic impacts of the pandemic. Over the past couple of years, rising wages, including in low-skill jobs, and an improved job market appear to be major causes of reduced community college enrollment demand. In response to a Fall 2021 Chancellor’s Office survey of former and prospective students, many respondents cited “the need to work full time” to support themselves and their families as a key reason why they were choosing not to attend CCC. For these individuals, enrolling in a community college and taking on the associated opportunity cost might have become a lower priority than entering or reentering the job market.

*Current Post-Pandemic Enrollment Trends*

**Enrollment Levels Are Increasing in Many Districts.** After three years of enrollment drops, data from the Chancellor’s Office indicates that enrollment rose overall in 2022-23—increasing by an estimated four percent (in FTE terms) over 2021-22 levels. Figure 4 below shows that while some districts were back at or above their pre-pandemic enrollment levels in 2022-23, most community colleges remained below those levels. Based on information that the LAO received in January 2024 directly from 20 districts (representing more than one-quarter of districts in the state), Fall 2023 enrollment was strong, with districts reporting growth over Fall 2022 levels of between four percent and 18 percent. This data suggests more districts are likely to return to their pre-pandemic levels over the next couple of years.

**Figure 4**

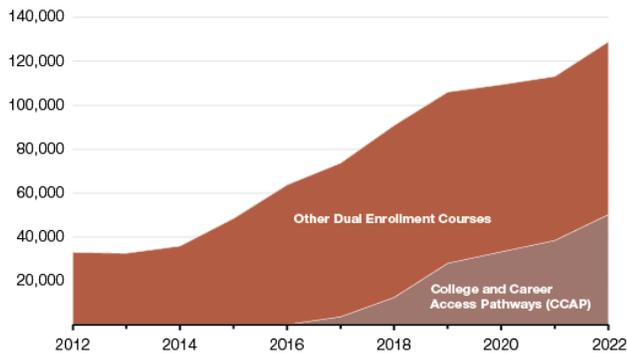


**Several Factors Likely Contributing to Recent Enrollment Increases.** District administrators cite a number of reasons for the recent rebound in enrollment. Unemployment in the state has ticked up over the past year (increasing from 3.8 percent in September 2022 to 5.1 percent by December 2023), which likely has resulted in more individuals deciding to earn a CCC education. Many districts also have indicated they have increased enrollment among nontraditional students, including dually enrolled high school students and incarcerated students (see Figures 5 and 6). According to the LAO, as of Fall 2022, dual enrollment students account for about 10 percent of total CCC headcount (and about five percent of total CCC full-time equivalent students). Additionally, colleges have cited the recruitment and retention strategies mentioned in the previous section of this background.

## Figures 5 and 6

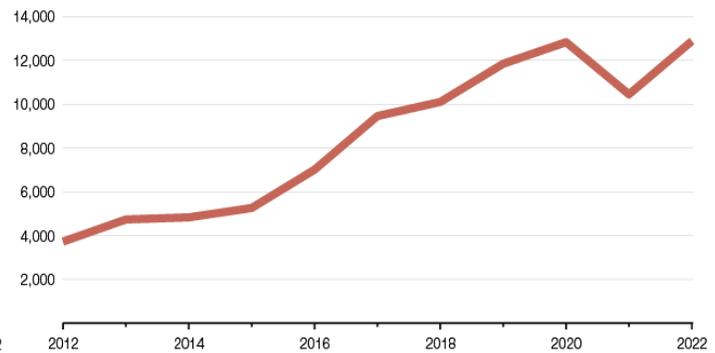
### CCC Has Seen Rapid Growth in Dual Enrollment

Fall Headcount of CCC Dual Enrollment Students



### CCC Is Also Serving More Incarcerated Students

Fall Headcount of CCC Incarcerated Students



**Previous Budget Act Actions.** The Budget Act of 2021 included \$24 million Proposition 98 General Fund in 2021-22 and ongoing to support 0.5 percent enrollment growth. The Budget Act of 2022 included \$27 million Proposition 98 General Fund in 2023-24 and ongoing to support 0.5 percent enrollment growth. The Budget Act of 2023 included \$26.4 million Proposition 98 General Fund in 2023-24 and ongoing to support 0.5 percent enrollment growth and also swept the entire \$24 million in enrollment growth funding scored to 2021-22 since it was not earned by districts.

### Legislative Analyst's Office Assessment and Recommendations

**Likely That Some of 2022-23 Growth Funding Will Not Be Earned by Districts.** Based on data reported by the Chancellor's Office to the LAO in early February 2024, \$19 million of \$27 million in 2022-23 enrollment growth funding had been earned by districts. The Chancellor's Office has identified no apportionment funding shortfalls for 2022-23. The Chancellor's Office should have released final 2022-23 enrollment and funding data by the end of February 2024. Any 2022-23 growth funds not earned by districts or not needed for an apportionment shortfall would become available for other Proposition 98 purposes, including Proposition 98 budget solutions.

**Better Information Is Coming on 2023-24 Enrollment.** As of this writing, estimating 2023-24 CCC enrollment remains difficult given that the Chancellor's Office is still processing Fall 2023 district enrollment submissions and the Spring 2024 term is just beginning. By the time of the May Revision, the Chancellor's Office will have provided the Legislature with preliminary enrollment data for 2023-24. This data will show which districts are reporting enrollment increases and declines and the magnitude of those changes. It also will show how many districts are on track to earn any of the 2023-24 enrollment growth funds. Apportionment data for 2023-24, however, will not be finalized until February 2025, such that the Legislature might not want to take any associated budget action until next year. At that time, if some or all of the 2023-24 enrollment growth funds end up not being earned by districts or needed for an apportionment shortfall, the Legislature could redirect available funds for other Proposition 98 purposes, including Proposition 98 budget solutions.

**Several Factors Could Guide 2024-25 Enrollment Growth Decision.** If some districts are on track to grow in 2023-24, it could mean they might continue to grow in 2024-25. Student demand also might increase in 2024-25 if the state's unemployment rate continues to tick upward, the job market weakens, or entry-level wage growth slows. These developments often are accompanied by an increase in the number of individuals seeking reskilling or upskilling. By providing funding for enrollment growth in 2024-25, the state could encourage and reward districts for expanding access to students. Countering these growth pressures, however, is demographic data indicating declines in both the college-age population (ages 18-24) and the broader working-age adult population (ages 25-64) in the state.

**Recommendation:** *Sweep 2022-23 Growth Funds.* Once 2022-23 enrollment and funding data are finalized, the LAO recommends the Legislature use any unearned enrollment growth funds to help achieve Proposition 98 budget savings. Based upon preliminary data, \$8 million would be available as savings. This action could be one of several ways the Legislature achieves Proposition 98 savings. Given the notable downward revisions in the Proposition 98 minimum guarantee over the budget window, such savings would help the state balance the budget.

**Recommendation:** *Consider Forthcoming Data, Together With State's Budget Condition, to Decide on Growth Funding for 2024-25.* The LAO recommends that the Legislature also use updated enrollment data, as well as updated data on available Proposition 98 funding, to make its decision on CCC enrollment growth for 2024-25. If the updated enrollment data indicate districts are growing in 2023-24, the Legislature could view the Governor's proposed growth funding in 2024-25 as warranted. Ultimately, though, the Legislature will want to weigh the benefits of providing more access to individuals seeking a CCC education with the need to find General Fund savings to address the state's significant budget problem. Were updated revenue estimates at the May Revision to suggest a more significant budget problem for the state, the LAO recommends that the Legislature not provide any growth funding for community colleges in 2024-25.

**Suggested Questions for CCC:**

- The Budget Act of 2022 included \$27 million one-time Proposition 98 General Fund to support 0.5-percent enrollment growth. Please share an update on funds that were earned due to enrollment growth. Is the system going to reach its target funded with 2022-23 funds?
- How many districts are estimated to rebound from the pandemic enrollment losses by the end of 2023-24? What challenges exist for districts facing difficulties with increasing enrollment?
- What are some best practices that the districts with enrollment rebounds to pre-pandemic levels deployed? How, and can, these practices be applied statewide to all districts?
- Most districts reported the largest pandemic enrollment declines among African American, male, lower-income, and older adult students. How do enrollment trends for these groups look post-pandemic?

**Staff Recommendation.** Hold Open.

**Issue 4: Student Housing at CCC****Panel**

- Alex Anaya Velazquez, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

*Available for additional details and questions:*

David O'Brien, California Community Colleges Chancellor's Office

Chris Ferguson, Department of Finance

**Governor's Budget**

**Higher Education Student Housing Grant Program Modifications.** The Budget Act of 2023 included \$61.5 million non-Proposition 98 General Fund in 2023-24 to debt finance 16 CCC student housing projects. Though the Administration is committed to using a state lease revenue bond to finance 13 of these projects, the associated state program has not yet been established. The Governor intends to submit a proposal designing the new program at the May Revision. Until the new lease revenue bond program is enacted and housing projects have been completed, the state would incur no associated borrowing costs. The Governor's budget therefore proposes to remove the entire \$61.5 million in associated funding in 2024-25.

The Governor's budget also proposes using \$50.6 million General Fund of the \$61.5 million provided in 2023-24 for lease revenue bond debt service for the CCC projects to support one-time payments to three districts for housing projects that are not appropriate for bond funds. The three projects are Santa Rosa City College (\$15 million), Napa Valley College (\$31 million) and Imperial Valley College (\$4.6 million).

**California Student Housing Revolving Loan Fund.** The budget proposes suspending funding for the program. This action would pull \$300 million General Fund in annual support between 2024-25 and 2028-29 fiscal years and revert \$194 million General Fund in 2023-24.

**Background**

***CCC Housing Is Mostly at Rural Colleges and Decades Old.*** Prior to 2019, 11 community colleges had student housing programs. Almost all of these colleges were located in rural areas and had longstanding housing programs. In 2019, Orange Coast College opened a student housing facility with 800 beds. This student housing facility is the largest among the community colleges (more than four times larger than at any other, accounting for about one-third of all community college beds in the system). Santa Rosa Junior College recently secured financing for a 352-bed project through the California School Finance Authority. The authority completed a \$68.3 million revenue bond sale in summer 2021 for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize general obligation bonds, which could be used to support housing projects if local voters approve.

<b>CCC Campus</b>	<b>Beds</b>
Cerro Coso College	50
College of the Redwoods	150
College of the Siskiyous	121
Columbia College	196
Feather River College	238
Lassen Community College	108
Orange Coast College	800
Reedley College	140
Shasta College	126
Sierra College	120
Taft College	150
West Hills College Coalinga	169
<b>Total</b>	<b>2368</b>

Data compiled by the Chancellor's Office indicates that students pay on average about \$5,800 per year in a two-person room. These costs do not include food.

***Revolving Loan Fund Program (Program).*** The Budget Act of 2023 included \$200 million General Fund in 2023-24 and \$300 million in each of the 2024-25 to 2028-29 fiscal years for the Program. The California School Finance Authority (CSFA) and the California Educational Facilities Authority (CEFA) administers the Program, which provides zero-interest loans to qualifying University of California (UC), California State University (CSU), and California Community College (CCC) applicants for campus-based affordable student, faculty, and staff housing. In its September 2023 meeting, the CEFA stated its intent to enter an interagency agreement with CSFA to “utilize its staff and consultants to assist CEFA with various aspects of the Program, including, but not limited to, policy development, underwriting criteria, regulation development, financial model development, form development, a loan tracking system, and evaluating applications and projects.” CSFA and CEFA also solicited input from UC, CSU, and other organizations to finalize regulations, technical assistance, and marketing outreach, maximize the financing structures, and with a goal of posting applications by January 2024.

***Higher Education Student Housing Grant Program.*** The Budget Act of 2023 shifted the prior and planned limited-term General Fund support for UC, CSU, and California Community College (CCC) affordable student housing grants to UC-, CSU-, and locally issued bonds respectively. Of note for this subcommittee hearing are the following components of the 2023 Budget Act agreement:

- Shifting \$1.1 billion in current and planned General Fund support for CCC affordable housing student grants to bonds. The bond proceeds may come from local financing issued by community college districts for specified projects. To support the projects, the budget includes an increase of \$61.48 million General Fund in 2023-24 and ongoing.
- Expressing legislative intent that, no later than the adoption of the 2024 Budget Act, a statewide lease revenue bond, or other statewide financing or fiscal approach will be developed and included

within the 2024 Budget Act to support California community college affordable student housing projects that have been approved as part of the Higher Education Student Housing Grant Program.

- Clarifying that the CCC campuses that received General Fund support for grants in the Budget Act of 2022 shall revert those General Fund resources by June 29, 2024, or upon the enactment of the 2024 Budget Act, whichever is later.
- Naming the UC, CSU, and CCC campuses that received funding in 2023-24.
- Shifting the support of three CCC and UC intersegmental projects from CCC to UC. This shift facilitated UC issuance of revenue bonds for the CCC portions of three intersegmental UC-CCC affordable housing projects selected in the Higher Education Student Housing Grant Program. The three intersegmental projects covered through UC revenue bonds the split in the number of beds for low-income students between the participating campuses contained in the Higher Education Student Housing Grant Program applications approved by the state and further defined in the subsequent operating agreements between each UC campus and the CCC district partnership.

Campus awardees were named in the 2022 and 2023 Budget Acts (see Table 3).

**Table 3: State-Approved CCC Student Housing Construction Projects**

	Project Costs		Current Phase	Beds	
	State <sup>a</sup>	Nonstate		Affordable	Standard
<b>CCC Projects Approved in 2022-23</b>					
Fresno City College	\$34.1	—	Preliminary Plans	354	—
College of the Siskiyous	32.6	—	Preliminary Plans	250	—
Ventura College	62.9	—	Preliminary Plans	320	—
Sierra College	80.5	—	Construction	100	—
Napa Valley College	31.0	—	Construction	154	—
Santa Rosa Junior College	15.0	—	<i>Completed</i>	145	—
Consumnes River College	44.1	—	Preliminary Plans	100	—
Compton College	80.4	—	Working Drawings	360	—
Lake Tahoe CCD	39.4	—	Construction	252	—
Bakersfield College	60.2	\$97.0	Working Drawings	124	404
College of the Canyons	61.9	63.3	Preliminary Plans	70	282
Imperial Valley College <sup>b</sup>	4.6	4.7	Working Drawings	78	—
Subtotals	(\$546.7)	(\$165.0)		(2,307)	(686)

<b>CCC Projects Approved in 2023-24</b>						
San Diego City College	\$75.0	\$147.9		Setting Performance Criteria	808	—
Cerritos College	68.0	12.0		Preliminary Plans	396	—
College of San Mateo	55.9	10.0		Working Drawings	312	—
College of the Redwoods	28.4	24.9		Working Drawings	181	34
Subtotals	(\$227.3)	(\$194.7)			(1,697)	(34)
<b>Totals</b>	<b>\$773.9</b>	<b>\$359.7</b>			<b>4,004</b>	<b>720</b>
<b>Total Debt Service \$61.5 million</b>						
<b>UC/CCC Intersegmental Projects Approved in 2023-24<sup>c</sup></b>						
UC Riverside-Riverside City College	\$126.0	\$186.0	8.9	Construction	652	897
UC Santa Cruz-Cabrillo College	111.8	69.9	8.1	Construction	376	248
UC Merced-Merced College	100.0	—	7.1	Preliminary Plans	488	—
Subtotals	(\$337.8)	(\$255.9)			(1,516)	(1,145)
<sup>a</sup> Non-Proposition 98 General Fund.						
<sup>b</sup> Imperial Valley College has an intersegmental project with CSU San Diego (which also is receiving \$4.6 million for the project within its budget).						
<sup>c</sup> The General Funds for these intersegmental projects are in the UC budget.						

**CCC Student Housing Projects for 2024-25.** The upcoming 2024-25 fiscal year is the final year of funding for the grant program and the program authority remains for only CCC projects—at roughly \$80 million General Fund. The Chancellor’s Office received applications from colleges in Fall 2023, and ranked the projects based on the criteria described in statute, which includes projected rents, project timeline, and a campus’ unmet need for student housing. Overall, the Chancellor’s Office received 30 applications that requested \$1.6 billion General Fund. Below documents the campus projects by ranking. These projects are documented below in Table 4.

**Table 4:** Ranked CCC Student Housing Construction Projects for 2024-25

Rank	District	Campus	Estimated State Cost (in millions)	Estimated Local Cost (in millions)	Estimated Total Project Cost (in millions)
1	Kern CCD	Porterville College	30.8	3.34	34.14
2	Contra Costa CCD	Los Medanos College	48.6	29.5	78.1
3	Victor Valley CCD	Victor Valley College	46.5	15.5	62

4	Long Beach CCD	Long Beach City College	60.2	45	105.2
5	Feather River CCD	Feather River College	63.2	11	74.2
6	Southwestern CCD	Southwestern College	81.4	0	81.4
7	Ohlone CCD	Ohlone College	18.3	7.33	25.63
8	Antelope Valley CCD	Antelope Valley College	61.5	0	61.5
9	San Bernardino CCD	Crafton Hills College	46.2	15.1	61.3
10	Rio Hondo CCD	Rio Hondo College	37.2	12.2	49.4
11	South Orange County CCD	Irvine Valley College	71.3	3.71	75.01
12	Mendocino-Lake CCD	Mendocino College	57.1	0	57.1
13	Peralta CCD	College of Alameda	51.7	42.1	93.8
14	Santa Monica CCD	Santa Monica College	51.1	16.7	67.8
15	West Hills CCD	West Hills College	47.7	2.48	50.18
16	Los Rios CCD	American River College	48.1	0	48.1
17	State Center	Fresno City College	60.2	6.21	66.41
18	Riverside CCD	Moreno Valley College	49.8	4.39	54.19
19	West Valley Mission CCD	Mission College	56.9	25	81.9
20	Ventura County CCD	Moorpark College	57.9	3.01	60.91
21	Merced CCD	Merced College	13.8	0	13.8
22	North Orange County CCD	Cypress College	77.7	5.92	83.62
23	Gavilan Joint CCD	Gavilan College	46.8	15.3	62.1
24	Shasta-Tehama-Trinity Joint CCD	Shasta College	64.7	3.37	68.07
25	San Mateo County CCD	Skyline College	60.8	10	70.8
26	Solano CCD	Solano Community College	44.1	0	44.1
27	Chabot-Las Positas CCD	Las Positas College	53.3	5.84	59.14
28	San Jose-Evergreen CCD	Evergreen Valley College	121.8	13.7	135.5
29	Lassen CCD	Lassen College	62.5	0	62.5
30	Yosemite CCD	Columbia College	61.3	0	61.3
		<i>Grand Totals</i>	<i>1652.5</i>	<i>296.7</i>	<i>1949.2</i>

**Suggested Questions**

- **CCC:** Please provide a brief update on the status of each construction and planning project that was funded in 2022 and 2023 Budget Acts. Are there challenges or difficulties that the Legislature should know about?
- **CCC:** The requested amount for prospective projects exceeds the spending authority that remains in the Grant Program. Given the projected budget deficit and the lack of state funds to continue the program, will the campuses proceed with projects that do not receive state funding? If so, how will the campuses pursue financing these projects and ensuring that beds are affordable for students?
- **CCC:** What is your system's overall long-term goals for student housing and existing challenges in achieving those goals?
- **DOF:** Is the Administration on track with the development of a statewide lease revenue bond for the community college projects? Will the subcommittee receive information on the bond structure today, or before the May Revise?

**Staff Recommendation.** Hold Open

*Senate Budget and Fiscal Review—Scott D. Wiener, Chair*

# **SUBCOMMITTEE NO. 1**

# **Agenda**

**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 16, 2024**  
**Upon Call of the Chair**  
**1021 O Street, Room 2100**

Consultants: Yong Salas

## **PART A**

<b>6100 Department of Education .....</b>	<b>2</b>
<b>6360 School Facility Aid Program.....</b>	<b>2</b>
Issue 1: May Revise Overview .....	2

### **Public Comment**

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**6100 DEPARTMENT OF EDUCATION**  
**6360 SCHOOL FACILITY AID PROGRAM****Issue 1: May Revise Overview****Panel.**

- Alex Shoap, Department of Finance
- Dan Merwin, Department of Education
- Ken Kapphahn, Legislative Analyst's Office

**May Revision.**

**Proposition 98 - Changes to the Minimum Guarantee.** The May Revision continues to assume the funding maneuver proposed in the Governor's Budget and increases the amount adjusted in the 2022-23 fiscal year to \$8.8 billion, which would be recorded in the out-years for the state's budgetary and financial reporting purposes outside of Proposition 98.

The May Revision reflects a decrease in Proposition 98 funding from the Governor's Budget for the three-year period of 2022-23 to 2024-25. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years at \$97.5 billion, \$102.6 billion, and \$109.1 billion, respectively. In the Governor's January Budget, the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years were estimated to be \$98.3 billion, \$105.6 billion, and \$109.1 billion, respectively.

The revised levels reflect the estimated decrease in General Fund revenues over the three-year period in comparison with the Governor's Budget proposal. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38.6 percent of General Fund revenues, accommodating the rebench of the Proposition 98 Guarantee related to the expansion of transitional kindergarten, plus local property taxes).

**Public School System Stabilization Account.** The May Revision increases the proposed withdrawal amounts from the Public School System Stabilization Account from the Governor's Budget, and utilizes the entire reserve. The budget proposes a balance of \$2.6 billion in the Public School System Stabilization Account after 2023-24, which does not trigger the district reserve cap of 10 percent.

**K-12 Local Control Funding Formula.** The May Revision includes an increase of \$1.6 billion in 2023-24 and a reduction of \$2.5 billion in 2024-25 due to ADA growth adjustments combined with a 1.07 percent cost-of-living adjustment, along with offsets as a result of increased property tax and education protection account revenue. The budget proposes to fund LCFF costs with one-time funds of \$5.3 billion from the Public School System Stabilization Account in 2023-24 and \$2.2 billion from the Public School System Stabilization Account in 2024-25 with \$99 million in re-appropriation funding.

**California Community Colleges Student-Centered Funding Formula (SCFF).** The May Revision includes an increase of \$100 million ongoing Proposition 98 General Fund in 2024-25 to support a 1.07 percent cost-of-living adjustment for SCFF apportionments. Additionally, the budget proposes a withdrawal of \$532.5 million in 2023-24 and \$381.6 million in 2024-25 from the Public School System Stabilization Account to support SCFF resource needs.

**Proposition 28 (Arts and Music in Schools-Funding Guarantee and Accountability Act).** The May Revision maintains the Proposition 28 allocation at \$938 million in 2023-24, and estimates \$907 million in 2024-25.

**Zero Emission School Buses.** The Administration proposes a total of one-time \$895 million Proposition 98 General Fund in 2024-25 for local educational agencies to purchase zero emission school buses and its charging infrastructure, of which the May Revision proposed an additional \$395 million on top of the January Governor’s Budget proposal of \$500 million. \$254.7 million of the proposed new spending are comprised of re-appropriated funds. The 2023-24 Budget included \$500 million for this purpose, of which the funds have not yet been allocated. The proposed budget also continues to plan an additional \$105 million for this program in the 2025-26 fiscal year.

**School Facilities Aid Program.** The May Revision proposes to eliminate the remaining \$375 million one-time General Fund to support the School Facilities Aid Program in 2024-25.

**California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.** The May Revision eliminates a planned 2025-26 investment of \$550 million General Fund that was intended to support the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.

**Preschool Inclusivity.** The May Revision eliminates the planned General Fund investments \$47.9 million in 2025-26 and \$97.9 million ongoing starting in 2026-27. The funding was intended to support the California State Preschool Program adjustment factor costs for State Preschool to serve at least 10 percent of students with disabilities by 2026-27. Providers will continue to be required to serve at least five percent of students with disabilities.

**Staff Recommendation.** Hold open.

*Senate Budget and Fiscal Review— Scott Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 16, 2024**  
**Upon Call of the Chair**  
**1021 O Street - Room 2100**  
**Part B- Higher Education**

Consultant: Christopher Francis, Ph.D.

<b>6440</b>	<b>University of California (UC)</b> .....	<b>2</b>
<b>6610</b>	<b>California State University (CSU)</b> .....	<b>2</b>
	Issue 1: Base Budget Reductions .....	2
<b>6440</b>	<b>University of California (UC)</b> .....	<b>7</b>
<b>6600</b>	<b>UC College of the Law, San Francisco (CLSF)</b> .....	<b>7</b>
	Issue 2: Various Governor’s May Revision Proposals.....	7
<b>6610</b>	<b>California State University (CSU)</b> .....	<b>10</b>
	Issue 3: Augmentation to Support Expanded University Fee Waiver Costs.....	10
<b>6870</b>	<b>California Community Colleges (CCC)</b> .....	<b>11</b>
	Issue 4: Various Governor’s May Revision Proposals.....	11
	Issue 5: Nursing Program Support at CCC .....	14
<b>6980</b>	<b>California Student Aid Commission</b> .....	<b>20</b>
	Issue 6: Various Governor’s May Revision Proposals.....	20
<b>6120</b>	<b>California State Library</b> .....	<b>23</b>
	Issue 7: Various Governor’s May Revision Proposals.....	23

## Public Comment

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## DISCUSSION ITEMS

**6440 UNIVERSITY OF CALIFORNIA (UC)**

**6610 CALIFORNIA STATE UNIVERSITY (CSU)**

### Issue 1: Base Budget Reductions

#### Panel

- Chris Ferguson, Department of Finance
- Jennifer Pacella, Legislative Analyst’s Office
- Seija Virtanen, University of California
- Cheryl Ide, California State University

#### Governor’s May Revision Proposals

- **UC Base Budget Decrease for 2024-25 and 2025-26.** The May Revision includes a \$125 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to UC’s base budget beginning in 2025-26. Between this proposal and the early action agreement detailed below, UC would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.
- **CSU Base Budget Decrease for 2024-25 and 2025-26.** The May Revision includes a \$75 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to CSU’s base budget beginning in 2025-26. Between this proposal and the early action agreement detailed below, CSU would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.

#### Background

**Compacts.** The 2022 Budget Act included funding associated with multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges that focus on shared priorities benefitting students. Under these compacts, starting in 2022-23, CSU and UC will receive five percent annual base increases over each of the next five fiscal years to support operating costs. Whereas the 2022 Budget Act includes enrollment growth funding on top of the base increases in 2022-23, the universities are expected to accommodate one percent annual resident undergraduate enrollment growth within their base increases over the remainder of the compact period (2023-24 through 2026-27).

**Budget Acts of 2022 and 2023.** Consistent with the Governor’s compact, the Budget Acts of 2022 and 2023 each included five percent base increases for UC and CSU. Specifically, the budget agreements provided the following:

**Table 1:** State General Fund Support for UC and CSU under first two years of Governor’s compact

Segment	2022 Budget Act Agreement	2023 Budget Act Agreement
UC	\$200.5 million General Fund in 2022-23 and ongoing	\$215.5 million General Fund in 2023-24 and ongoing
CSU	\$211.1 million General Fund in 2022-23 and ongoing	\$227.3 million General Fund in 2023-24 and ongoing

**UC Has Several Core Operating Costs.** As with most state agencies, UC spends the majority of its ongoing core funds (about 70 percent in 2020-21) on employee compensation, including salaries, employee health benefits, retiree health benefits, and pensions. Beyond employee compensation, UC spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E).

**CSU Has Several Core Operating Costs.** Similarly to UC, CSU spends the majority of its ongoing core funds (about 75 percent in 2020-21) on employee compensation, including salaries, employee health benefits, and pensions. Beyond employee compensation, CSU spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other OE&E. Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. As Table 2 shows, CSU has agreements extending into 2025-26 with multiple unions.

**Table 2:** General Salary Increases by Employee Group Between 2023-24 and 2025-26

Employee Group	General Salary Increases		
	2023-24	2024-25 <sup>a</sup>	2025-26 <sup>a</sup>
California Faculty Association <sup>b,c</sup>	5%	5%	Open
California State University Employees Union	5	5	— <sup>d</sup>
Academic Professionals of California <sup>b</sup>	5	Open	Open
Teamsters 2010 <sup>b</sup>	5	— <sup>d</sup>	— <sup>d</sup>
United Auto Workers	5	5	Open
Statewide University Police Association	5	5	5%
Union of American Physicians and Dentists	5	Open	Open

International Union of Operating Engineers	5	Open	Open
<p><sup>a</sup><i>Increases are contingent upon the state providing a specified amount of support to CSU.</i>  <sup>b</sup><i>Tentative agreements pending ratification by the CSU Board of Trustees and union membership.</i>  <sup>c</sup><i>Agreement also includes 2.65 percent service salary increases for faculty below certain salary levels, along with increases in the minimum salary for certain faculty positions, in 2023-24 and 2024-25.</i>  <sup>d</sup><i>In lieu of General Salary Increases, CSU and these unions have agreed to implement a salary step structure under which employees receive regular salary increases based on their length of service.</i></p>			

**CSU Also Has Some Contingent Salary Agreements in Place for 2024-25.** Three of these agreements already have been ratified and two are tentative. Several of these agreements provide a five percent general salary increase, contingent upon the state providing a specified amount of support to CSU in 2024-25. For example, the five percent increase for employees represented by CFA is contingent upon the state not reducing ongoing base funding to CSU relative to the 2023 Budget Act level, whereas the salary increase for employees represented by CSUEU is contingent upon the state providing a \$227 million base augmentation to CSU. As of this writing, 2024-25 compensation increases have not yet been determined for three smaller unions, as well as non-represented employees. CSU estimates the cost of every one percent increase in its compensation pool for all employee groups in 2024-25 would be \$55 million ongoing.

**2024 Early Action on UC and CSU Base Budget Deferrals.** The Governor’s budget proposed one-time deferrals of \$227.8 million of \$240.2 million for UC and CSU respectively, representing a five-percent resource adjustment that is consistent with the Governor’s multi-year compact with both segments. According to the Administration, the deferrals would maintain ongoing UC and CSU General Fund at 2023-24 levels and enable both segments to pursue various interim financing to support the planned 2024-25 Compact support. Due to this deferral, the Governor intended to “double up” funding in 2025-26 for both CSU and UC such that:

- CSU would receive an ongoing 10 percent base increase of \$494 million that year. (This consists of \$240 million to support the higher level of prior-year ongoing spending, along with \$254 million for a new five percent base increase.) In addition, the Governor intends to provide CSU with a one-time back payment of \$240 million in 2025-26 to compensate for the forgone funds in 2024-25.
- UC would receive a base increase to support the higher level of prior-year ongoing spending (\$228 million), along with a new five percent base increase (\$241 million)—for a total increase of \$469 million in ongoing General Fund support that year. In addition, the Governor intends to provide UC with a one-time back payment of \$228 million in 2025-26 to compensate for the foregone funds in 2024-25.

**2024 Early Action on UC Nonresident Replacement Deferral.** Similarly to the base budget deferral, the Governor’s January budget also included a one-time deferral of \$31 million General

Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three UC campuses with an equivalent number of California resident undergraduate students. Due to this deferral, the Governor intends to “double up” funding in 2025-26 for UC such that it receive a one-time back payment of \$31 million in 2025-26 plus \$62 million in 2025-26 and ongoing.

These deferral proposals were adopted as part of an early action agreement between the Governor, Senate, and Assembly in April 2024.

**Staff Comment:** Staff notes that this proposal is part of an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. Unlike the departments identified for that proposal, the reductions for the segments reach 7.95 percent in 2025-26. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.

**Suggested Questions:**

- ***For UC and CSU:*** Please describe the impact of the state operations reductions on UC and CSU on course servings, serving your workforce, and serving students. How will UC and CSU implement this reduction? Has there/Will there be guidance sent to the campuses?
- ***For UC and CSU:*** Does the May Revise proposal break your Compact agreement with the Governor or will you proceed with fulfilling the goals of the Compact? If you move forward, then how do you plan to uphold the compact agreements?
- ***For UC and CSU:*** Do you have a plan or options to cover for the lost revenue if this proposal is adopted (for example, tuition increases)?
- ***For UC and CSU:*** How do you plan to cover mandatory costs if the May Revise is adopted?
- ***For DOF:*** How does this interact with the early action agreement of a one-year deferral for the segments?
- ***For DOF:*** Are these one-time base budget decreases expected to be restored in 2025-26 if revenues rebound?
- ***For DOF:*** How was the phased-in reduction approach determined?

- ***For CSU:*** What is the interaction between the CSU base reduction and potential collective bargaining agreements that were to take effect on July 1?
- ***For DOF, UC, and CSU:*** between the Governor, UC, and CSU? In other words, are the compact expectations expected to be upheld despite the base cuts?
- ***For DOF, UC, and CSU:*** Can you clarify the interaction between the proposed reduction and enrollment targets?

**Staff Recommendation.** Hold Open

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**6440 UNIVERSITY OF CALIFORNIA (UC)****6600 UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)****Issue 2: Various Governor’s May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Ian Klein, Legislative Analyst’s Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst’s Office

Seija Virtanen, University of California

Rhiannon Bailard, UC College of the Law, San Francisco

**Governor’s May Revision Proposals**

The Governor’s May Revision includes the following ongoing and one-time solutions.

- **UC Labor Centers and Occupational Safety and Health Programs Reduction.** The May Revision makes a \$13 million ongoing reduction for the UC labor centers. Previously, the 2022 Budget Act included \$13 million General Fund in 2022-23 and ongoing to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system.
- **Graduate Medical Education Reduction.** The Governor’s January budget included an increase of \$2.6 million General Fund ongoing and \$240,000 General Fund one-time to offset the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots. The May Revision makes a \$13.5 million General Fund ongoing reduction. Proposition 56 – California Healthcare, Research and Prevention Tobacco Tax Act of 2016 – was passed by voters on the November 8, 2016 ballot and implemented a surcharge on tobacco tax products.

Among the numerous programs supported with Proposition 56 funds, the measure requires \$40 million annually to go to UC for primary care physician post-graduate training programs (known as “graduate medical education”). UC uses the funds to support the CalMedForce program, which provides competitive grants to primary care graduate medical education programs throughout California. Under a memorandum of understanding with UC, Physicians for a Health California administers the grants.

- **UC Equal Opportunity Practices and Professional Development One-Time Fund Reduction.** The May Revision includes a one-time \$5 million reduction. The Budget Act of 2021 appropriated \$5 million one-time General Fund to support culturally competent

faculty professional development and included language allowing funding also to be used to support equal employment opportunity practices.

- **Unseen Latinas Initiative Reduction.** The 2022 Budget Act appropriated \$15 million General Fund in 2022-23 to support the Unseen Latinas Initiative at the UCLA Latino Policy and Politics Institute. The May Revision proposes a \$13.7 million reduction to this initiative.
- **UC Davis Equine Performance and Rehabilitation Center Reduction.** The 2023 Budget Act appropriated \$5 million General Fund in 2023-24 to support this initiative. The May Revision proposes a \$5 million reduction to this initiative.
- **Ongoing Reductions to CLSF State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions. Unlike the departments identified for that proposal, the reductions for the segments and UC College of the Law, San Francisco is 7.95 percent starting in 2025-26.
- **Various Technical Adjustments.** Included below are the remaining adjustments in the May Revision:
  - **Technical Adjustment to Increase Expenditure Authority for Breast Cancer Research**—It is requested that Item 6440-001-0007 be increased by \$289,000 ongoing to reflect available resources in the Breast Cancer Research Account.
  - **Technical Adjustment to Increase Expenditure Authority for Cigarette and Tobacco Products Research**—It is requested that Item 6440-001-0234 be increased by \$512,000 ongoing to reflect available resources in the Research Account, Cigarette and Tobacco Products Surtax Account.
  - **University of California, Oiled Wildlife Care Network**—It is requested that Item 6440-001-0320 be increased by \$750,000 ongoing Oil Spill Prevention and Administration Fund to support the Oiled Wildlife Care Network.
  - **JUUL Settlement Funds** —It is requested that Item 6440-001-8141 be added to provide an ongoing increase of \$1,972,000 because of the State of California JUUL settlement.
  - **Technical Adjustment Division of Agriculture and Natural Resources for School Meals for All Research**—It is requested that provisional language in Item 6440-005-0001 be amended to reflect a technical correction in the amount of funding in the item that is being directed to support the University of California Nutrition Policy Institute.

- **Extend Encumbrance for the California Institute on Law, Neuroscience, and Education**—It is requested that Item 6440-491 be added to reappropriate available California Institute on Law, Neuroscience, and Education resources.

**Suggested Questions:**

- ***For DOF:*** Aside from assisting in closing the shortfall, what methodology did you use to identify these programs as viable candidates for reductions?
- ***For DOF and UC, on UC Labor Centers :*** How much state General Fund was expended or obligated from UC Labor Centers in 2022-23 and 2023-24? Why was this reduction proposed? Does this reduction effectively eliminate all state support for the UC Labor Centers or will some state support remain?
- ***For DOF and UC, on Unseen Latinas Initiative Reduction:*** How much state support would remain for this program if the May Revision proposal were adopted?
- ***For CLSF:*** Please describe the impact of the state operations reductions on UC College of the Law, SF.

**Staff Recommendation.** Hold Open

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**6610 CALIFORNIA STATE UNIVERSITY (CSU)****Issue 3: Augmentation to Support Expanded University Fee Waiver Costs****Panel**

- Chris Ferguson, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Cheryl Ide, California State University

*Available for additional questions or details:*  
Jennifer Pacella, Legislative Analyst's Office

**Governor's May Revision**

The May Revision includes \$5.5 million General Fund on an ongoing basis to support the estimated costs of the recently enacted AB 1745 (Soria) Chapter 695, Statutes of 2023. AB 1745 expanded fee waiver for Medal of Honor recipients, children of Medal of Honor recipients, or dependents of service-injured veterans attending the CSU.

**Background**

AB 1745 modifies the annual income metric used to determine eligibility for the tuition waiver program for children of service-injured veterans attending a California Community College (CCC), California State University (CSU) or University of California (UC) campus.

This law attempts to realign the annual income metric with one that reflects wages, cost of living and other economic conditions of this state with a new income cap that is less than the annual household income for a single person with no dependents, as calculated by the California Revenue and Tax Code. According to the Franchise Tax Board website, this amount is \$20,913 for the taxable year 2022.

**Staff Recommendation.** Hold Open

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**6870 CALIFORNIA COMMUNITY COLLEGES (CCC)****Issue 4: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

*Available for additional questions or details:*

Daisy Gonzales, California Community Colleges Chancellor's Office

David O'Brien, California Community Colleges Chancellor's Office

**Governor's May Revision Proposals**

The Administration's changes to the Proposition 98 Minimum Guarantee and Proposition 98 Reserve withdrawal proposals and their impacts across K-14 were covered in Part A. The Governor's May Revision includes the following major ongoing and one-time proposals for the community colleges, assuming their Proposition 98 projections:

- **Ongoing Reductions to CCC Chancellor's Office State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Public School System Stabilization Account Withdrawals to Fund Student Centered Funding Formula (SCFF) Needs.** The Governor's January budget initially a withdrawal of \$235.9 million, scored to 2023-24 and \$486.2 million scored to 2024-25 to support SCFF resource needs. The May Revision now proposes a withdrawal of \$532.5 million, scored to 2023-24 and \$381.6 million scored to 2024-25 to support SCFF resource needs.
- **CCC Apportionments Cost-Of-Living Adjustment (COLA).** The May Revision includes an increase of \$100 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07-percent COLA for Student Centered Funding Formula apportionments.
- **Categorical Program COLA.** The May Revision includes an increase of \$12.8 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07 percent cost-of-living adjustment to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus childcare support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the mandates block grant.
- **Enrollment.** The May Revision includes \$28.1 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment. This equates to about 5,400 additional FTE

students. The Governor's budget previously included \$29.6 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment.

- **Local Assistance, Reappropriation.** The May Revision includes a reappropriation item 6870-488 to provide \$262.9 million one-time General Fund as follows:
  - \$227,900,000 one-time Proposition 98 General Fund to support the Student-Centered Funding Formula in 2023-24
  - \$12 million one-time Proposition 98 General Fund to support the continued development of e-Transcript California
  - \$12 million one-time Proposition 98 General Fund to support a common cloud data platform demonstration project
  - \$6 million to support mapping articulated pathways for credit for prior learning,
  - \$5 million to support a pathways for low-income workers demonstration project

The provision budget bill language for each of these proposals states that funding is reappropriated for transfer by the Controller to Section B of the State School Fund to support these purposes.

- **Local Assistance, Hold Harmless for Student-Centered Funding Formula.** The May revision includes an adjustment request for Schedule (1) of Item 6870-101-0001 so that it is decreased by \$188,842,000 Proposition 98 General Fund. This adjustment to reflect a revised estimate of hold harmless funding for districts under the Student-Centered Funding Formula.
- **Local Assistance, Student Financial Aid Administration and Board Financial Assistance Program Funding.** The May Revision includes an adjustment request for Schedule (5) of Item 6870-101-0001 so that it is increased by \$396,000 Proposition 98 General Fund to reflect an increase of \$197,000 for the Student Financial Aid Administration Program and an increase of \$199,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived, respectively.
- **Local Property Tax Adjustment.** The May Revision includes a decrease of \$68.7 million ongoing Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- **Local Assistance, Equal Employment Opportunity Program.** The May revision includes a budget item related to this program that reflects a \$1.1 million Employment Opportunity Fund increase to promote equal employment opportunities in hiring and promotion at community college districts.

### **Suggested Questions:**

- ***For CCC Chancellor's Office:*** Please describe the impact of the state operations reductions on the Chancellor's Office.

- Please provide more detail on the proposals that use reappropriations for e-Transcript California, common cloud data platform demonstration project, and mapping articulated pathways for credit for prior learning purposes. Why is this funding needed and what specific activities will be covered with these funds?
- **DOF:** When will the Legislature receive the language for a statewide lease revenue bond for the community college student housing projects?

**Staff Recommendation.** Hold Open

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**Issue 5: Nursing Program Support at CCC****Panel**

- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- David O'Brien, California Community Colleges Chancellor's Office

*Available for additional details and questions:*

Daisy Gonzales, California Community Colleges Chancellor's Office

**Governor's Budget**

The Governor's January budget proposed \$60 million Proposition 98 General Fund in 2024-25, to expand nursing programs and Bachelor of Science in Nursing to grow, educate, and maintain the next generation of registered nurses (RNs) through the community college system.

**Background**

California's RNs provide a variety of health care services. Under the direction of a physician, registered nurses perform such tasks as administering medications, performing diagnostic tests, and monitoring and recording patients' condition. RNs often supervise other health care personnel such as licensed vocational nurses and certified nurse assistants. In addition to providing and supervising direct patient care, RNs work in areas such as administration, teaching, and research. According to estimates, 300,000 RNs exist in California. All RNs must have a license issued by the California Board of Registered Nursing. To obtain a license, students must graduate from an approved nursing program, pass a national licensing examination, and complete certain other steps (such as undergoing a criminal background check).

***Students Have Three Main Education Routes to Becoming a Nurse.*** In California, three main types of pre-licensure education programs are available to persons seeking to become an RN:

1. The most common option is for students to enroll in a four-year program at a university culminating in a Bachelor's of Science in Nursing (BSN) degree.
2. The next most common route is for students to enroll at a two-year program at a community college culminating in an Associate Degree in Nursing (ADN).
3. The third route is for students to enroll in a university program culminating in a Master's of Science in Nursing (MSN) degree. Pre-licensure master's programs accept individuals who hold a bachelor's degree in a non-nursing field. Generally, students in such a master's program complete educational requirements for an RN license in about 18 months, then continue for another 18 months to obtain an MSN.

All three types of pre-licensure programs combine classroom instruction, "hands on" training in a simulation lab, and clinical placement in a hospital or other health facility.

**Community Colleges Are Key Providers of Nursing Education.** In 2022-23, 144 public and private postsecondary institutions in California offered a total of 152 pre-licensure programs. Table 1 from the LAO shows community colleges are a major educator of RNs, offering 77 of the state’s 92 associate degree programs. A total of 13,982 students graduated from a pre-licensure program in 2022-23—39 percent with an associate degree, 55 percent with a bachelor’s degree, and 6 percent with a master’s degree.

**Table 1: Providers of Nursing Education in California, 2022-23**

	Programs	Graduates
<b>Associate Degree in Nursing</b>		
CCC	77	4,488
County of Los Angeles program	1	73
Private institutions	14	866
<b>Subtotals</b>	<b>(92)</b>	<b>(5,427)</b>
<b>Bachelor’s of Science in Nursing</b>		
CSU	17	1,804
UC	2	94
Private institutions	28	5,851
<b>Subtotals</b>	<b>(47)</b>	<b>(7,749)</b>
<b>Master’s of Science in Nursing<sup>a</sup></b>		
CSU	1	42
UC	4	176
Private institutions	8	588
<b>Subtotals</b>	<b>(13)</b>	<b>(806)</b>
<b>Totals</b>	<b>152</b>	<b>13,982</b>

<sup>a</sup>Reflects programs enrolling students who do not yet have a registered nursing license.

**Community Colleges Have Developed BSN Partnerships With Universities.** State law limits community college RN programs to offering the ADN. In a number of cases, though, community colleges have collaborated with universities, particularly CSU campuses, to design pathways from the ADN to the BSN. For example, 13 Los Angeles-area community colleges have partnered with CSU Los Angeles to create an accelerated ADN-to-BSN program. In that program, CCC students begin taking upper-division courses through the university while still enrolled in their ADN program, enabling them to earn a BSN from CSU Los Angeles within one year of graduating from one of the partnering community colleges.

**Prior to Pandemic, Nursing Workforce Was in Good Shape Overall.** According to a 2017 forecast prepared by the University of California, San Francisco (UCSF) for the Board of Registered Nursing, the number of nursing graduates in the state (approximately 11,000 per year across the state’s pre-licensure programs) likely was sufficient to ensure an adequate nursing

workforce in the state through at least 2027. While the overall nursing workforce was sufficient to meet overall workforce demands, some hospital officials reported difficulty attracting nurses to work in particular regions of the state (including the Central Valley and certain rural areas). In addition, the UCSF report cautioned that reductions in the employment rates of older RNs could affect the forecast.

***Nursing Shortage Re-Emerged as a Result of the Pandemic.*** During the pandemic, many older RNs left nursing and some younger RNs quit their nursing jobs due to higher stress levels and family or other personal considerations. In addition, many pre-licensure nursing education programs experienced enrollment declines due to social distancing requirements, reduced access to clinical sites, and less student demand. These factors resulted in a reduction of the supply of RNs compared with previous projections and a mismatch between supply and demand. According to a February 2024 report by UCSF (unpublished), there currently is an estimated statewide supply-demand gap of 17,000 FTE nurses. Hospitals and other health care employers are using various means in response to the short-staffing, including paying nurses to work more overtime and using more traveling nurses (who live in other states and come to California to work for short periods of time).

***Statewide Shortage Is Projected to Close Within Four Years.*** With the pandemic having subsided, nursing schools in the state have reported returning to pre-pandemic levels of enrollment. All three types of pre-licensure nursing programs anticipate further growth in the coming years. The number of new graduates from these programs is anticipated to fill more of the expected job openings. Given these developments, UCSF forecasts that the supply-demand mismatch will gradually decline over the next few years, closing entirely by 2028. UCSF cautions, however, that if newly graduated RNs and experienced nurses are not retained in the workforce due to burnout or job dissatisfaction, the shortage could persist. Also, the study cautions that even were supply numbers to match demand on a statewide basis, regional differences could persist.

***Main Source of CCC Nursing Funding Is Apportionments.*** Just like other types of instruction, community college districts claim apportionment funding (through SCFF) for each FTE student enrolled in one of their nursing programs. Under SCFF, community college districts receive additional funding if an enrolled student is low income and for each successful student outcome (including graduation). The LAO estimates that community college districts generated about \$100 million in SCFF funding for the 11,845 FTE nursing students enrolled in 2022-23 (about \$8,500 per actual FTE student).

***State Also Funds a CCC Nursing Categorical Program.*** Since 2006-07, the state also has funded a CCC nursing categorical program designed to expand enrollment and provide supplemental student support (such as tutoring). Since 2009-10, the Legislature has provided \$13.4 million annually in Proposition 98 General Fund. Funding is distributed through grants to virtually every ADN program in recognition of the relatively high cost to educate nurses. High costs are mainly due to smaller required student-to-faculty ratios in simulation labs and clinical settings as well as the need for specialized equipment.

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***Colleges Also Can Use Strong Workforce Program and Other Categorical Program Funds for Nursing Education.*** In addition to providing supplemental funds for nursing specifically, since 2016-17, the Legislature has provided ongoing funding for the CCC Strong Workforce Program (SWP). The associated \$290 million in Proposition 98 General Fund support is intended to help career technical education programs (like nursing) cover their higher instructional costs. SWP funds also are intended to make programs more aligned with industry demand and to facilitate regional planning and coordination. The majority of SWP funds go directly to colleges, with the remainder allocated to eight regional SWP consortia. The LAO notes from discussions with several consortia and colleges that some SWP funding is being used annually for nursing. Some SWP funds, for example, are helping to purchase lab equipment or start new programs. In addition to SWP funds, colleges can use funding they receive from the Student Equity and Achievement program and other student services programs to support their nursing students.

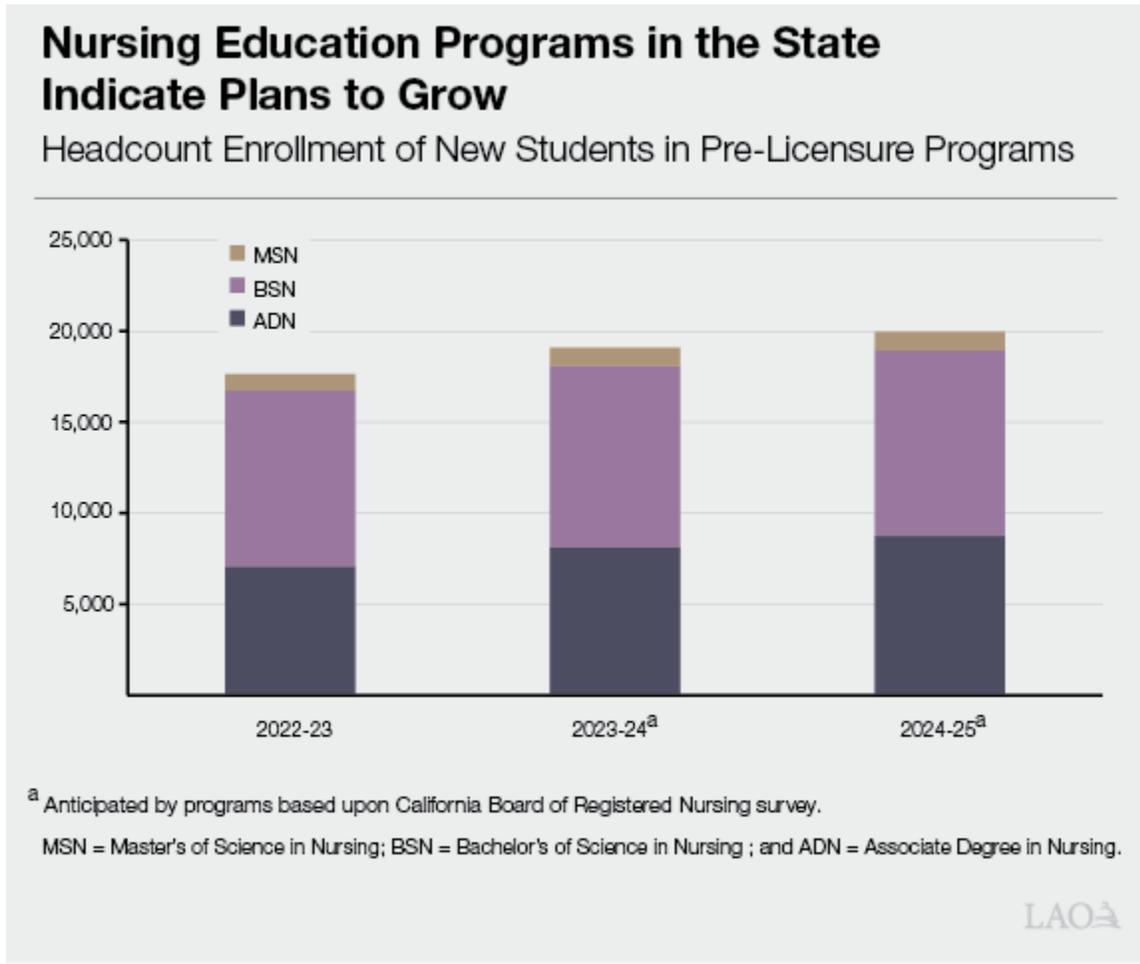
***Some CCC Nursing Programs Also Receive State-Funded “Song-Brown” Grants.*** Originally established by SB 1224 (Song), Chapter 1175, Statutes of 1973, the Song-Brown program was created to address shortages of primary care physicians by increasing support for training programs. Since that initial legislation, the Song-Brown program has expanded to support nursing and certain other education and training programs. Recently, the Legislature has provided \$50 million one-time non-Proposition 98 General Fund over three years (\$20 million in 2022-23 and \$15 million each in 2023-24 and 2024-25) for grants specifically to pre-licensure nursing programs in the state. Priority is given to programs in medically underserved areas that prepare students to serve in multi-cultural communities, low-income neighborhoods, and rural communities. In March 2023, the Department of Health Care Access and Information (HCAI), which administers this initiative, awarded a total of \$17 million to 34 nursing programs, including 17 community college ADN programs. HCAI intends to announce the next round of grantees in March 2024.

***2023 Budget Act.*** The 2023 Budget Act included, subject to future legislation, \$60 million per year Proposition 98 General Fund, starting in 2024-25 for five years (\$300 million total) to grow, educate, and maintain the next generation of registered nurses through the community college system.

### **Legislative Analyst’s Office Assessment and Recommendations**

***Assessment: Nursing Enrollment Is Back on Track.*** After declining during the pandemic, nursing programs reported in fall 2023 that they have capacity and plans to increase enrollment slots, as Figure 1 from the LAO shows. Nursing programs also are reporting strong demand from students again, with community college and many other nursing programs reporting far more applications than they can accommodate. CCC programs have an incentive to enroll these students because they are funded based on enrollment and receive additional state funding for their nursing programs. Private programs, meanwhile, have an incentive to fill enrollment slots with tuition-paying students. Given these circumstances, it is unclear why additional state funding is needed as proposed in the Governor’s budget.

Figure 1



***Assessment: Strong Workforce Program (SWP) Designed to Address Regional Challenges.*** To the extent regional supply challenges persist, existing SWP funding is well-suited to support nursing programs. The underlying rationale for SWP is that some programs (just like nursing) have especially high costs due to equipment and low student-faculty ratios. In addition, the Legislature recognized when it created SWP that some industry sectors (like health care) might benefit from regional coordination and planning. The SWP structure allows for providers and employers to identify workforce needs and develop a regional strategy. Data provided by the Chancellor’s Office show that all eight regional consortia have large annual surpluses of SWP funding (particularly the Central Valley/Mother Lode, South Central Coast, and Inland Empire/Desert consortia). These funds are available to use for nursing programs and other local and regional workforce priorities.

***Recommendation: Recommend Legislature Reject Proposal.*** Given that data suggests the current mismatch between supply and demand of RNs is temporary and that lack of state funding does not seem to be a key reason underlying the shortage, the LAO recommends the Legislature to reject this

proposal. To the extent individual regions continue to seek increases in their nursing supply pipeline in response to local shortages, colleges already have funding from apportionments, Strong Workforce Program, and other state programs that can be used for this purpose.

**Suggested Questions**

- The 2023 Budget Act included subject to future legislation \$60 million per year, starting in 2024-25 for at least five years to grow, educate, and maintain the next generation of registered nurses through the community college system- \$300 million Proposition 98 General Fund overall. Is the Governor’s budget now proposing to make this support a one-time appropriation- at \$60 million Proposition 98 General Fund overall?

**Staff Recommendation.** Hold Open.

**6980 CALIFORNIA STUDENT AID COMMISSION****Issue 6: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Lisa Qing, Legislative Analyst's Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst's Office

Jake Brymner, California Student Aid Commission

Madison Jablonski-Sheffield, California Student Aid Commission

Seija Virtanen, University of California

Cheryl Ide, California State University

**Governor's May Revision Proposals**

The Governor's May Revision includes the following ongoing and one-time solutions.

- **Middle Class Scholarship (MCS).** The May Revision reduces funding by \$510 million General Fund in 2024-25 and ongoing. Combined with a technical adjustment, \$100 million General Fund ongoing would remain for the program. The January Governor's budget initially proposed to forego the MCS planned appropriation of \$289 million General Fund, one-time, in 2024-25.
- **MCS Deadline Extension for Returning/Continuing Students.** The May Revision includes trailer bill language that provides returning/continuing students with additional time to submit a Free Application for Federal Student Aid and receive a MCS award for the 2024-25 award year. The deadline would be extended from May 2, 2024 to July 1, 2024 to renew their awards for the 2024-25 award year only.
- **2022 Trigger Items for Cal Grant.** The 2022 Budget Act included a trigger that anticipated certain programs expenditures would be included in the 2024 Budget Act if General Fund resources reflected in the 2024 May Revision could support ongoing increases over the multiyear forecast. Due to the projected multiyear negative projections, the Cal Grant Reform Act and Cal Grant California Community College Expansion of Transfer Portability changes are not included in the May Revision.
- **Cal Grant Program Caseload Adjustments.** The May Revision reflects updated Cal Grant expenditures based on the latest 2024-25 estimates of enrollment of Cal Grant-eligible students. The May Revision reflects an ongoing \$60.7 million decrease and, compared to the Governor's Budget, there are reduced costs for the program of \$60.5 million one-time in 2023-24.

- **Ongoing Reductions to Student Aid Commission State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Learning Aligned Employment Program.** The May Revision reduces funding for this program by \$485 million General Fund one-time, reflecting the balance of unspent funds. The 2021 Budget Act included \$200 million in 2021-22 and \$300 million in 2022-23 to support state-funded work-study programs at UC, CSU and CCC campuses to be administered by CSAC. AB 132 specified that the program is available for students from an underrepresented background who is enrolled at least part time, a resident student and maintains satisfactory academic progress, and demonstrate financial need. The learning aligned employment position is to be related to the student’s area of study or career interest. Students must be placed with employers that are able to provide them with or connect them to full-time employment opportunities upon graduation.
- **Golden State Teacher Grant Program.** The May Revision proposes the following changes to the program:
  - Reduces support by \$60.2 million General Fund one-time. Combined with a technical adjustment, \$50 million one-time support would remain.
  - Includes trailer bill language that would adjust award amounts and other criteria if the May Revision reduction is adopted.
  - Includes provisional budget bill language to enable the Commission to receive one-time Federal Title II, Part A funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.
  - Includes provisional budget bill language for a \$500,000 reimbursement increase to enable the Commission to receive one-time Individuals with Disabilities Act funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.
  - A one-time \$6 million federal reimbursements reduction to reflect a technical correction in support for the program in 2024-25.

**Suggested Questions:**

- ***For Student Aid Commission, on MCS:*** Please describe the impact of the state operations reductions on CA Student Aid Commission.

- ***For Student Aid Commission, on MCS:*** With the reduction to Middle Class Scholarship, what is the projected average award amount for recipients starting in 2024-25? How does that compare to award amount provided in 2023-24?
- ***For UC and CSU, on MCS:*** How does the Middle Class Scholarship proposal impact your ability to administer the program?
- ***For DOF and Student Aid Commission on Cal Grant Updated Caseload Estimates:*** Do you have an explanation for the proposed downward adjustments?
- ***For Student Aid Commission, on Learning Aligned Employment Program:*** Of the funds appropriated in 2021-22 and 2022-23, how much was expended or obligated? Is this pulling back funding that went to campuses?

**Staff Recommendation.** Hold Open

**6120 CALIFORNIA STATE LIBRARY****Issue 7: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Ian Klein, Legislative Analyst's Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst's Office

Greg Lucas, State Librarian

Rebecca Wendt, Deputy State Librarian

**Governor's May Revision Proposals**

The Governor's May Revision includes the following ongoing and one-time solutions.

- **Local Library Infrastructure.** The May Revision proposes to pull back \$4.4 million General Fund one-time of the \$439 million General Fund provided in the Budget Act of 2021.

**Staff Comment:** The January Governor's budget initially proposed to pull back \$131 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021 and forego \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects. This item was covered in the March 7, 2024 Subcommittee No.1 hearing and the Administration indicated in its testimony that it would revise the \$131 million amount in May. The updated amount, \$4.4 million General Fund, reflects unspent funds from the 2021-22 appropriation. The May Revision maintains the \$100 million reduction for prospective, unawarded funds.

- **Ongoing Reductions to State Library State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Dolly Parton Imagination Library Reduction.** The 2022 Budget Act appropriated \$68.2 million General Fund in 2022-23 for the Dolly Parton Imagination Library program. The May Revision reduces this support by \$40 million General Fund one-time, leaving \$28.2 million in support.
- **Eliminate Support for Lunch at the Library.** The 2022 Budget Act included \$5 million General Fund in 2022-23 and ongoing to support the Lunch at the Library program, with reporting language. The May Revision reduces this support by \$5 million General Fund

ongoing, eliminating state support for this program. Initiated in 2013 with federal funding, Lunch at the Library aims to increase the number of California local libraries serving as summer meal sites and increasing summer enrichment opportunities for students. As the meals themselves are funded by the federal government, the Lunch at the Library program focuses on other services that support summer meal sites. Specifically, the program provides: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites.

- **California Library Services Act (CLSA) Support Adjustment.** The May Revision reduces support by \$1.8 million General Fund ongoing. The 2021 Budget Act previously included \$1.8 million General Fund ongoing for this program.

The state facilitates resource sharing between libraries through the CSLA program. The CLSA has a board that determines specific funding allocations for local libraries each year. To facilitate resource sharing, CLSA supports nine regional library cooperatives. The cooperative in turn support numerous initiatives among their member libraries, such as expanding digital resources. The program also historically funded the direct and interlibrary loan programs, which reimbursed libraries for loaning books to nonlocal patrons and other libraries. In 2010-11, the state provided \$16 million (adjusted for 2021-22 dollars) to support CLSA. In the following year, however, state defunded CLSA in response to state's poor budget situation. The state has since resumed CLSA funding for the regional library cooperatives, but is no longer funding the direct and interlibrary loan programs. (Many libraries, however, continue to loan their resources to other libraries using their other operating funding.) In 2019-20, the cooperatives received \$3.6 million in ongoing General Fund support. Due to the COVID-19 pandemic, the 2020-21 budget reduced this funding by \$1.8 million but was ultimately restored in the 2021 Budget Act.

### **Suggested Questions:**

- To clarify, is the updated amount for reductions on Library Infrastructure Grant for prior years and out years reflective of unawarded/unobligated funds?
- ***For State Library:*** Please describe the impact of the state operations reductions on the State Library.
- ***For DOF and State Library, on Lunch at the Library:***
  - Do you have any data on current participation? (For example the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of non-library meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites).

- Did participation expand with the baseline augmentation provided in 2022 Budget Act?
- If this state support is eliminated, then how will current participants be served in the future?
- ***For DOF and State Library:***
  - Was this reduction due to unexpended/unobligated funds?
  - To clarify, how much state support remains available for the Library Services Act?
  - What will be the impact of the reduction going forward?

**Staff Recommendation.** Hold Open

# **SUBCOMMITTEE NO. 1**

# **Agenda**

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**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 29, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas  
**PART A**

<b>6100</b>	<b>Department of Education</b>	<b>1</b>
<b>0985</b>	<b>California School Finance Authority</b>	<b>21</b>
<b>6350</b>	<b>School Facility Aid Program</b>	<b>21</b>
<b>6360</b>	<b>Commission on Teacher Credentialing</b>	<b>22</b>

## **Public Comment**

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

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Item	Subject	Description	Staff Recommendation	Language	Comments
<b>6100 Department of Education, Pre-K-12 Local Assistance</b>					
1	<p><b>Proposition 98 Framework</b></p> <p>Education Code 33218.2, 41202, 41203.1, 41206.04, 84323</p> <p>(Governor's Budget and May Revise)</p>	<p>The Administration proposes to adjust the calculated Proposition 98 Guarantee down by \$8.8 billion, but allow local educational agencies to retain the \$8.8 billion that was previously appropriated. Beginning in 2025-26 through 2029-30, an annual amount of \$1.7 billion (for both K-12 and community colleges) would be recorded for the state's budgetary and financial reporting purposes outside of Proposition 98. The May Revision reflects a decrease in Proposition 98 funding from the Governor's Budget for the three year period of 2022-23 to 2024-25. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years at \$97.5 billion, \$102.6 billion, and \$109.1 billion, respectively.</p>	<p>Conform to the legislative Proposition 98 package, which includes additional revenues under the Legislative budget.</p>	TBL	<p>The legislative budget includes revenue solutions that increases funding for schools and community colleges over the Governor's May Revision. The legislative Proposition 98 package assumes that the current year Proposition 98 guarantee is calculated with recognition of an additional \$6.2 billion in the prior year. The Proposition 98 package assumes no changes to the Governor's May Revise Proposition 98 guarantee in prior year 2022-23. Actions including suspensions, deferrals and other changes to align with a final Proposition 98 package will be considered in future trailer bill.</p>
2	<p><b>Public School System Stabilization Account (Proposition 98 Rainy Day Fund)</b></p> <p>6100-601-0001, 6100-601/698-3207</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget proposes to make a payment of \$272 million to the Public School System Stabilization Account in 2022-23. The budget also proposes to withdraw \$5.8 billion in 2023-24 and \$2.6 billion in 2024-25, leaving a balance of zero. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than three percent of the total K-12 share of the Guarantee. The balance of \$2.6 billion after 2023-24 does not trigger school district reserve caps in 2024-25.</p> <p>The budget proposes to use the reserves for costs related to the Local Control Funding Formula.</p>	<p>Conform to the Proposition 98 package.</p>	TBL	<p>The legislative budget will leave a balance in the Proposition 98 Reserve after 2024-25, and continues to assume that the district reserve caps will not be triggered in 2024-25.</p>
3	<p><b>Excess ERAF and Charter School ADA Inclusion</b></p> <p>Revenue and Taxation Code 97.2 and 97.3</p> <p>(Governor's Budget and May Revise)</p>	<p>The Administration proposes statutory changes that explicitly allow charters schools to receive excess Educational Revenue Augmentation Fund dollars, beginning in 2025-26.</p>	<p>Reject this proposal.</p>	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
4	<p><b>Local Control Funding Formula for School Districts</b></p> <p>6100-601-0001/6100-488 and Education Code 42238.05 and 42280</p> <p>(Governor's Budget and May Revise)</p>	<p>The Governor's Budget applies a cost-of-living-adjustment of 0.76 percent, and combined with population growth decreases, results in a decrease of \$1.4 billion ongoing Proposition 98 funding. The May Revision reduces this amount by \$2.5 billion in 2024-25 to reflect an updated COLA of 1.07 percent and updated ADA growth, as well as increased property tax revenues and Education Protection Account revenues. The budget proposes to fund \$84.6 million in LCFF costs in 2024-25 from re-appropriated funds.</p> <p>The budget proposes technical statutory changes to clarify school district ADA and necessary small schools allowance calculations.</p>	Approve as budgeted.	TBL	
5	<p><b>Local Control Funding Formula for County Offices of Education</b></p> <p>6100-608-0001 and Education Code 1622</p> <p>(Governor's Budget and May Revise)</p>	<p>The proposed budget includes an overall increase of \$5 million ongoing Proposition 98 General Fund to reflect a 1.07 percent cost-of-living adjustment and reduced average daily attendance, with offsets reflecting increased property tax and Education Protection Account revenues.</p> <p>The budget proposes statutory changes for conditional approval of county office of education adopted budget submissions.</p>	Approve as budgeted.	TBL	
6	<p><b>Home-to-School Transportation</b></p> <p>6100-601-0001</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget proposes an increase of \$7.3 million in 2024-25, an increase of \$500,000 in 2023-24, and an increase of \$462,000 in 2022-23 to reflect costs of the Home-to-School Transportation program.</p>	Approve as budgeted.	N/A	
7	<p><b>Transitional Kindergarten Expansion and Ratio Reduction and Other Technical Changes</b></p> <p>6100-601-0001 and Education Codes 46300, 47610 and 48000</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget includes adjustments for the third-year costs to expand transitional kindergarten (TK), from all children turning five-years-old between September 2 and April 2 to all children turning five-years-old between September 2 and June 2, to reflect a \$526.4 million incremental cost using a revised methodology of estimating costs in 2024-25. The third-year costs to add one additional certificated or classified staff person to every TK class, also reflecting a revised methodology, is \$514.2 million and continues to maintain a 12-to-1 student-to-adult ratio. TK expansion costs will increase the Proposition 98 Guarantee through the process of rebenching.</p> <p>The budget also proposes technical statutory changes to adjust transitional kindergarten ADA computation for charter schools, and to align TK curriculum to the California Preschool/Transitional Kindergarten Learning Foundations, and other technical changes.</p>	Approve as budgeted and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
8	<b>Learning Recovery Emergency Block Grant/Cayla J Settlement</b> Education Code 32526, 52064.4, 52073.3, 52075  (Governor's Budget and May Revise)	The Administration proposes to amend the Learning Recovery Emergency Block Grant to include as an eligible expenditure spending on professional development for the mathematics framework. The Administration also proposes that any unused funds from the Learning Recovery Emergency Block Grant be used for purposes of the Cayla J Settlement, and makes statutory changes that codifies the settlement.	Approve as amended. Adopt placeholder trailer bill to include professional development for math and literacy as an eligible expenditure, and align needs assessments.	TBL	
9	<b>Arts, Music, Instructional Materials Block Grant - Reporting Final Expenditures</b> Section 134 of Chapter 52, Statutes of 2022  (May Revise)	It is requested that statutory changes be added to require local educational agencies to report final expenditures from the Arts, Music, and Instructional Material Block Grant to the California Department of Education by September 30, 2026, and provide a mechanism for the Department to collect any unexpended grant funds.	Approve as proposed and adopt trailer bill language.	TBL	
10	<b>Equity Multiplier</b> 6100-645-0001 and Education Code 42238.024  (Governor's Budget and May Revise)	The budget includes a 1.07 percent cost-of-living adjustment of \$3.2 million, and a technical amendment that clarifies the eligibility of local educational agencies that receive equity multiplier funding.	Approve as proposed and adopt trailer bill language.	TBL	
11	<b>Accountability - Local Control and Accountability Plans</b> Education Codes 47606.5, 52062, 52068  (Governor's Budget)	The budget proposes statutory changes that clarifies the Local Control and Accountability Plan update should be presented as part of a non-consent item.	Approve as proposed and adopt trailer bill language.	TBL	
12	<b>Accountability - Statewide System of Support</b> Education Codes 47607.3, 52064.5, 52066, 52073  (Governor's Budget and May Revise)	The budget proposes statutory changes related to the differentiated assistance funding for charters, the submission deadlines for local indicators on the School Dashboard, the reports completed by county offices of education on differentiated assistance, and clarifying the geographic lead agency selection process.	Approve as proposed and adopt trailer bill language.	TBL	
13	<b>Cost of Living Adjustments (COLA)</b> 6100-119, 150, 151, 158, 161, 203, 296 - 0001  (Governor's Budget and May Revision)	The budget proposes a COLA increase of \$89.4 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Child Nutrition, Adults in Correctional Facilities (0.76 percent), and K-12 Mandate Block Grant programs. This adjustment reflects a 1.07 percent cost-of-living adjustment.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
14	<b>Expanded Learning Opportunity Program</b> Education Code 46120  (Governor's Budget and May Revise)	The budget proposes trailer bill language that extends the encumbrance deadline for the 2021 and 2022 allocations for the Expanded Learning Opportunity Program to September 2024, that funds are allowed to be expended over two years, and intent language that states local educational agencies should declare its intent to operate ELO programs and funds may be reallocated to Tier 2 schools.	Reject proposal to extend encumbrance deadline for 2021 and 2022 allocations, and intent language for program operation declaration. Adopt placeholder trailer bill that stabilizes the Tier 2 rate, allows funds to be used over two years, and extends licensing to 2025.	TBL	
15	<b>Special Education</b> 6100-161-0890  (May Revise)	It is requested that Schedule (1) of this item be decreased by \$8,970,000 ongoing federal IDEA funds to align with the federal grant award. It is also requested that Schedule (4) of this item be increased by \$234,000 one-time federal IDEA funds to reflect the availability of carryover funds.	Approve as budgeted.	BBL	
16	<b>Special Education Redevelopment Agency Property Tax Backfill</b> Uncodified Section  (Governor's Budget)	The proposed budget includes trailer bill language that allows the Department of Finance to address any shortfall or excess of local redevelopment agency property taxes for special education programs with General Fund.	Approve as proposed and adopt trailer bill language.	TBL	
17	<b>Educator Training for Literacy Screener</b> 6100-296-0001 and Government Code 17581.61  (Governor's Budget and May Revise)	The budget proposes to include \$25 million Proposition 98 General Fund for professional development related to the literacy screener for reading difficulties as part of the K-12 Mandates Block Grant process.	Approve as amended. Adopt placeholder trailer bill to provide one-time professional development funding and legislative intent to include professional development for the screener in the mandate block grant beginning in 2025-26 Budget Act.	BBL/TBL	
18	<b>Universal School Meals</b> 6100-203-0001/6100-201-0890 and Education Code 49564.3  (Governor's Budget and May Revise)	The proposed budget includes a total of \$1.9 billion Proposition 98 General Fund in 2024-25, an increase of \$298.3 million Proposition 98 General Fund due to program growth in 2023-24 and 2024-25, and \$2.7 billion federal funds in 2024-25 to fund universal access to subsidized school meals.  The budget also proposes technical statutory changes to remove the requirement for local educational agencies to participate in a federal universal meal provision if eligible, and would instead only require participation from local educational agencies with at least 40 percent Identified Student Percentage.	Approve funding as proposed, and adopt placeholder trailer bill language to also require the Department of Education to develop a Student Benefit template form, and require monthly direct certification match.	BBL/TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
19	<b>Kitchen Infrastructure and Training Funds</b>  Section 138 of Chapter 44 of the Statutes of 2021, as amended by Section 49 of Chapter 571 of the Statutes of 2022  (May Revise)	The proposed budget extends the reporting deadline for local educational agencies to submit to the Department of Education on how they used funding to improve the quality of school meals or increased participation in school meal programs.	Approve as proposed and adopt trailer bill language.	TBL	
20	<b>Arts and Music in Schools Funding Guarantee and Accountability Act (Proposition 28)</b>  6100-628-0001  (Governor's Budget and May Revision)	The budget proposes \$938 million General Fund for the purposes of Proposition 28 in 2023-24, and \$907 million in 2024-25.	Approve as budgeted.	N/A	
21	<b>K-12 High Speed Network</b>  6100-182-0001  (Governor's Budget)	The budget proposes an increase of \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.	Approve as budgeted.	BBL	
22	<b>Broadband Infrastructure Grant Program</b>  Uncodified  (Governor's Budget and May Revise)	<p>The May Revise proposes statutory changes that specify that revenues received by the Corporation for Education Network Initiatives in California (CENIC) for completed projects be used to sustain administrative costs for both the Department of Education and CENIC, in addition to broadband projects, until fully exhausted.</p> <p>The May Revise proposes to withdraw the Governor's Budget proposal to provide \$5 million to extend and expand the Broadband Infrastructure Grant program.</p>	Approve withdrawal and adopt trailer bill language.	BBL/TBL	
23	<b>State Board Entitlement</b>  Education Code 33043  (May Revise)	It is requested that statutory changes be added to clarify and conform the basis for the Governor's appointment of six Deputies to the Executive Director of the State Board of Education who are exempt from state civil service. The changes would not increase the number of currently authorized positions and would specify that appointments to these exempt positions shall not result in any net increase in the expenditures of the State Board of Education.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
24	<b>California State Parks Adventure Pass</b> 6100-608-0001 and Uncodified Code (Governor's Budget and May Revise)	The budget proposes \$2.1 million ongoing Proposition 98 General Fund to allow all 4th graders attending public schools free admission to California State Parks, to be administered through the Sacramento County Office of Education.	Approve as proposed and adopt trailer bill language.	TBL	
25	<b>Community Schools Program Modifications</b> Education Code 8902 (Governor's Budget and May Revise)	The budget proposes statutory changes to extend the encumbrance deadline for funds allocated for the Community Schools Partnership Program from June 30, 2031 to June 30, 2032, and changes to provide flexibility between implementation grants and extension grants.	Approve as amended, and adopt placeholder trailer bill on encumbrance deadline.	TBL	
26	<b>AB 1078 Fiscal Penalty Clarification</b> Education Code 41975 and 60150 (Governor's Budget)	The budget proposes statutory changes to clarify the fiscal penalties imposed by AB 1078.	Approve as proposed and adopt placeholder trailer bill language.	TBL	
27	<b>In-Person Instruction and Expanded Learning Opportunities Grants Final Reporting Deadlines and Audit Requirement</b> Education Code 43523 and 43525 (Governor's Budget and May Revise)	The budget proposes statutory changes to align state reporting requirements with federal reporting requirements, among other technical changes.	Approve as proposed and adopt trailer bill language.	TBL	
28	<b>Depositing Proficiency Exam Fees</b> Education Code 48412 (May Revise)	It is requested that statutory changes be added to allow the California Department of Education to deposit fees collected from the California Proficiency Program into a Special Deposit Fund Account, to be appropriated without regard to fiscal year, for the Department's support of the program.	Approve as proposed and adopt trailer bill language.	TBL	
29	<b>WorkAbility Visitation Clarification</b> Education Code 45125.1 (Governor's Budget)	The budget proposes statutory changes to clarify that visitations as part of the WorkAbility program are consistent with a student's individualized education program.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
30	<b>Alternative Pathways to a Diploma Allowances and Technical Amendments</b> Education Code 51225.31 and 51225.32 (May Revise)	It is requested that statutory changes be added to allow local educational agencies to offer the diploma pursuant to Education Code Section 51225.31 to students who were in grade 10 or higher in the 2022-23 school year.	Approve as proposed and adopt trailer bill language.	TBL	
31	<b>Federal IDEA Addendum</b> Education Code 52064.3 (May Revise)	It is requested that statutory changes be added to extend the date for the State Board of Education and local educational agencies to adopt the IDEA addendum to allow for the finalization of the state's Compliance and Improvement Monitoring process that is the subject of court oversight and litigation.	Approve as proposed and adopt trailer bill language.	TBL	
32	<b>Instructional Materials Adoption</b> Education Code 60200 and 60227 (May Revise)	It is requested that statutory changes be added to remove statutory prohibitions on successive-year instructional material adoptions for English Language Arts/English Language Development and Mathematics and other clarifying changes.	Approve as proposed and adopt trailer bill language.	TBL	
33	<b>A-G Completion Improvement Grant Program - Reporting Final Expenditures</b> Education Code 41590 (May Revise)	It is requested that statutory changes be added to require local educational agencies to report final expenditures from the A-G Completion Improvement Grant Program by August 31, 2026, and provide a mechanism for the Department to collect any unexpended grant funds.	Approve as proposed and adopt trailer bill language.	TBL	
34	<b>Instructional Continuity</b> Education Code 46010, 46111, 46300.1, 46300.2, 46300.6, 51742, 51742.5, 51743, 51743.5, 51747, 51749, 51749.5, 51749.6 (Governor's Budget and May Revise)	<p>The budget proposes statutory changes that effectively replace short-term independent study, and would allow students limited-term options in classroom-based programs. The proposal allows local educational agencies to offer short-term independent study for the 2024-25 school year.</p> <p>The budget also proposes \$6 million to (1) Research existing, and develop new, models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity; and (2) Investigate local student information systems to identify opportunities and make recommendations to allow local educational agencies to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school.</p>	Approve as amended, and adopt placeholder trailer bill to 1) retain short-term independent study, and 2) delink Instructional Continuity Plans from earning ADA.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
35	<b>Attendance Recovery</b> Education Code 46210, 46120 (Governor's Budget and May Revise)	The budget proposes statutory changes that would allow local educational agencies to make up for ADA (average daily attendance) losses through students' participation in Saturday School and Expanded Learning Opportunity Programs.	Reject this proposal.	TBL	
36	<b>Emergency Attendance</b> Education Code 46393 (Governor's Budget and May Revise)	The budget proposes statutory changes to the J13A process for local educational agencies to earn emergency attendance for emergencies lasting more than five days, and will be required to provide either remote instruction or support that student in a neighboring local educational agency.	Reject this proposal.	TBL	
37	<b>SB 291 Pupil Recess Cleanup</b> Education Code 49056 (Governor's Budget and May Revise)	The budget proposes technical changes that clarify pupil recess is at the public elementary school level.	Approve as proposed and adopt trailer bill language.	TBL	
38	<b>Youth Behavioral Health Professional Development</b> Education Code 49428.1 and 49428.2 (Governor's Budget and May Revise)	The budget proposes statutory changes that requires the Department of Education to develop model referral protocols for addressing pupil behavioral health concerns by January 1, 2025, requires local educational agencies to certify that its employees received youth behavioral training by July 1, 2029. These provisions will sunset on July 1, 2030. The budget also proposes to appropriate \$35 million Gun Violence Prevention and School Safety Fund in 2025-26.	Approve as proposed and adopt trailer bill language.	TBL	
39	<b>Extraordinary Cost Pool Claims</b> Education Code 56836.21 (Governor's Budget)	The budget proposes technical changes to clarify the submission deadline for special education extraordinary cost pool claims.	Approve as proposed and adopt trailer bill language.	TBL	
40	<b>Inclusive College for Students with Intellectual Disabilities</b> 6100-647-0001 and Education Code 66032, 66032.1, 66032.2 (Governor's Budget and May Revise)	The budget proposes \$2 million ongoing Proposition 98 General Fund for a county office of education technical assistance center focused on inclusive college opportunities for students with intellectual disabilities.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
41	<b>Zero-Emission School Buses 2024-25 Allocation</b>  6100-488 and Section 121 of Chapter 52 of Statutes of 2022, as amended by Section 96 of Chapter 48 of Statutes of 2023  (Governor's Budget and May Revise)	The budget proposes \$895 million Proposition 98 General Fund to support the procurement of zero-emission schoolbuses and related charging infrastructure.	Reject this proposal.	BBL/TBL	
42	<b>Educator Workforce Investment Grant Program Legislative Report</b>  Section 124 of Chapter 52 of Statutes of 2022, as amended by Section 23 of Chapter 194 of Statutes of 2023  (Governor's Budget and May Revise)	The budget proposes trailer bill language that clarifies reporting deadlines and requirements for the Educator Workforce Investment Grant Program.	Approve as proposed and adopt trailer bill language.	TBL	
43	<b>Curriculum-Embedded Performance Tasks for Science</b>  6100-688-0001 and Uncodified Section  (Governor's Budget and May Revise)	The budget proposes \$7 million one-time Proposition 98 General Fund to research and develop a statewide repository of high-quality, curriculum-embedded performance tasks aligned with the Next Generation Science standards.	Reject this proposal.	TBL	
44	<b>Mathematics Framework Professional Development</b>  6100-650-0001 and Uncodified Section  (Governor's Budget)	The budget proposes \$20 million one-time Proposition 98 General Fund to support professional development aligned with the new mathematics framework.	Reject this proposal.	TBL	
45	<b>Revision of the Science Safety Handbook</b>  6100-668-0001 and Uncodified Section  (Governor's Budget)	The budget proposes \$150,000 one-time Proposition 98 General Fund to revise the science safety handbook.	Reject this proposal and redirect the Department of Education to revise the handbook using existing resources.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
46	<b>Fiscal Crisis and Management Assistance Team</b> 6100-107-0001 and Education Code 14502.1 and 42127.8 (Governor's Budget and May Revise)	The budget proposes statutory changes to clarify charging requirements by the County Fiscal Crisis and Management Assistance Team, and its inclusion in K-12 Audit Guide consultations. The budget also proposes \$438,000 ongoing Proposition 98 General Fund for long-term planning funds.	Approve as proposed and adopt trailer bill language.	BBL/TBL	
47	<b>Proposition 98 Reappropriation</b> 6100-488/602-0001 (Governor's Budget and May Revise)	The budget re-appropriates a total of \$339.3 million from various programs that were previously appropriated, including \$26.8 million from the 2021 Budget for school nutrition programs, \$19 million from the 2023 Budget for California Technical Education Incentive Grant Program, and \$250 million from the 2022 and 2023 Budget for Inclusive Early Education Expansion Program. These funds are proposed to backfill \$84.6 million in one-time LCFF costs, and \$254.7 million for zero-emission schoolbuses.	Approve one-time LCFF costs. Reject funding for zero-emission schoolbuses. Conform to Prop 98 package.	BBL	
48	<b>California School for the Deaf-Riverside: Athletic Complex Replacement</b> 6100-301-0001 and 6100-301-0660 (Governor's Budget)	The budget proposes to replace General Fund support for this project with Public Building Construction Fund support.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
49	<b>California Collaborative for Educational Excellence</b> 6100-106-0001 (May Revise)	<p>It is requested that Schedule (1) of this item be decreased by \$3,701,000 one-time Proposition 98 General Fund to reflect a one-time drawdown of \$2,951,000 from California Collaborative for Educational Excellence’s carryover balances from the 2019, 2020, and 2021 Budget Acts to support this schedule; and the drawdown of \$750,000, one-time Proposition 98 General Fund, for the Reading Difficulties Risk Screener Selection Panel, from their 2021 Budget Act carryover balance. It is also requested that Schedule (2) of this item be decreased by \$4,302,000 one-time Proposition 98 General Fund to reflect a one-time drawdown of \$3,302,000 from the California Collaborative for Educational Excellence’s carryover balance from the 2019 Budget Act to support this schedule; and the drawdown of \$1 million, one-time Proposition 98 General Fund, for additional Direct Technical Assistance workload, from their 2020 Budget Act carryover balance.</p>	Approve as budgeted.	BBL	
50	<b>Eligibility for California State Preschool Program</b> Education Code 8210 and 8211 (May Revise)	<p>The Administration proposes trailer bill language that clarifies the fourth priority enrollment order for low-income children after low-income students with exceptional needs are enrolled.</p>	Adopt as amended to add a fifth priority for low-income children ages 24 months to 35 months.	TBL	
51	<b>California Universal Prekindergarten Planning and Implementation Grant</b> Education Code 8320 (May Revise)	<p>The budget proposes statutory changes that clarify eligibility for renewal grants to the extent funds are available.</p>	Approve as proposed and adopt trailer bill language.	TBL	
52	<b>California College Guidance Initiative</b> 6100-172-0001 and Education Code 48800, 49083.5, 51225.7, 51225.8, 51229, 60227, 60900, 60900.5 and 69432.9 (Governor's Budget and May Revise)	<p>It is requested that Schedule (1) be decreased by \$3 million Proposition 98 General Fund to account for one-time carryover available to support the California College Guidance Initiative (CCGI) in the budget year that was not previously considered in the Governor’s Budget proposal.</p> <p>The budget also proposes statutory changes that requires local educational agencies to submit GPA data to CCGI instead of CALPADS; requires the California School Information Services to maintain a vendor list; requires local educational agencies beginning in September 2024 or whenever universal basic accounts are available to direct students to CaliforniaColleges.edu first before other resources, among other changes.</p>	Approve as amended, and adopt placeholder trailer bill language.	BBL/TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
53	<b>Project Advancing Wellness and Resilience in Education (AWARE) Grant and Project Students, Teachers, and Officers Preventing School Violence Grant (Cal-STOP) Program</b> 6100-104-0890 (May Revise)	It is requested that Item 6100-104-0890 be added in the amount of \$1.9 million federal Project AWARE funds to reflect an increase of \$1.1 million for the expansion of Project Cal-Well; an increase of \$500,000 one-time federal carryover funds to support Project Cal-STOP program activities; and \$300,000 one-time federal carryover funds to support Project AWARE grants for local educational agencies. Project AWARE is a five-year grant program aimed to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.	Approve as budgeted.	BBL	
54	<b>Public Charter Schools Adjustment</b> 6100-112-0890 (May Revise)	It is requested that Item 6100-112-0890 be added in the amount of \$17.2 million Federal Trust Fund to reflect one-time federal Public Charter School carryover funds to continue supporting the Public Charter Schools program.	Approve as budgeted.	BBL	
55	<b>Student Assessment Program</b> 6100-113-0001 (May Revise)	It is requested that Schedule (2) of this item be increased by \$651,000 ongoing Proposition 98 General Fund to align with estimated contract costs for the English Language Proficiency Assessment for California administration in 2024-25.	Approve as budgeted.	BBL	
56	<b>Student Assessment Program</b> 6100-113-0890 (May Revise)	It is requested that Schedule (2) of this item be decreased by \$651,000 ongoing federal Title I, Part B funds to align to the federal grant award.	Approve as budgeted.	BBL	
57	<b>Program for Neglected and Delinquent Children</b> 6100-119-0890 (May Revise)	It is requested that Schedule (1) of this item be decreased by \$77,000 federal Title I, Part D funds to align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.	Approve as budgeted.	BBL	
58	<b>Cradle to Career Privacy Changes</b> Education Code 10860, 10863, 10866 (May Revise)	It is requested that statutory changes be added to (1) exempt the data system from specified provisions of the Information Practices Act since C2C does not collect data from individuals and is not the originator of the data; (2) provide consistent terminology that C2C protects “data maintained” rather than “data collected” with respect to which data must be treated as personal information; and (3) designates C2C as the state educational authority for the purpose of compliance with the Family Educational Rights and Privacy Act for compliance in fulfilling purposes of the C2C data system.	Reject exemptions from the Information Practices Act and related language, and adopt placeholder trailer bill language for technical and necessary changes.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
59	<p><b>Migrant Education Program, Migrant Education Program State-Level Programs, and English Language Acquisition Program</b></p> <p>6100-125-0890</p> <p>(May Revise)</p>	<p>It is requested that Schedule (1) of this item be increased by \$18,847,000 federal Title I, Part C Migrant Education Program funds to reflect an \$11,067,000 increase in one-time carryover funds, and an ongoing increase of \$7,780,000 to align to the federal grant award. This program awards subgrants to local educational agencies to provide educational support services to meet the needs of highly mobile migrant students.</p> <p>It is also requested that Schedule (2) of this item be increased by \$900,000 federal Title I, Part C Migrant Education Program State Level Activities funds to reflect a \$944,000 increase in one-time carryover funds and an ongoing decrease of \$44,000 to align to the federal grant award. The state-administered Migrant Education programs include the Binational Migrant Education Program, Mini-Corps Program, and the Migrant Student Information Network.</p> <p>It is also requested that Schedule (3) of this item be increased by \$11,234,000 federal Title III, Part A English Language Acquisition funds to reflect a \$14,189,000 increase in one-time carryover funds, and an ongoing decrease of \$2,955,000 to align to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.</p>	Approve as budgeted.	BBL	
60	<p><b>Elementary and Secondary Education Act Program, Title I State Grant and School Improvement Program Grant</b></p> <p>6100-134-0890</p> <p>(May Revise)</p>	<p>It is requested that Schedule (2) of this item be increased by \$145,879,000 ongoing federal Title I funds to align to the federal grant award and reflect the amount of federal Title I funds allocated for school support in proportion to the state's increased Title I Basic Grant award. In accordance with California's Every Student Succeeds Act State Plan, Title I funds support eligible local educational agencies and schools that serve high numbers of low-income students.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$4,884,000 ongoing federal Title IV, Student Support and Academic Enrichment grant funds to align to the federal grant award.</p>	Approve as budgeted.	BBL	
61	<p><b>American Rescue Plan Act Homeless Children and Youth - Homeless Education Technical Assistance Centers</b></p> <p>6100-001-0890/ 6100-135-0890 and Education Code 48857</p> <p>(Governor's Budget and May Revise)</p>	<p>It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$839,000 one-time federal ARPA-HCY carryover funds to support the administration of the ARPA-HCY Program, which provides wraparound services to address the impact of the COVID-19 pandemic, and helps enable homeless children and youth to attend school and participate fully in school activities.</p> <p>It is requested that Item 6100-135-0890 be added in the amount of \$2.5 million one-time federal ARPA-HCY carryover funds to continue supporting the Homeless Education Technical Assistance Centers and evaluation contract funded by this grant. This program supports local educational agencies' efforts to identify homeless students and ensure equal access to public education.</p>	Approve \$300,000 for state operations in 6100-001-0890, and shift \$539,000 to local assistance item 6100-135-0890. Add budget bill language to 6100-135-0890 specifying that funds can be transferred to other local educational agencies and be used for direct services that are consistent with uses eligible under ARPA-HCY.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
62	<b>Federal Farm to School Grant Program</b> 6100-001-0890/ 6100-201-0890 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0890 be increased by \$1.8 million one-time federal Farm to School Grant funds for the Department to develop a Farm to School strategic plan, document local procurement practices, and enhance technical assistance which includes effective local level approaches and strategies. The Farm to School Grant will fund training and technical assistance to build and increase the capacity of participating local educational agencies to procure and use local foods in the National School Lunch Program, as well as provide agricultural education opportunities for students.  It is also requested that Item 6100-201-0890 be increased by \$1,819,000 to provide incentive payments to local educational agencies.	Approve as budgeted.	BBL	
63	<b>McKinney-Vento Homeless Children Education</b> 6100-136-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$2,341,000 federal McKinney-Vento funds to reflect a \$1,261,000 increase in one-time carryover funds, and an ongoing increase of \$1,080,000 to align to the federal grant award. This program supports local educational agencies' efforts to identify homeless students and ensure equal access to public education.	Approve as budgeted.	BBL	
64	<b>Rural and Low-Income Schools</b> 6100-137-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$12,000 federal Rural and Low-Income Schools Grant funds to reflect a \$190,000 increase in one-time carryover funds, and an ongoing decrease of \$178,000 to align with the federal grant award. This program provides rural school districts with financial assistance for initiatives aimed at improving student achievement.	Approve as budgeted.	BBL	
65	<b>American Rescue Plan Act Carryover for After School Programs</b> 6100-149-0890 (May Revise)	It is requested that Item 6100-149-0890 be added in the amount of \$28,784,000 one-time federal ARPA carryover funds to continue supporting after school and summer programs.	Approve as budgeted.	BBL	
66	<b>Adult Education Program</b> 6100-156-0890 (May Revise)	It is requested that this item be increased by \$11,219,000 federal Workforce Innovation and Opportunity Act, Title II funds to reflect a \$11 million increase in one-time carryover funds, and a \$219,000 ongoing increase to align to the federal grant award. The federal Adult Education Program supports adult basic education, English as a second language, and adult secondary education programs.  It is also requested that Provision 4 of this item be amended to include language to clarify compliance with the Workforce Innovation and Opportunity Act (WIOA), specifically as it relates to demonstrated effectiveness used as a 'screener' for applications.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
67	<b>Vocational Education Program</b> 6100-166-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$4,680,000 ongoing federal Perkins V funds to align with the federal grant award.	Approve as budgeted.	BBL	
68	<b>Part A of Title II Federal Grant</b> 6100-195-0890 (May Revise)	It is requested that Schedule (1) of this 6100-195-0890 be increased by \$1,945,000 to reflect a decrease of \$3,372,000 to align with the federal grant award and an increase of \$5,317,000 one-time federal carryover funds.  It is also requested that Schedule (3) of this item be decreased by \$19,000 to reflect the decrease of \$1,236,000 to align with the federal grant award and an increase of \$1,217,000 one-time federal carryover funds for the 21st Century California School Leadership Academy.	Approve as budgeted.	BBL	
69	<b>21st Century Community Learning Grant Federal Adjustment</b> 6100-197-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$2,559,000 21st Century Community Learning Centers Grant funds to reflect a \$6.5 million increase in one-time federal carryover funds, and an ongoing decrease of \$3,941,000 to align to the federal grant award.	Approve as budgeted.	BBL	
70	<b>Early Head Start Federal Adjustment</b> 6100-294-0890 (May Revise)	It is also requested that Schedule (1) of Item 6100-294-0890 be increased by \$21,000 to align to the federal grant award. These funds are allocated to selected local Partnering Agencies to meet standards and grant requirements that aim to increase the quality of early childhood education programs.	Approve as budgeted.	BBL	
71	<b>JUUL Settlement Funds</b> 6100-101-8141 (May Revise)	It is requested that Item 6100-101-8141 be added in the amount of \$3 million one-time Electronic Cigarette Settlements Funds annually beginning in 2025-26 through 2029-30 and \$2 million in 2030-31, to reflect funding provided as a result of the State of California JUUL settlement. The funding from this settlement is intended to support existing youth education and outreach, as well as development of new educational campaigns in tobacco prevention for California student communities.	Approve as amended, adopt placeholder budget bill.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
72	<b>Tobacco-Use Prevention Education Program</b> 6100-101-0231/6100-102-0231 (May Revise)	It is requested that Schedule (1) of Item 6100-101-0231 be increased by \$174,000 ongoing Health Education Account, Cigarette and Tobacco Products Surtax Fund and Schedule (1) of Item 6100-102-0231 be increased by \$557,000 ongoing Health Education Account, Cigarette and Tobacco Products Surtax Fund to reflect revised revenue estimates for the Health Education Account, Cigarette and Tobacco Products Surtax Fund. These funds are allocated to local educational agencies for health education efforts aimed at preventing and reducing tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.	Approve as budgeted.	BBL	
73	<b>California State Preschool Inclusivity Ramp Up</b> Education Code 8208 (May Revise)	The budget proposes to repeal requirements that State Preschool classrooms must serve at least 7.5 percent students with disabilities starting in July 2025 and at least ten percent students with disabilities starting in July 2026. The requirement that classrooms must serve at least 5 percent students with disabilities remain. These changes will result in savings beginning in 2025-26 of \$47.9 million and \$97.9 million in the following years.	Approve as proposed and adopt trailer bill language.	TBL	
74	<b>Non-Local Educational Agency State Preschool Cost-of-Living Adjustment</b> 6100-194-0001 (Governor's Budget and May Revise)	It is requested that Schedule (1) of this item be increased by \$18,616,000 to reflect revised estimates to administer the California State Preschool Program.	Approve as amended. Adopt trailer bill language to include accounting for preschool General Fund reversions in the Child Care Reversion Account.	BBL	
75	<b>Local Educational Agency State Preschool Program</b> 6100-196-0001 (Governor's Budget and May Revise)	It is requested that Schedule (1) of this item be decreased by \$9,233,000 Proposition 98 General Fund to reflect the following: (1) an increase of \$64,471,000 ongoing Proposition 98, which is a technical baseline adjustment to support the current requirements for the California State Preschool Program, and (2) a decrease of \$73,704,000 one-time Proposition 98 General Fund due to revised caseload estimates of three-year-old children and children with exceptional needs.	Approve as budgeted.	BBL	
76	<b>Ethnic Studies Block Grant</b> 6100-488 and Uncodified Section (Legislative Proposal)	Placeholder trailer bill for \$20 million Proposition 98 General Fund for an Ethnic Studies Block Grant that is aligned to the State Board of Education-adopted ethnic studies model curriculum.	Approve legislative proposal.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
77	<b>Uniform Complaint Procedure</b> (Legislative Proposal)	Placeholder trailer bill to strengthen the Uniform Complaint Process for the Safe Places to Learn Act.	Approve legislative proposal.	TBL	
78	<b>Career Technical Education Incentive Grant</b> (Legislative Proposal)	Placeholder Trailer Bill to provide three year award cycles, subject to the Budget Act.	Approve legislative proposal.	TBL	
79	<b>AB 218 Report</b> Uncodified Section (Legislative Proposal)	Placeholder trailer bill to require the County Fiscal Crisis Management and Assistance Team (FCMAT) to provide recommendations on how local educational agencies may fund or finance settlements or judgments.	Approve legislative proposal.	TBL	
<b>6100 Department of Education, State Operations</b>					
80	<b>Part A of Title II Federal Grant to Support Golden State Teacher Grant Program</b> 6100-001-0890 Provision 33 (May Revise)	The budget proposes \$1 million one-time federal funds to expand teacher recruitment efforts through the Golden State Teacher Grant program.	Approve as budgeted.	BBL	
81	<b>Golden State Teacher Grant Program - Special Education</b> 6100-001-0890 Provisions 34-37 (May Revise)	It is requested that Schedule (1) of this item be increased by \$1,282,000 ongoing federal Individuals with Disabilities Education Act (IDEA) funds to reflect: (1) an increase of \$760,000 for 5 existing positions to address special education complaint resolution workload; (2) an increase of \$272,000 for 2 existing positions to address federal grant disbursement workload; and (3) an increase of \$250,000 for licensing and maintenance of special education monitoring software.  It is also requested that Schedule (1) of this item be increased by \$500,000 one-time federal IDEA funds to expand teacher recruitment efforts through the Golden State Teacher Grant Program.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
82	<b>Office of Administrative Hearings</b> 6100-001-0890 Provision 4 (May Revise)	It is requested that Schedule (1) of this item be increased by \$6,010,000 one-time federal IDEA funds to support increased costs associated with special education dispute resolution services. The Department contracts with the Office of Administrative Hearings to provide special education services, which includes hearings, mediations, and related due process activities required by both state and federal law. The number of claims filed and the cost per case have increased over the past few years.	Approve as budgeted.	BBL	
83	<b>Supporting America's School Infrastructure (SASI) Grant Program</b> 6100-001-0890 Provision 39 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$4,993,000 one-time federal SASI funds to support the administration of America's School Infrastructure Grant Program, which provides services or assistance to Small School Districts (SSD) to address the needs for improving school facilities and environments through public school infrastructure improvements.	Approve as budgeted.	BBL	
84	<b>Early Head Start-Child Care Partnership</b> 6100-001-0890 Provision 44 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0890 be increased by \$1,990,000 Early Head Start—Child Care Partnership Grant funds to align to the federal grant award and support the administration of the EHS-CCP. EHS-CCP is a five-year grant program which provides funding to increase the quality of early childhood education services.	Approve as budgeted.	BBL	
85	<b>Broadband Coordinator</b> 6100-001-0001 Provision 113 and Reimbursements (May Revise)	It is requested that Schedule (5) of Item 6100-001-0001 be increased by \$152,000 ongoing reimbursement authority to support the Department's Broadband Coordinator position. Revenue received from e-Rate and the California Teleconnect Fund from completed projects funded by the Broadband Infrastructure Grant program will support this position and administrative costs for the Corporation for Education Network Initiatives in California until funds are fully exhausted. The Broadband Coordinator supports the Broadband Infrastructure Grant program and represents Education on statewide broadband efforts.	Approve as budgeted.	BBL	
86	<b>Preschool Development Grant Reimbursement Authority</b> 6100-001-0001 Provision 114 (May Revise)	It is requested that Schedule (6) of this item be amended to decrease reimbursement authority by \$1,710,000 in 2024-25, and \$1,729,000 in 2025-26 and ongoing, to align with the remaining contract for the Preschool Development Grant.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
87	<b>American Rescue Plan Act (ARPA) Emergency Assistance to Non-Public Schools II</b> 6100-001-0890 Provision 38 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$695,000 one-time federal ARPA carryover funds to support the administration of the Emergency Assistance to Non-Public Schools Program, which aims to provide services or assistance to eligible non-public schools to address the impacts of the COVID-19 pandemic	Approve as budgeted.	BBL	
88	<b>State Special Schools</b> 6100-005-0001 (May Revise)	It is requested that Schedule (2) of Item 6100-005-0001 be increased by \$9,000 ongoing, and Schedule (3) of Item 6100-005-0001 be increased by \$8,000 ongoing, to reflect revised employee compensation costs.	Approve as budgeted.	BBL	
89	<b>Project Advancing Wellness and Resilience in Education (AWARE) Grant and Project Students, Teachers, and Officers Preventing School Violence Grant (Cal-STOP) Program</b> 6100-001-0890 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$800,000 federal Project AWARE Grant funds in 2024-25, and \$700,000 in 2024-25 through 2027-28, to support the administration of Project Cal-Well. Project Cal-Well is intended to expand access to mental health services for students through leveraging and aligning existing mental health investments and resources to improve student mental health outcomes, promote resiliency, reduce risk of suicide, and create a sustainable infrastructure. It is also requested that Schedule (1) of Item 6100-001-0890 be increased by \$420,000 one-time federal carryover funds to support activities related to the Project Cal-STOP Program. Project Cal-STOP provides grants to nonprofit organizations to provide school violence prevention trainings and support schools in setting up mental health student organizations.	Approve as budgeted.	BBL	
90	<b>Education of Newcomer Pupils (AB 714)</b> 6100-001-0001 Provision 115 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$321,000 ongoing and 2 positions.	Approve as budgeted.	BBL	
91	<b>Inclusive Materials in School (AB 1078)</b> 6100-001-0001 Provision 116 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$392,000 ongoing and 2 positions.	Approve as budgeted.	BBL	
92	<b>LGBTQ+ Online Trainings (AB 5)</b> 6100-001-0001 Provision 117 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$770,000 one-time.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
93	<b>Classified Employee Staffing Ratio Workgroup (AB 1273)</b> 6100-001-0001 Provision 118 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$102,000 in 2024-25 and 2025-26.	Approve as budgeted.	BBL	
94	<b>Dual Language Learner Implementation (AB 393)</b> 6100-001-0001 Provision 119 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0001 be increased by \$185,000, of which \$182,000 is ongoing, and 1 position.	Approve as budgeted.	BBL	
95	<b>California Interscholastic Federation Statewide Incident Report (AB 1327)</b> 6100-001-0001 Provision 120 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$148,000 one-time.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
<b>0985 California School Finance Authority</b>					
96	<b>Charter School Facility Grant Program - COLA Adjustment</b> 0985-220-0001  (May Revise)	It is requested that Item 0985-220-0001 be decreased by \$2,569,000 ongoing Proposition 98 General Fund to reflect revised estimates and a 1.07-percent cost-of living adjustment for the Charter School Facility Grant Program. The Charter School Facility Grant Program provides funding to assist charter schools in paying for rent and lease expenditures that are either serving or located in attendance areas where a notable percentage of their students qualify for free or reduced-price meals.	Approve as budgeted.	BBL	
<b>6350 School Facility Aid Program</b>					
97	<b>School Facility Program</b> Section 129, Chapter 52 of Statutes of 2022  (May Revise)	The budget proposes a decrease of \$375 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2024-25 down to zero.	Approve as proposed and adopt trailer bill language.	TBL	
98	<b>Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Grant Program</b> Section 129, Chapter 52 of Statutes of 2022  (Governor's Budget)	The 2022 Budget Act reflected \$550 million in 2025-26 to support the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Grant Program. The proposed budget delays this investment indefinitely.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
<b>6360 Commission on Teacher Credentialing</b>					
99	<b>Division of Professional Practices Support</b> 6360-001-0001 Provision 7 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$182,000 ongoing and 2 positions to support the Division of Professional Practices with workload associated with educator professional fitness.	Approve as budgeted.	BBL	
100	<b>May Lee State Office Complex Lease Adjustment</b> 6360-001-0001 Provision 8 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$255,000 one-time to support lease costs associated with relocating to the May Lee State Office Complex in May 2024.	Approve as budgeted.	BBL	
101	<b>Legal Services Expenditure Authority</b> 6360-001-0407 (May Revise)	It is requested that Schedule (2) of Item 6360-001-0407 be increased by \$1,211,000 ongoing to reflect an increase in expenditure authority to support increased legal services costs.  It is also requested that provisional language be added to clarify that funds appropriated in Schedule (2) may be used for costs resulting from the administration and adjudication of cases, including the administrative hearing process through the Office of Administrative Hearings.	Approve as budgeted.	BBL	
102	<b>Federal Fund Authority for Apprenticeship Building America Grants</b> 6360-001-0890 (May Revise)	It is requested that Item 6360-001-0890 be added to allow the Commission to receive federal funds. The Commission recently applied for the Apprenticeship Building America grant, and award notifications are expected to be sent out by July 1, 2024.	Approve as budgeted.	BBL	
103	<b>Public Outreach Campaign (AB 934)</b> 6360-001-0001 Provision 9 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$900,000 one-time to enter into a contract with a public relations organization to develop a public awareness campaign that highlights the benefits of education careers in Californias K-12 public schools, pursuant to Chapter 671, Statutes of 2023.	Approve as budgeted.	BBL	
104	<b>Abolishment of the Test Development and Administration Account</b> Education Code 44235.25 (Governor's Budget)	The Administration proposes statutory changes to abolish the Test Development and Administrative Account and consolidate expenditures and fee revenues currently collected under the fund into the Teacher Credentials Fund, consistent with actions taken in the 2023-24 Budget.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
105	<p><b>Streamlining Transcript Review for Subject Matter Competence and Clarify Basic Skills Proficiency Requirements</b></p> <p>Education Codes 44252, 44252.5, 44270.3, 44259, 44260.2, 44274.2, 44275.4, 44310, and 44830</p> <p>(Governor's Budget)</p>	<p>The budget proposes trailer bill legislation that clarifies that completing a bachelor's degree satisfies the basic skills proficiency exam for a credential, and proposes to streamline the transcript review process to certify subject matter competency by leveraging the Commission on Teacher Credentialing's current accreditation process.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
106	<p><b>Technical Changes to Clarify Teacher Misassignment Monitoring Definitions</b></p> <p>Education Code 44258.9</p> <p>(Governor's Budget)</p>	<p>The budget proposes technical changes to clarify that charter schools that operate under the authority of a school district where the charter school is the sole schoolsite in the district are under the Commission of Teacher Credentialing's monitoring authority.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
107	<p><b>Career Technical Education Teacher Elementary Arts and Music Supplementary Authorization</b></p> <p>Education Code 44260.8 and 44300</p> <p>(Governor's Budget)</p>	<p>The Administration proposes to authorize holders of a clear CTE credentials with 24 units of preparation in the elementary school context to teach an arts, music, dance, or theater program to students in grades kindergarten through six.</p> <p>The proposal also requires that any local educational agency that employs individuals with these elementary arts CTE credentials will need to provide them mentorship and support of a teacher with a single subject clear credential or a multiple subject clear credential in the first two years.</p> <p>The proposal also authorizes a one-year emergency permit and renewals that authorizes art, dance, music, or theater to holders of clear CTE credentials authorized in arts, media, and entertainment, as long as certain conditions are met.</p>	<p>Reject this proposal.</p>	<p>TBL</p>	
108	<p><b>Authorization for Early Completion Option for PK-3 Interns</b></p> <p>Education Code 44468</p> <p>(Governor's Budget)</p>	<p>The budget proposes statutory changes to include interns that are accepted to PK-3 early childhood education specialist credential programs to choose an early completion program.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
109	<p><b>Expedited Application Process Clarification</b></p> <p>Education Code 44230</p> <p>(May Revise)</p>	<p>The Administration proposes statutory changes to clarify that charter schools and nonpublic schools or agencies are considered agencies for the purpose of expedited application processes</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	

# **SUBCOMMITTEE NO. 1**

# **Agenda**

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**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 29, 2024**  
**9:30 a.m. or Upon Adjournment of Session**  
**1021 O Street, Room 2100**

Consultant: Yong Salas  
**PART A**

<b>6100</b>	<b>Department of Education</b>	<b>1</b>
<b>0985</b>	<b>California School Finance Authority</b>	<b>21</b>
<b>6350</b>	<b>School Facility Aid Program</b>	<b>21</b>
<b>6360</b>	<b>Commission on Teacher Credentialing</b>	<b>22</b>

## **Public Comment**

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

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Item	Subject	Description	Staff Recommendation	Language	Comments
<b>6100 Department of Education, Pre-K-12 Local Assistance</b>					
1	<p><b>Proposition 98 Framework</b></p> <p>Education Code 33218.2, 41202, 41203.1, 41206.04, 84323</p> <p>(Governor's Budget and May Revise)</p>	<p>The Administration proposes to adjust the calculated Proposition 98 Guarantee down by \$8.8 billion, but allow local educational agencies to retain the \$8.8 billion that was previously appropriated. Beginning in 2025-26 through 2029-30, an annual amount of \$1.7 billion (for both K-12 and community colleges) would be recorded for the state's budgetary and financial reporting purposes outside of Proposition 98. The May Revision reflects a decrease in Proposition 98 funding from the Governor's Budget for the three year period of 2022-23 to 2024-25. More specifically, the May Revision estimates the Proposition 98 guarantee for the 2022-23 through 2024-25 fiscal years at \$97.5 billion, \$102.6 billion, and \$109.1 billion, respectively.</p>	<p>Conform to the legislative Proposition 98 package, which includes additional revenues under the Legislative budget.</p>	TBL	<p>The legislative budget includes revenue solutions that increases funding for schools and community colleges over the Governor's May Revision. The legislative Proposition 98 package assumes that the current year Proposition 98 guarantee is calculated with recognition of an additional \$6.2 billion in the prior year. The Proposition 98 package assumes no changes to the Governor's May Revise Proposition 98 guarantee in prior year 2022-23. Actions including suspensions, deferrals and other changes to align with a final Proposition 98 package will be considered in future trailer bill.</p>
2	<p><b>Public School System Stabilization Account (Proposition 98 Rainy Day Fund)</b></p> <p>6100-601-0001, 6100-601/698-3207</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget proposes to make a payment of \$272 million to the Public School System Stabilization Account in 2022-23. The budget also proposes to withdraw \$5.8 billion in 2023-24 and \$2.6 billion in 2024-25, leaving a balance of zero. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than three percent of the total K-12 share of the Guarantee. The balance of \$2.6 billion after 2023-24 does not trigger school district reserve caps in 2024-25.</p> <p>The budget proposes to use the reserves for costs related to the Local Control Funding Formula.</p>	<p>Conform to the Proposition 98 package.</p>	TBL	<p>The legislative budget will leave a balance in the Proposition 98 Reserve after 2024-25, and continues to assume that the district reserve caps will not be triggered in 2024-25.</p>
3	<p><b>Excess ERAF and Charter School ADA Inclusion</b></p> <p>Revenue and Taxation Code 97.2 and 97.3</p> <p>(Governor's Budget and May Revise)</p>	<p>The Administration proposes statutory changes that explicitly allow charters schools to receive excess Educational Revenue Augmentation Fund dollars, beginning in 2025-26.</p>	<p>Reject this proposal.</p>	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
4	<p><b>Local Control Funding Formula for School Districts</b></p> <p>6100-601-0001/6100-488 and Education Code 42238.05 and 42280</p> <p>(Governor's Budget and May Revise)</p>	<p>The Governor's Budget applies a cost-of-living-adjustment of 0.76 percent, and combined with population growth decreases, results in a decrease of \$1.4 billion ongoing Proposition 98 funding. The May Revision reduces this amount by \$2.5 billion in 2024-25 to reflect an updated COLA of 1.07 percent and updated ADA growth, as well as increased property tax revenues and Education Protection Account revenues. The budget proposes to fund \$84.6 million in LCFF costs in 2024-25 from re-appropriated funds.</p> <p>The budget proposes technical statutory changes to clarify school district ADA and necessary small schools allowance calculations.</p>	Approve as budgeted.	TBL	
5	<p><b>Local Control Funding Formula for County Offices of Education</b></p> <p>6100-608-0001 and Education Code 1622</p> <p>(Governor's Budget and May Revise)</p>	<p>The proposed budget includes an overall increase of \$5 million ongoing Proposition 98 General Fund to reflect a 1.07 percent cost-of-living adjustment and reduced average daily attendance, with offsets reflecting increased property tax and Education Protection Account revenues.</p> <p>The budget proposes statutory changes for conditional approval of county office of education adopted budget submissions.</p>	Approve as budgeted.	TBL	
6	<p><b>Home-to-School Transportation</b></p> <p>6100-601-0001</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget proposes an increase of \$7.3 million in 2024-25, an increase of \$500,000 in 2023-24, and an increase of \$462,000 in 2022-23 to reflect costs of the Home-to-School Transportation program.</p>	Approve as budgeted.	N/A	
7	<p><b>Transitional Kindergarten Expansion and Ratio Reduction and Other Technical Changes</b></p> <p>6100-601-0001 and Education Codes 46300, 47610 and 48000</p> <p>(Governor's Budget and May Revise)</p>	<p>The budget includes adjustments for the third-year costs to expand transitional kindergarten (TK), from all children turning five-years-old between September 2 and April 2 to all children turning five-years-old between September 2 and June 2, to reflect a \$526.4 million incremental cost using a revised methodology of estimating costs in 2024-25. The third-year costs to add one additional certificated or classified staff person to every TK class, also reflecting a revised methodology, is \$514.2 million and continues to maintain a 12-to-1 student-to-adult ratio. TK expansion costs will increase the Proposition 98 Guarantee through the process of rebenching.</p> <p>The budget also proposes technical statutory changes to adjust transitional kindergarten ADA computation for charter schools, and to align TK curriculum to the California Preschool/Transitional Kindergarten Learning Foundations, and other technical changes.</p>	Approve as budgeted and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
8	<b>Learning Recovery Emergency Block Grant/Cayla J Settlement</b> Education Code 32526, 52064.4, 52073.3, 52075  (Governor's Budget and May Revise)	The Administration proposes to amend the Learning Recovery Emergency Block Grant to include as an eligible expenditure spending on professional development for the mathematics framework. The Administration also proposes that any unused funds from the Learning Recovery Emergency Block Grant be used for purposes of the Cayla J Settlement, and makes statutory changes that codifies the settlement.	Approve as amended. Adopt placeholder trailer bill to include professional development for math and literacy as an eligible expenditure, and align needs assessments.	TBL	
9	<b>Arts, Music, Instructional Materials Block Grant - Reporting Final Expenditures</b> Section 134 of Chapter 52, Statutes of 2022  (May Revise)	It is requested that statutory changes be added to require local educational agencies to report final expenditures from the Arts, Music, and Instructional Material Block Grant to the California Department of Education by September 30, 2026, and provide a mechanism for the Department to collect any unexpended grant funds.	Approve as proposed and adopt trailer bill language.	TBL	
10	<b>Equity Multiplier</b> 6100-645-0001 and Education Code 42238.024  (Governor's Budget and May Revise)	The budget includes a 1.07 percent cost-of-living adjustment of \$3.2 million, and a technical amendment that clarifies the eligibility of local educational agencies that receive equity multiplier funding.	Approve as proposed and adopt trailer bill language.	TBL	
11	<b>Accountability - Local Control and Accountability Plans</b> Education Codes 47606.5, 52062, 52068  (Governor's Budget)	The budget proposes statutory changes that clarifies the Local Control and Accountability Plan update should be presented as part of a non-consent item.	Approve as proposed and adopt trailer bill language.	TBL	
12	<b>Accountability - Statewide System of Support</b> Education Codes 47607.3, 52064.5, 52066, 52073  (Governor's Budget and May Revise)	The budget proposes statutory changes related to the differentiated assistance funding for charters, the submission deadlines for local indicators on the School Dashboard, the reports completed by county offices of education on differentiated assistance, and clarifying the geographic lead agency selection process.	Approve as proposed and adopt trailer bill language.	TBL	
13	<b>Cost of Living Adjustments (COLA)</b> 6100-119, 150, 151, 158, 161, 203, 296 - 0001  (Governor's Budget and May Revision)	The budget proposes a COLA increase of \$89.4 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Child Nutrition, Adults in Correctional Facilities (0.76 percent), and K-12 Mandate Block Grant programs. This adjustment reflects a 1.07 percent cost-of-living adjustment.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
14	<b>Expanded Learning Opportunity Program</b> Education Code 46120  (Governor's Budget and May Revise)	The budget proposes trailer bill language that extends the encumbrance deadline for the 2021 and 2022 allocations for the Expanded Learning Opportunity Program to September 2024, that funds are allowed to be expended over two years, and intent language that states local educational agencies should declare its intent to operate ELO programs and funds may be reallocated to Tier 2 schools.	Reject proposal to extend encumbrance deadline for 2021 and 2022 allocations, and intent language for program operation declaration. Adopt placeholder trailer bill that stabilizes the Tier 2 rate, allows funds to be used over two years, and extends licensing to 2025.	TBL	
15	<b>Special Education</b> 6100-161-0890  (May Revise)	It is requested that Schedule (1) of this item be decreased by \$8,970,000 ongoing federal IDEA funds to align with the federal grant award. It is also requested that Schedule (4) of this item be increased by \$234,000 one-time federal IDEA funds to reflect the availability of carryover funds.	Approve as budgeted.	BBL	
16	<b>Special Education Redevelopment Agency Property Tax Backfill</b> Uncodified Section  (Governor's Budget)	The proposed budget includes trailer bill language that allows the Department of Finance to address any shortfall or excess of local redevelopment agency property taxes for special education programs with General Fund.	Approve as proposed and adopt trailer bill language.	TBL	
17	<b>Educator Training for Literacy Screener</b> 6100-296-0001 and Government Code 17581.61  (Governor's Budget and May Revise)	The budget proposes to include \$25 million Proposition 98 General Fund for professional development related to the literacy screener for reading difficulties as part of the K-12 Mandates Block Grant process.	Approve as amended. Adopt placeholder trailer bill to provide one-time professional development funding and legislative intent to include professional development for the screener in the mandate block grant beginning in 2025-26 Budget Act.	BBL/TBL	
18	<b>Universal School Meals</b> 6100-203-0001/6100-201-0890 and Education Code 49564.3  (Governor's Budget and May Revise)	The proposed budget includes a total of \$1.9 billion Proposition 98 General Fund in 2024-25, an increase of \$298.3 million Proposition 98 General Fund due to program growth in 2023-24 and 2024-25, and \$2.7 billion federal funds in 2024-25 to fund universal access to subsidized school meals.  The budget also proposes technical statutory changes to remove the requirement for local educational agencies to participate in a federal universal meal provision if eligible, and would instead only require participation from local educational agencies with at least 40 percent Identified Student Percentage.	Approve funding as proposed, and adopt placeholder trailer bill language to also require the Department of Education to develop a Student Benefit template form, and require monthly direct certification match.	BBL/TBL	

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19	<b>Kitchen Infrastructure and Training Funds</b>  Section 138 of Chapter 44 of the Statutes of 2021, as amended by Section 49 of Chapter 571 of the Statutes of 2022  (May Revise)	The proposed budget extends the reporting deadline for local educational agencies to submit to the Department of Education on how they used funding to improve the quality of school meals or increased participation in school meal programs.	Approve as proposed and adopt trailer bill language.	TBL	
20	<b>Arts and Music in Schools Funding Guarantee and Accountability Act (Proposition 28)</b>  6100-628-0001  (Governor's Budget and May Revision)	The budget proposes \$938 million General Fund for the purposes of Proposition 28 in 2023-24, and \$907 million in 2024-25.	Approve as budgeted.	N/A	
21	<b>K-12 High Speed Network</b>  6100-182-0001  (Governor's Budget)	The budget proposes an increase of \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.	Approve as budgeted.	BBL	
22	<b>Broadband Infrastructure Grant Program</b>  Uncodified  (Governor's Budget and May Revise)	<p>The May Revise proposes statutory changes that specify that revenues received by the Corporation for Education Network Initiatives in California (CENIC) for completed projects be used to sustain administrative costs for both the Department of Education and CENIC, in addition to broadband projects, until fully exhausted.</p> <p>The May Revise proposes to withdraw the Governor's Budget proposal to provide \$5 million to extend and expand the Broadband Infrastructure Grant program.</p>	Approve withdrawal and adopt trailer bill language.	BBL/TBL	
23	<b>State Board Entitlement</b>  Education Code 33043  (May Revise)	It is requested that statutory changes be added to clarify and conform the basis for the Governor's appointment of six Deputies to the Executive Director of the State Board of Education who are exempt from state civil service. The changes would not increase the number of currently authorized positions and would specify that appointments to these exempt positions shall not result in any net increase in the expenditures of the State Board of Education.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
24	<b>California State Parks Adventure Pass</b> 6100-608-0001 and Uncodified Code (Governor's Budget and May Revise)	The budget proposes \$2.1 million ongoing Proposition 98 General Fund to allow all 4th graders attending public schools free admission to California State Parks, to be administered through the Sacramento County Office of Education.	Approve as proposed and adopt trailer bill language.	TBL	
25	<b>Community Schools Program Modifications</b> Education Code 8902 (Governor's Budget and May Revise)	The budget proposes statutory changes to extend the encumbrance deadline for funds allocated for the Community Schools Partnership Program from June 30, 2031 to June 30, 2032, and changes to provide flexibility between implementation grants and extension grants.	Approve as amended, and adopt placeholder trailer bill on encumbrance deadline.	TBL	
26	<b>AB 1078 Fiscal Penalty Clarification</b> Education Code 41975 and 60150 (Governor's Budget)	The budget proposes statutory changes to clarify the fiscal penalties imposed by AB 1078.	Approve as proposed and adopt placeholder trailer bill language.	TBL	
27	<b>In-Person Instruction and Explanded Learning Opportunities Grants Final Reporting Deadlines and Audit Requirement</b> Education Code 43523 and 43525 (Governor's Budget and May Revise)	The budget proposes statutory changes to align state reporting requirements with federal reporting requirements, among other technical changes.	Approve as proposed and adopt trailer bill language.	TBL	
28	<b>Depositing Proficiency Exam Fees</b> Education Code 48412 (May Revise)	It is requested that statutory changes be added to allow the California Department of Education to deposit fees collected from the California Proficiency Program into a Special Deposit Fund Account, to be appropriated without regard to fiscal year, for the Department's support of the program.	Approve as proposed and adopt trailer bill language.	TBL	
29	<b>WorkAbility Visitation Clarification</b> Education Code 45125.1 (Governor's Budget)	The budget proposes statutory changes to clarify that visitations as part of the WorkAbility program are consistent with a student's individualized education program.	Approve as proposed and adopt trailer bill language.	TBL	

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30	<b>Alternative Pathways to a Diploma Allowances and Technical Amendments</b> Education Code 51225.31 and 51225.32 (May Revise)	It is requested that statutory changes be added to allow local educational agencies to offer the diploma pursuant to Education Code Section 51225.31 to students who were in grade 10 or higher in the 2022-23 school year.	Approve as proposed and adopt trailer bill language.	TBL	
31	<b>Federal IDEA Addendum</b> Education Code 52064.3 (May Revise)	It is requested that statutory changes be added to extend the date for the State Board of Education and local educational agencies to adopt the IDEA addendum to allow for the finalization of the state's Compliance and Improvement Monitoring process that is the subject of court oversight and litigation.	Approve as proposed and adopt trailer bill language.	TBL	
32	<b>Instructional Materials Adoption</b> Education Code 60200 and 60227 (May Revise)	It is requested that statutory changes be added to remove statutory prohibitions on successive-year instructional material adoptions for English Language Arts/English Language Development and Mathematics and other clarifying changes.	Approve as proposed and adopt trailer bill language.	TBL	
33	<b>A-G Completion Improvement Grant Program - Reporting Final Expenditures</b> Education Code 41590 (May Revise)	It is requested that statutory changes be added to require local educational agencies to report final expenditures from the A-G Completion Improvement Grant Program by August 31, 2026, and provide a mechanism for the Department to collect any unexpended grant funds.	Approve as proposed and adopt trailer bill language.	TBL	
34	<b>Instructional Continuity</b> Education Code 46010, 46111, 46300.1, 46300.2, 46300.6, 51742, 51742.5, 51743, 51743.5, 51747, 51749, 51749.5, 51749.6 (Governor's Budget and May Revise)	<p>The budget proposes statutory changes that effectively replace short-term independent study, and would allow students limited-term options in classroom-based programs. The proposal allows local educational agencies to offer short-term independent study for the 2024-25 school year.</p> <p>The budget also proposes \$6 million to (1) Research existing, and develop new, models of hybrid and remote learning to support students' attendance, including developing and disseminating guidance and resources for local educational agencies to develop their own hybrid and remote learning programs to enable instructional continuity; and (2) Investigate local student information systems to identify opportunities and make recommendations to allow local educational agencies to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school.</p>	Approve as amended, and adopt placeholder trailer bill to 1) retain short-term independent study, and 2) delink Instructional Continuity Plans from earning ADA.	TBL	

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35	<b>Attendance Recovery</b> Education Code 46210, 46120 (Governor's Budget and May Revise)	The budget proposes statutory changes that would allow local educational agencies to make up for ADA (average daily attendance) losses through students' participation in Saturday School and Expanded Learning Opportunity Programs.	Reject this proposal.	TBL	
36	<b>Emergency Attendance</b> Education Code 46393 (Governor's Budget and May Revise)	The budget proposes statutory changes to the J13A process for local educational agencies to earn emergency attendance for emergencies lasting more than five days, and will be required to provide either remote instruction or support that student in a neighboring local educational agency.	Reject this proposal.	TBL	
37	<b>SB 291 Pupil Recess Cleanup</b> Education Code 49056 (Governor's Budget and May Revise)	The budget proposes technical changes that clarify pupil recess is at the public elementary school level.	Approve as proposed and adopt trailer bill language.	TBL	
38	<b>Youth Behavioral Health Professional Development</b> Education Code 49428.1 and 49428.2 (Governor's Budget and May Revise)	The budget proposes statutory changes that requires the Department of Education to develop model referral protocols for addressing pupil behavioral health concerns by January 1, 2025, requires local educational agencies to certify that its employees received youth behavioral training by July 1, 2029. These provisions will sunset on July 1, 2030. The budget also proposes to appropriate \$35 million Gun Violence Prevention and School Safety Fund in 2025-26.	Approve as proposed and adopt trailer bill language.	TBL	
39	<b>Extraordinary Cost Pool Claims</b> Education Code 56836.21 (Governor's Budget)	The budget proposes technical changes to clarify the submission deadline for special education extraordinary cost pool claims.	Approve as proposed and adopt trailer bill language.	TBL	
40	<b>Inclusive College for Students with Intellectual Disabilities</b> 6100-647-0001 and Education Code 66032, 66032.1, 66032.2 (Governor's Budget and May Revise)	The budget proposes \$2 million ongoing Proposition 98 General Fund for a county office of education technical assistance center focused on inclusive college opportunities for students with intellectual disabilities.	Approve as proposed and adopt trailer bill language.	TBL	

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41	<b>Zero-Emission School Buses 2024-25 Allocation</b>  6100-488 and Section 121 of Chapter 52 of Statutes of 2022, as amended by Section 96 of Chapter 48 of Statutes of 2023  (Governor's Budget and May Revise)	The budget proposes \$895 million Proposition 98 General Fund to support the procurement of zero-emission schoolbuses and related charging infrastructure.	Reject this proposal.	BBL/TBL	
42	<b>Educator Workforce Investment Grant Program Legislative Report</b>  Section 124 of Chapter 52 of Statutes of 2022, as amended by Section 23 of Chapter 194 of Statutes of 2023  (Governor's Budget and May Revise)	The budget proposes trailer bill language that clarifies reporting deadlines and requirements for the Educator Workforce Investment Grant Program.	Approve as proposed and adopt trailer bill language.	TBL	
43	<b>Curriculum-Embedded Performance Tasks for Science</b>  6100-688-0001 and Uncodified Section  (Governor's Budget and May Revise)	The budget proposes \$7 million one-time Proposition 98 General Fund to research and develop a statewide repository of high-quality, curriculum-embedded performance tasks aligned with the Next Generation Science standards.	Reject this proposal.	TBL	
44	<b>Mathematics Framework Professional Development</b>  6100-650-0001 and Uncodified Section  (Governor's Budget)	The budget proposes \$20 million one-time Proposition 98 General Fund to support professional development aligned with the new mathematics framework.	Reject this proposal.	TBL	
45	<b>Revision of the Science Safety Handbook</b>  6100-668-0001 and Uncodified Section  (Governor's Budget)	The budget proposes \$150,000 one-time Proposition 98 General Fund to revise the science safety handbook.	Reject this proposal and redirect the Department of Education to revise the handbook using existing resources.	TBL	

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46	<b>Fiscal Crisis and Management Assistance Team</b> 6100-107-0001 and Education Code 14502.1 and 42127.8 (Governor's Budget and May Revise)	The budget proposes statutory changes to clarify charging requirements by the County Fiscal Crisis and Management Assistance Team, and its inclusion in K-12 Audit Guide consultations. The budget also proposes \$438,000 ongoing Proposition 98 General Fund for long-term planning funds.	Approve as proposed and adopt trailer bill language.	BBL/TBL	
47	<b>Proposition 98 Reappropriation</b> 6100-488/602-0001 (Governor's Budget and May Revise)	The budget re-appropriates a total of \$339.3 million from various programs that were previously appropriated, including \$26.8 million from the 2021 Budget for school nutrition programs, \$19 million from the 2023 Budget for California Technical Education Incentive Grant Program, and \$250 million from the 2022 and 2023 Budget for Inclusive Early Education Expansion Program. These funds are proposed to backfill \$84.6 million in one-time LCFF costs, and \$254.7 million for zero-emission schoolbuses.	Approve one-time LCFF costs. Reject funding for zero-emission schoolbuses. Conform to Prop 98 package.	BBL	
48	<b>California School for the Deaf-Riverside: Athletic Complex Replacement</b> 6100-301-0001 and 6100-301-0660 (Governor's Budget)	The budget proposes to replace General Fund support for this project with Public Building Construction Fund support.	Approve as budgeted.	BBL	

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49	<b>California Collaborative for Educational Excellence</b> 6100-106-0001 (May Revise)	It is requested that Schedule (1) of this item be decreased by \$3,701,000 one-time Proposition 98 General Fund to reflect a one-time drawdown of \$2,951,000 from California Collaborative for Educational Excellence’s carryover balances from the 2019, 2020, and 2021 Budget Acts to support this schedule; and the drawdown of \$750,000, one-time Proposition 98 General Fund, for the Reading Difficulties Risk Screener Selection Panel, from their 2021 Budget Act carryover balance. It is also requested that Schedule (2) of this item be decreased by \$4,302,000 one-time Proposition 98 General Fund to reflect a one-time drawdown of \$3,302,000 from the California Collaborative for Educational Excellence’s carryover balance from the 2019 Budget Act to support this schedule; and the drawdown of \$1 million, one-time Proposition 98 General Fund, for additional Direct Technical Assistance workload, from their 2020 Budget Act carryover balance.	Approve as budgeted.	BBL	
50	<b>Eligibility for California State Preschool Program</b> Education Code 8210 and 8211 (May Revise)	The Administration proposes trailer bill language that clarifies the fourth priority enrollment order for low-income children after low-income students with exceptional needs are enrolled.	Adopt as amended to add a fifth priority for low-income children ages 24 months to 35 months.	TBL	
51	<b>California Universal Prekindergarten Planning and Implementation Grant</b> Education Code 8320 (May Revise)	The budget proposes statutory changes that clarify eligibility for renewal grants to the extent funds are available.	Approve as proposed and adopt trailer bill language.	TBL	
52	<b>California College Guidance Initiative</b> 6100-172-0001 and Education Code 48800, 49083.5, 51225.7, 51225.8, 51229, 60227, 60900, 60900.5 and 69432.9 (Governor's Budget and May Revise)	It is requested that Schedule (1) be decreased by \$3 million Proposition 98 General Fund to account for one-time carryover available to support the California College Guidance Initiative (CCGI) in the budget year that was not previously considered in the Governor’s Budget proposal.  The budget also proposes statutory changes that requires local educational agencies to submit GPA data to CCGI instead of CALPADS; requires the California School Information Services to maintain a vendor list; requires local educational agencies beginning in September 2024 or whenever universal basic accounts are available to direct students to CaliforniaColleges.edu first before other resources, among other changes.	Approve as amended, and adopt placeholder trailer bill language.	BBL/TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
53	<b>Project Advancing Wellness and Resilience in Education (AWARE) Grant and Project Students, Teachers, and Officers Preventing School Violence Grant (Cal-STOP) Program</b> 6100-104-0890 (May Revise)	It is requested that Item 6100-104-0890 be added in the amount of \$1.9 million federal Project AWARE funds to reflect an increase of \$1.1 million for the expansion of Project Cal-Well; an increase of \$500,000 one-time federal carryover funds to support Project Cal-STOP program activities; and \$300,000 one-time federal carryover funds to support Project AWARE grants for local educational agencies. Project AWARE is a five-year grant program aimed to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.	Approve as budgeted.	BBL	
54	<b>Public Charter Schools Adjustment</b> 6100-112-0890 (May Revise)	It is requested that Item 6100-112-0890 be added in the amount of \$17.2 million Federal Trust Fund to reflect one-time federal Public Charter School carryover funds to continue supporting the Public Charter Schools program.	Approve as budgeted.	BBL	
55	<b>Student Assessment Program</b> 6100-113-0001 (May Revise)	It is requested that Schedule (2) of this item be increased by \$651,000 ongoing Proposition 98 General Fund to align with estimated contract costs for the English Language Proficiency Assessment for California administration in 2024-25.	Approve as budgeted.	BBL	
56	<b>Student Assessment Program</b> 6100-113-0890 (May Revise)	It is requested that Schedule (2) of this item be decreased by \$651,000 ongoing federal Title I, Part B funds to align to the federal grant award.	Approve as budgeted.	BBL	
57	<b>Program for Neglected and Delinquent Children</b> 6100-119-0890 (May Revise)	It is requested that Schedule (1) of this item be decreased by \$77,000 federal Title I, Part D funds to align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.	Approve as budgeted.	BBL	
58	<b>Cradle to Career Privacy Changes</b> Education Code 10860, 10863, 10866 (May Revise)	It is requested that statutory changes be added to (1) exempt the data system from specified provisions of the Information Practices Act since C2C does not collect data from individuals and is not the originator of the data; (2) provide consistent terminology that C2C protects “data maintained” rather than “data collected” with respect to which data must be treated as personal information; and (3) designates C2C as the state educational authority for the purpose of compliance with the Family Educational Rights and Privacy Act for compliance in fulfilling purposes of the C2C data system.	Reject exemptions from the Information Practices Act and related language, and adopt placeholder trailer bill language for technical and necessary changes.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
59	<p><b>Migrant Education Program, Migrant Education Program State-Level Programs, and English Language Acquisition Program</b></p> <p>6100-125-0890</p> <p>(May Revise)</p>	<p>It is requested that Schedule (1) of this item be increased by \$18,847,000 federal Title I, Part C Migrant Education Program funds to reflect an \$11,067,000 increase in one-time carryover funds, and an ongoing increase of \$7,780,000 to align to the federal grant award. This program awards subgrants to local educational agencies to provide educational support services to meet the needs of highly mobile migrant students.</p> <p>It is also requested that Schedule (2) of this item be increased by \$900,000 federal Title I, Part C Migrant Education Program State Level Activities funds to reflect a \$944,000 increase in one-time carryover funds and an ongoing decrease of \$44,000 to align to the federal grant award. The state-administered Migrant Education programs include the Binational Migrant Education Program, Mini-Corps Program, and the Migrant Student Information Network.</p> <p>It is also requested that Schedule (3) of this item be increased by \$11,234,000 federal Title III, Part A English Language Acquisition funds to reflect a \$14,189,000 increase in one-time carryover funds, and an ongoing decrease of \$2,955,000 to align to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.</p>	Approve as budgeted.	BBL	
60	<p><b>Elementary and Secondary Education Act Program, Title I State Grant and School Improvement Program Grant</b></p> <p>6100-134-0890</p> <p>(May Revise)</p>	<p>It is requested that Schedule (2) of this item be increased by \$145,879,000 ongoing federal Title I funds to align to the federal grant award and reflect the amount of federal Title I funds allocated for school support in proportion to the state's increased Title I Basic Grant award. In accordance with California's Every Student Succeeds Act State Plan, Title I funds support eligible local educational agencies and schools that serve high numbers of low-income students.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$4,884,000 ongoing federal Title IV, Student Support and Academic Enrichment grant funds to align to the federal grant award.</p>	Approve as budgeted.	BBL	
61	<p><b>American Rescue Plan Act Homeless Children and Youth - Homeless Education Technical Assistance Centers</b></p> <p>6100-001-0890/ 6100-135-0890 and Education Code 48857</p> <p>(Governor's Budget and May Revise)</p>	<p>It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$839,000 one-time federal ARPA-HCY carryover funds to support the administration of the ARPA-HCY Program, which provides wraparound services to address the impact of the COVID-19 pandemic, and helps enable homeless children and youth to attend school and participate fully in school activities.</p> <p>It is requested that Item 6100-135-0890 be added in the amount of \$2.5 million one-time federal ARPA-HCY carryover funds to continue supporting the Homeless Education Technical Assistance Centers and evaluation contract funded by this grant. This program supports local educational agencies' efforts to identify homeless students and ensure equal access to public education.</p>	Approve \$300,000 for state operations in 6100-001-0890, and shift \$539,000 to local assistance item 6100-135-0890. Add budget bill language to 6100-135-0890 specifying that funds can be transferred to other local educational agencies and be used for direct services that are consistent with uses eligible under ARPA-HCY.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
62	<b>Federal Farm to School Grant Program</b> 6100-001-0890/ 6100-201-0890 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0890 be increased by \$1.8 million one-time federal Farm to School Grant funds for the Department to develop a Farm to School strategic plan, document local procurement practices, and enhance technical assistance which includes effective local level approaches and strategies. The Farm to School Grant will fund training and technical assistance to build and increase the capacity of participating local educational agencies to procure and use local foods in the National School Lunch Program, as well as provide agricultural education opportunities for students.  It is also requested that Item 6100-201-0890 be increased by \$1,819,000 to provide incentive payments to local educational agencies.	Approve as budgeted.	BBL	
63	<b>McKinney-Vento Homeless Children Education</b> 6100-136-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$2,341,000 federal McKinney-Vento funds to reflect a \$1,261,000 increase in one-time carryover funds, and an ongoing increase of \$1,080,000 to align to the federal grant award. This program supports local educational agencies' efforts to identify homeless students and ensure equal access to public education.	Approve as budgeted.	BBL	
64	<b>Rural and Low-Income Schools</b> 6100-137-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$12,000 federal Rural and Low-Income Schools Grant funds to reflect a \$190,000 increase in one-time carryover funds, and an ongoing decrease of \$178,000 to align with the federal grant award. This program provides rural school districts with financial assistance for initiatives aimed at improving student achievement.	Approve as budgeted.	BBL	
65	<b>American Rescue Plan Act Carryover for After School Programs</b> 6100-149-0890 (May Revise)	It is requested that Item 6100-149-0890 be added in the amount of \$28,784,000 one-time federal ARPA carryover funds to continue supporting after school and summer programs.	Approve as budgeted.	BBL	
66	<b>Adult Education Program</b> 6100-156-0890 (May Revise)	It is requested that this item be increased by \$11,219,000 federal Workforce Innovation and Opportunity Act, Title II funds to reflect a \$11 million increase in one-time carryover funds, and a \$219,000 ongoing increase to align to the federal grant award. The federal Adult Education Program supports adult basic education, English as a second language, and adult secondary education programs.  It is also requested that Provision 4 of this item be amended to include language to clarify compliance with the Workforce Innovation and Opportunity Act (WIOA), specifically as it relates to demonstrated effectiveness used as a 'screener' for applications.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
67	<b>Vocational Education Program</b> 6100-166-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$4,680,000 ongoing federal Perkins V funds to align with the federal grant award.	Approve as budgeted.	BBL	
68	<b>Part A of Title II Federal Grant</b> 6100-195-0890 (May Revise)	It is requested that Schedule (1) of this 6100-195-0890 be increased by \$1,945,000 to reflect a decrease of \$3,372,000 to align with the federal grant award and an increase of \$5,317,000 one-time federal carryover funds.  It is also requested that Schedule (3) of this item be decreased by \$19,000 to reflect the decrease of \$1,236,000 to align with the federal grant award and an increase of \$1,217,000 one-time federal carryover funds for the 21st Century California School Leadership Academy.	Approve as budgeted.	BBL	
69	<b>21st Century Community Learning Grant Federal Adjustment</b> 6100-197-0890 (May Revise)	It is requested that Schedule (1) of this item be increased by \$2,559,000 21st Century Community Learning Centers Grant funds to reflect a \$6.5 million increase in one-time federal carryover funds, and an ongoing decrease of \$3,941,000 to align to the federal grant award.	Approve as budgeted.	BBL	
70	<b>Early Head Start Federal Adjustment</b> 6100-294-0890 (May Revise)	It is also requested that Schedule (1) of Item 6100-294-0890 be increased by \$21,000 to align to the federal grant award. These funds are allocated to selected local Partnering Agencies to meet standards and grant requirements that aim to increase the quality of early childhood education programs.	Approve as budgeted.	BBL	
71	<b>JUUL Settlement Funds</b> 6100-101-8141 (May Revise)	It is requested that Item 6100-101-8141 be added in the amount of \$3 million one-time Electronic Cigarette Settlements Funds annually beginning in 2025-26 through 2029-30 and \$2 million in 2030-31, to reflect funding provided as a result of the State of California JUUL settlement. The funding from this settlement is intended to support existing youth education and outreach, as well as development of new educational campaigns in tobacco prevention for California student communities.	Approve as amended, adopt placeholder budget bill.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
72	<b>Tobacco-Use Prevention Education Program</b> 6100-101-0231/6100-102-0231 (May Revise)	It is requested that Schedule (1) of Item 6100-101-0231 be increased by \$174,000 ongoing Health Education Account, Cigarette and Tobacco Products Surtax Fund and Schedule (1) of Item 6100-102-0231 be increased by \$557,000 ongoing Health Education Account, Cigarette and Tobacco Products Surtax Fund to reflect revised revenue estimates for the Health Education Account, Cigarette and Tobacco Products Surtax Fund. These funds are allocated to local educational agencies for health education efforts aimed at preventing and reducing tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.	Approve as budgeted.	BBL	
73	<b>California State Preschool Inclusivity Ramp Up</b> Education Code 8208 (May Revise)	The budget proposes to repeal requirements that State Preschool classrooms must serve at least 7.5 percent students with disabilities starting in July 2025 and at least ten percent students with disabilities starting in July 2026. The requirement that classrooms must serve at least 5 percent students with disabilities remain. These changes will result in savings beginning in 2025-26 of \$47.9 million and \$97.9 million in the following years.	Approve as proposed and adopt trailer bill language.	TBL	
74	<b>Non-Local Educational Agency State Preschool Cost-of-Living Adjustment</b> 6100-194-0001 (Governor's Budget and May Revise)	It is requested that Schedule (1) of this item be increased by \$18,616,000 to reflect revised estimates to administer the California State Preschool Program.	Approve as amended. Adopt trailer bill language to include accounting for preschool General Fund reversions in the Child Care Reversion Account.	BBL	
75	<b>Local Educational Agency State Preschool Program</b> 6100-196-0001 (Governor's Budget and May Revise)	It is requested that Schedule (1) of this item be decreased by \$9,233,000 Proposition 98 General Fund to reflect the following: (1) an increase of \$64,471,000 ongoing Proposition 98, which is a technical baseline adjustment to support the current requirements for the California State Preschool Program, and (2) a decrease of \$73,704,000 one-time Proposition 98 General Fund due to revised caseload estimates of three-year-old children and children with exceptional needs.	Approve as budgeted.	BBL	
76	<b>Ethnic Studies Block Grant</b> 6100-488 and Uncodified Section (Legislative Proposal)	Placeholder trailer bill for \$20 million Proposition 98 General Fund for an Ethnic Studies Block Grant that is aligned to the State Board of Education-adopted ethnic studies model curriculum.	Approve legislative proposal.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
77	<b>Uniform Complaint Procedure</b> (Legislative Proposal)	Placeholder trailer bill to strengthen the Uniform Complaint Process for the Safe Places to Learn Act.	Approve legislative proposal.	TBL	
78	<b>Career Technical Education Incentive Grant</b> (Legislative Proposal)	Placeholder Trailer Bill to provide three year award cycles, subject to the Budget Act.	Approve legislative proposal.	TBL	
79	<b>AB 218 Report</b> Uncodified Section (Legislative Proposal)	Placeholder trailer bill to require the County Fiscal Crisis Management and Assistance Team (FCMAT) to provide recommendations on how local educational agencies may fund or finance settlements or judgments.	Approve legislative proposal.	TBL	
<b>6100 Department of Education, State Operations</b>					
80	<b>Part A of Title II Federal Grant to Support Golden State Teacher Grant Program</b> 6100-001-0890 Provision 33 (May Revise)	The budget proposes \$1 million one-time federal funds to expand teacher recruitment efforts through the Golden State Teacher Grant program.	Approve as budgeted.	BBL	
81	<b>Golden State Teacher Grant Program - Special Education</b> 6100-001-0890 Provisions 34-37 (May Revise)	It is requested that Schedule (1) of this item be increased by \$1,282,000 ongoing federal Individuals with Disabilities Education Act (IDEA) funds to reflect: (1) an increase of \$760,000 for 5 existing positions to address special education complaint resolution workload; (2) an increase of \$272,000 for 2 existing positions to address federal grant disbursement workload; and (3) an increase of \$250,000 for licensing and maintenance of special education monitoring software.  It is also requested that Schedule (1) of this item be increased by \$500,000 one-time federal IDEA funds to expand teacher recruitment efforts through the Golden State Teacher Grant Program.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
82	<b>Office of Administrative Hearings</b> 6100-001-0890 Provision 4 (May Revise)	It is requested that Schedule (1) of this item be increased by \$6,010,000 one-time federal IDEA funds to support increased costs associated with special education dispute resolution services. The Department contracts with the Office of Administrative Hearings to provide special education services, which includes hearings, mediations, and related due process activities required by both state and federal law. The number of claims filed and the cost per case have increased over the past few years.	Approve as budgeted.	BBL	
83	<b>Supporting America's School Infrastructure (SASI) Grant Program</b> 6100-001-0890 Provision 39 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$4,993,000 one-time federal SASI funds to support the administration of America's School Infrastructure Grant Program, which provides services or assistance to Small School Districts (SSD) to address the needs for improving school facilities and environments through public school infrastructure improvements.	Approve as budgeted.	BBL	
84	<b>Early Head Start-Child Care Partnership</b> 6100-001-0890 Provision 44 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0890 be increased by \$1,990,000 Early Head Start—Child Care Partnership Grant funds to align to the federal grant award and support the administration of the EHS-CCP. EHS-CCP is a five-year grant program which provides funding to increase the quality of early childhood education services.	Approve as budgeted.	BBL	
85	<b>Broadband Coordinator</b> 6100-001-0001 Provision 113 and Reimbursements (May Revise)	It is requested that Schedule (5) of Item 6100-001-0001 be increased by \$152,000 ongoing reimbursement authority to support the Department's Broadband Coordinator position. Revenue received from e-Rate and the California Teleconnect Fund from completed projects funded by the Broadband Infrastructure Grant program will support this position and administrative costs for the Corporation for Education Network Initiatives in California until funds are fully exhausted. The Broadband Coordinator supports the Broadband Infrastructure Grant program and represents Education on statewide broadband efforts.	Approve as budgeted.	BBL	
86	<b>Preschool Development Grant Reimbursement Authority</b> 6100-001-0001 Provision 114 (May Revise)	It is requested that Schedule (6) of this item be amended to decrease reimbursement authority by \$1,710,000 in 2024-25, and \$1,729,000 in 2025-26 and ongoing, to align with the remaining contract for the Preschool Development Grant.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
87	<b>American Rescue Plan Act (ARPA) Emergency Assistance to Non-Public Schools II</b> 6100-001-0890 Provision 38 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$695,000 one-time federal ARPA carryover funds to support the administration of the Emergency Assistance to Non-Public Schools Program, which aims to provide services or assistance to eligible non-public schools to address the impacts of the COVID-19 pandemic	Approve as budgeted.	BBL	
88	<b>State Special Schools</b> 6100-005-0001 (May Revise)	It is requested that Schedule (2) of Item 6100-005-0001 be increased by \$9,000 ongoing, and Schedule (3) of Item 6100-005-0001 be increased by \$8,000 ongoing, to reflect revised employee compensation costs.	Approve as budgeted.	BBL	
89	<b>Project Advancing Wellness and Resilience in Education (AWARE) Grant and Project Students, Teachers, and Officers Preventing School Violence Grant (Cal-STOP) Program</b> 6100-001-0890 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$800,000 federal Project AWARE Grant funds in 2024-25, and \$700,000 in 2024-25 through 2027-28, to support the administration of Project Cal-Well. Project Cal-Well is intended to expand access to mental health services for students through leveraging and aligning existing mental health investments and resources to improve student mental health outcomes, promote resiliency, reduce risk of suicide, and create a sustainable infrastructure. It is also requested that Schedule (1) of Item 6100-001-0890 be increased by \$420,000 one-time federal carryover funds to support activities related to the Project Cal-STOP Program. Project Cal-STOP provides grants to nonprofit organizations to provide school violence prevention trainings and support schools in setting up mental health student organizations.	Approve as budgeted.	BBL	
90	<b>Education of Newcomer Pupils (AB 714)</b> 6100-001-0001 Provision 115 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$321,000 ongoing and 2 positions.	Approve as budgeted.	BBL	
91	<b>Inclusive Materials in School (AB 1078)</b> 6100-001-0001 Provision 116 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$392,000 ongoing and 2 positions.	Approve as budgeted.	BBL	
92	<b>LGBTQ+ Online Trainings (AB 5)</b> 6100-001-0001 Provision 117 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$770,000 one-time.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
93	<b>Classified Employee Staffing Ratio Workgroup (AB 1273)</b> 6100-001-0001 Provision 118 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$102,000 in 2024-25 and 2025-26.	Approve as budgeted.	BBL	
94	<b>Dual Language Learner Implementation (AB 393)</b> 6100-001-0001 Provision 119 (May Revise)	It is requested that Schedule (2) of Item 6100-001-0001 be increased by \$185,000, of which \$182,000 is ongoing, and 1 position.	Approve as budgeted.	BBL	
95	<b>California Interscholastic Federation Statewide Incident Report (AB 1327)</b> 6100-001-0001 Provision 120 (May Revise)	It is requested that Schedule (1) of Item 6100-001-0001 be increased by \$148,000 one-time.	Approve as budgeted.	BBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
<b>0985 California School Finance Authority</b>					
96	<b>Charter School Facility Grant Program - COLA Adjustment</b> 0985-220-0001 (May Revise)	It is requested that Item 0985-220-0001 be decreased by \$2,569,000 ongoing Proposition 98 General Fund to reflect revised estimates and a 1.07-percent cost-of living adjustment for the Charter School Facility Grant Program. The Charter School Facility Grant Program provides funding to assist charter schools in paying for rent and lease expenditures that are either serving or located in attendance areas where a notable percentage of their students qualify for free or reduced-price meals.	Approve as budgeted.	BBL	
<b>6350 School Facility Aid Program</b>					
97	<b>School Facility Program</b> Section 129, Chapter 52 of Statutes of 2022 (May Revise)	The budget proposes a decrease of \$375 million General Fund in planned support for the School Facility Program, taking the planned allocation in 2024-25 down to zero.	Approve as proposed and adopt trailer bill language.	TBL	
98	<b>Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Grant Program</b> Section 129, Chapter 52 of Statutes of 2022 (Governor's Budget)	The 2022 Budget Act reflected \$550 million in 2025-26 to support the Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facility Grant Program. The proposed budget delays this investment indefinitely.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
<b>6360 Commission on Teacher Credentialing</b>					
99	<b>Division of Professional Practices Support</b> 6360-001-0001 Provision 7 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$182,000 ongoing and 2 positions to support the Division of Professional Practices with workload associated with educator professional fitness.	Approve as budgeted.	BBL	
100	<b>May Lee State Office Complex Lease Adjustment</b> 6360-001-0001 Provision 8 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$255,000 one-time to support lease costs associated with relocating to the May Lee State Office Complex in May 2024.	Approve as budgeted.	BBL	
101	<b>Legal Services Expenditure Authority</b> 6360-001-0407 (May Revise)	It is requested that Schedule (2) of Item 6360-001-0407 be increased by \$1,211,000 ongoing to reflect an increase in expenditure authority to support increased legal services costs.  It is also requested that provisional language be added to clarify that funds appropriated in Schedule (2) may be used for costs resulting from the administration and adjudication of cases, including the administrative hearing process through the Office of Administrative Hearings.	Approve as budgeted.	BBL	
102	<b>Federal Fund Authority for Apprenticeship Building America Grants</b> 6360-001-0890 (May Revise)	It is requested that Item 6360-001-0890 be added to allow the Commission to receive federal funds. The Commission recently applied for the Apprenticeship Building America grant, and award notifications are expected to be sent out by July 1, 2024.	Approve as budgeted.	BBL	
103	<b>Public Outreach Campaign (AB 934)</b> 6360-001-0001 Provision 9 (May Revise)	It is requested that Schedule (1) of Item 6360-001-0001 be increased by \$900,000 one-time to enter into a contract with a public relations organization to develop a public awareness campaign that highlights the benefits of education careers in Californias K-12 public schools, pursuant to Chapter 671, Statutes of 2023.	Approve as budgeted.	BBL	
104	<b>Abolishment of the Test Development and Administration Account</b> Education Code 44235.25 (Governor's Budget)	The Administration proposes statutory changes to abolish the Test Development and Administrative Account and consolidate expenditures and fee revenues currently collected under the fund into the Teacher Credentials Fund, consistent with actions taken in the 2023-24 Budget.	Approve as proposed and adopt trailer bill language.	TBL	

Item	Subject	Description	Staff Recommendation	Language	Comments
105	<p><b>Streamlining Transcript Review for Subject Matter Competence and Clarify Basic Skills Proficiency Requirements</b></p> <p>Education Codes 44252, 44252.5, 44270.3, 44259, 44260.2, 44274.2, 44275.4, 44310, and 44830</p> <p>(Governor's Budget)</p>	<p>The budget proposes trailer bill legislation that clarifies that completing a bachelor's degree satisfies the basic skills proficiency exam for a credential, and proposes to streamline the transcript review process to certify subject matter competency by leveraging the Commission on Teacher Credentialing's current accreditation process.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
106	<p><b>Technical Changes to Clarify Teacher Misassignment Monitoring Definitions</b></p> <p>Education Code 44258.9</p> <p>(Governor's Budget)</p>	<p>The budget proposes technical changes to clarify that charter schools that operate under the authority of a school district where the charter school is the sole schoolsite in the district are under the Commission of Teacher Credentialing's monitoring authority.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
107	<p><b>Career Technical Education Teacher Elementary Arts and Music Supplementary Authorization</b></p> <p>Education Code 44260.8 and 44300</p> <p>(Governor's Budget)</p>	<p>The Administration proposes to authorize holders of a clear CTE credentials with 24 units of preparation in the elementary school context to teach an arts, music, dance, or theater program to students in grades kindergarten through six.</p> <p>The proposal also requires that any local educational agency that employs individuals with these elementary arts CTE credentials will need to provide them mentorship and support of a teacher with a single subject clear credential or a multiple subject clear credential in the first two years.</p> <p>The proposal also authorizes a one-year emergency permit and renewals that authorizes art, dance, music, or theater to holders of clear CTE credentials authorized in arts, media, and entertainment, as long as certain conditions are met.</p>	<p>Reject this proposal.</p>	<p>TBL</p>	
108	<p><b>Authorization for Early Completion Option for PK-3 Interns</b></p> <p>Education Code 44468</p> <p>(Governor's Budget)</p>	<p>The budget proposes statutory changes to include interns that are accepted to PK-3 early childhood education specialist credential programs to choose an early completion program.</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	
109	<p><b>Expedited Application Process Clarification</b></p> <p>Education Code 44230</p> <p>(May Revise)</p>	<p>The Administration proposes statutory changes to clarify that charter schools and nonpublic schools or agencies are considered agencies for the purpose of expedited application processes</p>	<p>Approve as proposed and adopt trailer bill language.</p>	<p>TBL</p>	

*Senate Budget and Fiscal Review—Scott Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 30, 2024**  
**9:30 a.m. or upon adjournment of Session - 1021 O Street, Room 2100**  
**Part B- Higher Education**  
Consultant: Christopher Francis, Ph.D.

<u>Item</u>	<u>Department</u>	<u>Page</u>
6440	UNIVERSITY OF CALIFORNIA (UC)	3
6610	CALIFORNIA STATE UNIVERSITY (CSU)	3
6870	CALIFORNIA COMMUNITY COLLEGES (CCC)	3
	Issues 1-2: Student Housing Proposals	3
6120	CALIFORNIA STATE LIBRARY	4
	Issues 3-9: Various State Library Proposals	4
6440	UNIVERSITY OF CALIFORNIA (UC)	5
	Issues 10-17: Various UC Proposals	5
6600	UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)	7
	Issues 18-19: Various CLSF Proposals	7
6610	CALIFORNIA STATE UNIVERSITY (CSU)	8

<b>Issues 20-22: Various CSU Proposals</b>	8
<b>6870 CALIFORNIA COMMUNITY COLLEGES (CCC)</b>	9
<b>Issues 23-41: Various CCC Proposals</b>	9
<b>6980 CALIFORNIA STUDENT AID COMMISSION</b>	14
<b>Issues 42-50: Various Student Aid Commission Proposals</b>	14
<b>Public Comment</b>	

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**Vote-Only Calendar**

**6440 UNIVERSITY OF CALIFORNIA (UC)**  
**6610 CALIFORNIA STATE UNIVERSITY (CSU)**  
**6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**

**Issues 1-2: Student Housing Proposals**

<b><u>Issue</u></b>	<b><u>Origin</u></b>	<b><u>Description</u></b>	<b><u>Staff Recommendation</u></b>
1.	January Governor’s Budget	<b>California Student Housing Revolving Loan Fund.</b> The budget proposes suspending funding for the program. This action would pull \$300 million General Fund in annual support between 2024-25 and 2028-29 fiscal years and revert \$199.7 million General Fund in 2023-24.	Approve as budgeted without prejudice to pending legislation that would enable the program to be funded through internal borrowing.
2.	January Governor’s Budget with May Revision modification	<b>Higher Education Student Housing Grant Program.</b> The Budget Act of 2023 included \$61.5 million non-Proposition 98 General Fund in 2023-24 to debt finance 16 CCC student housing projects. The Governor’s January budget also proposed using \$50.6 million General Fund of the \$61.5 million provided in 2023-24 for lease revenue bond debt service for the CCC projects to support one-time payments to three districts for housing projects that are not appropriate for bond funds. The three projects are Santa Rosa City College (\$15 million), Napa Valley College (\$31 million) and Imperial Valley College (\$4.6 million).  The May Revision includes the Administration’s trailer bill language, for an affordable student housing lease revenue bond for the 13 remaining projects.	Approve using \$50.6 million General Fund of the \$61.5 million provided in 2023-24 to support one-time payments to three districts for housing projects that are not appropriate for bond funds.  Adopt placeholder trailer bill language for an affordable student housing lease revenue bond for the 13 remaining projects and to address issues related to the UC Santa Cruz- Cabrillo College project.

**Staff Comment:** Subcommittee No.1 on Education heard Student Housing issues on March 14, 2024, April 25, 2024, and May 16, 2024.

**6120 CALIFORNIA STATE LIBRARY**

**Issues 3-9: Various State Library Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
3.	May Revision	<b>Reducing Previous Local Library Infrastructure Appropriations.</b> The May Revision proposes to pull back \$4.4 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021.	Adopt May Revision
4.	January Governor’s Budget	<b>Reducing Future Support for Local Library Infrastructure.</b> The Governor’s budget foregoes \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects.	Approve as budgeted
5.	January Governor’s Budget	<b>Tribal and Rural Libraries Library Programs Consultant.</b> The Governor’s budget includes permanent position authority for one Library Programs Consultant in fiscal year 2024-25 and ongoing to provide Library services to Tribal and Rural Libraries. The position will be paid for with federal funds provided annually to the State Library by the Institute of Museum and Library Services.	Approve this proposal
6.	May Revision	<b>Ongoing Reductions to State Library State Operations.</b> The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.	Adopt May Revision
7.	May Revision	<b>Dolly Parton Imagination Library Reduction.</b> The 2022 Budget Act appropriated \$68.2 million General Fund in 2022-23 for the Dolly Parton Imagination Library program. The May Revision reduces this support by \$40 million General Fund one-time, leaving \$28.2 million in support.	Reject this proposal
8.	May Revision	<b>Eliminate Support for Lunch at the Library.</b> The 2022 Budget Act included \$5 million General Fund in 2022-23 and ongoing base line augmentation to support the Lunch at the Library program, with	Reduce support by \$2.5 million ongoing and maintain \$3

		reporting language. The May Revision reduces this support by \$5.5 million General Fund ongoing, eliminating state support for this program.	million ongoing for the program
9.	May Revision	<b>California Library Services Act Support Adjustment.</b> The May Revision reduces support by \$1.8 million General Fund ongoing. The 2021 Budget Act previously included \$1.8 million General Fund ongoing for this program.	Adopt May Revision

**Staff Comment:** Subcommittee No.1 on Education heard issues related to the State Library on March 7, 2024 and May 16, 2024.

**6440 UNIVERSITY OF CALIFORNIA (UC)**

**Issues 10-17: Various UC Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
10.	May Revision	<b>UC Base Budget for 2024-25 and 2025-26.</b> The May Revision includes a \$125 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to UC’s base budget beginning in 2025-26. This reduction would be restored if the 2025-26 revenues are higher than expected. Between this proposal and the early action agreement detailed below, UC would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.	Approve the following:  May Revision proposal to make a \$125 million one-time unallocated base budget reduction in 2024-25 to UC  Provide UC a 5% ongoing compact investment and non-resident revenue replacement funding in 2024-25 and ongoing instead of a one-time deferral.

			Defer the 2025-26 5% base budget increase planned for UC. Adopt provisional budget bill language
11.	Legislature	<b>Campus Climate Action Plan.</b> Subcommittee No. 1 on March 14, 2024 included a discussion regarding campus climate issues at UC and CSU. The Legislature’s plan includes provisional budget bill language that requires each campus of UC to prepare a campus climate action plan by Oct. 1, 2024.	Adopt provisional budget bill language
12.	January Governor’s Budget	<b>Medical School Project at UC Merced.</b> Consistent with a Budget Act of 2019 agreement, the budget includes an increase of \$14.5 million General Fund in 2024-25 and ongoing to support a Medical School Project at UC Merced.	Approve as budgeted
13.	May Revision	<b>UC Labor Centers and Occupational Safety and Health Programs Reduction.</b> The May Revision makes a \$13 million ongoing reduction for the UC labor centers. Previously, the 2022 Budget Act included \$13 million General Fund in 2022-23 and ongoing to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system.	Reject this proposal
14.	May Revision	<b>Graduate Medical Education Reduction.</b> The Governor’s January budget included an increase of \$2.6 million General Fund ongoing and \$240,000 General Fund one-time to offset the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots. The May Revision makes a \$13.5 million General Fund ongoing reduction.	Adopt May Revision
15.	May Revision	<b>Unseen Latinas Initiative Reduction.</b> The 2022 Budget Act appropriated \$15 million General Fund in 2022-23 to support the Unseen Latinas Initiative at the UCLA Latino Policy and Politics Institute. The May Revision proposes a \$13.7 million reduction to this initiative.	Reject this proposal
16.	May Revision	<b>UC Davis Equine Performance and Rehabilitation Center Reduction.</b> The 2023 Budget Act appropriated \$5 million General Fund in 2023-24 to support this initiative. The May Revision proposes a \$5 million reduction to this initiative.	Reject this proposal

17.	May Revision	<b>UC Equal Opportunity Practices and Professional Development One-Time Fund Reduction.</b> The May Revision includes a one-time \$5 million reduction. The Budget Act of 2021 appropriated \$5 million one-time General Fund to support culturally competent faculty professional development and included language allowing funding also to be used to support equal employment opportunity practices.	Approve May Revision

**Staff Comment:** Subcommittee No.1 on Education heard issues related to UC on March 7, 2024, March 14, 2024 and May 16, 2024.

**6600 UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)**

**Issues 18-19: Various CLSF Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
18.	January Governor’s Budget	<b>Base Adjustment.</b> The Governor’s budget proposes an increase of \$2.2 million General Fund ongoing to support operating costs. This represents a three percent increase base augmentation.	Approve as budgeted
19.	May Revision	<b>Ongoing Reductions to CLSF State Operations.</b> The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions. Unlike the departments identified for that proposal, the reductions for the UC College of the Law, San Francisco begin in 2025-26 with a projected \$2.2 million ongoing reduction.	Adopt May Revision and provisional budget bill language.

**Staff Comment:** Subcommittee No.1 on Education heard CLSF issues on March 7, 2024 and May 16, 2024.

**6610 CALIFORNIA STATE UNIVERSITY (CSU)**

**Issues 20-22: Various CSU Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
20.	May Revision	<b>CSU Base Budget for 2024-25 and 2025-26.</b> The May Revision includes a \$75 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to CSU’s base budget beginning in 2025-26. This reduction would be restored if the 2025-26 revenues are higher than expected. Between this proposal and the early action agreement detailed below, CSU would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.	<p>Approve the following:</p> <p>May Revision proposal to make a \$75 million one-time unallocated base budget reduction in 2024-25 to CSU.</p> <p>Provide CSU a 5% ongoing compact investment in 2024-25 and ongoing instead of a one-time deferral.</p> <p>Defer the 2025-26 5% base budget increase planned for CSU.</p> <p>Adopt provisional budget bill language</p>
21.	Legislature	<b>Campus Climate Action Plan.</b> Subcommittee No. 1 on March 14, 2024 included a discussion regarding campus climate issues at UC and CSU. The Legislature’s plan includes provisional budget bill language that requires each campus of CSU to prepare a campus climate action plan by Oct. 1, 2024.	Adopt provisional budget bill language
22.	May Revision	<b>Augmentation to Support Expanded University Fee Waiver Costs.</b> The May Revision includes \$5.5 million General Fund on an ongoing basis to support the estimated costs of the recently enacted AB 1745 (Soria) Chapter 695, Statutes of	Approve May Revision

		2023. AB 1745 expanded fee waiver for Medal of Honor recipients, children of Medal of Honor recipients, or dependents of service-injured veterans attending the CSU.	
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**Staff Comment:** Subcommittee No.1 on Education heard issues related to CSU on March 7, 2024, March 14, 2024, and May 16, 2024.

**6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**

**Issues 23-41: Various CCC Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
23.	Legislature	<b>Student Centered Funding Formula (SCFF) Supplemental Reporting Language (SRL).</b> In the Subcommittee No. 1 April 25, 2024 hearing and previous years' CCC hearings covered the various issues associated with SCFF. These issues include the impact of the new funding floor based on districts' hold harmless level at the end of 2024-25 to address concerns that districts will experience fiscal declines when the current provision expires at the end of 2024-25, the summer loophole issue, Emergency Conditions Allowance provisions, and other modifications to the formula. The Legislature's plan directs the Chancellor's Office to report to the Legislature on these issues to help inform policy considerations.	Adopt SRL
24.	May Revision	<b>Local Property Tax Adjustment.</b> The May Revision includes a decrease of \$68.7 million ongoing Proposition 98 General Fund as a result of increased offsetting local property tax revenues.	Conform to the legislative Proposition 98 package.
25.	May Revision	<b>Public School System Stabilization Account Withdrawals to Fund Student Centered Funding Formula (SCFF) Needs.</b> The Governor's January budget initially a withdrawal of \$235.9 million, scored to 2023-24 and \$486.2 million scored to 2024-25 to support SCFF resource needs. The May Revision now proposes a withdrawal of \$532.5 million, scored to 2023-24 and \$381.6 million scored to 2024-25 to support SCFF resource needs.	Conform to the legislative Proposition 98 package, which includes additional revenues under the Legislative budget.

			<p>The legislative budget will leave a balance in the Proposition 98 Reserve after 2024-25.</p> <p><b>Staff Comment.</b> Refer to the PreK-12 actions for additional details on the legislative Proposition 98 package.</p>
26.	January Governor’s Budget	<b>Nursing Program Support at CCC.</b> The budget proposes \$60 million Proposition 98 General Fund one-time, to expand nursing programs and Bachelor of Science in Nursing to grow, educate, and maintain the next generation of registered nurses through the community college system.	Approve \$60 million support for this initiative from the 2024-25 Strong Workforce Program appropriation and adopt placeholder trailer bill language.
27.	Legislature	<b>Financial Aid Offices.</b> The Legislature’s plan includes \$20 million one-time to assist community college financial aid offices with unexpected workload and circumstances due to FAFSA delays and to help support students who are still trying to complete the FAFSA.	Approve this proposal
28.	May Revision	<b>Local Assistance, Hold Harmless for Student-Centered Funding Formula.</b> The May revision includes an adjustment request for Schedule (1) of Item 6870-101-0001 so that it is decreased by \$188,842,000 Proposition 98 General Fund. This adjustment to reflect a revised estimate of hold harmless funding for districts under the Student-Centered Funding Formula.	Approve May Revision
29.	May Revision	<b>CCC Apportionments Cost-Of-Living Adjustment (COLA).</b> The May Revision includes an increase of \$100 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07-percent COLA for Student Centered Funding Formula apportionments.	Approve May Revision COLA

30.	May Revision	<b>Categorical Program COLA.</b> The May Revision includes an increase of \$12.8 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07 percent cost-of-living adjustment to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus childcare support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the mandates block grant.	Approve May Revision COLA
31.	May Revision	<b>Enrollment.</b> The May Revision includes \$28.1 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment. This equates to about 5,400 additional FTE students. The Governor’s budget previously included \$29.6 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment.	Approve May Revision
32.	May Revision	<b>Ongoing Reductions to CCC Chancellor’s Office State Operations.</b> The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.	Approve May Revision
33.	May Revision	<b>Local Assistance, Reappropriation (Student Centered Funding Formula).</b> The May Revision includes a reappropriation item 6870-488 to provide \$227,900,000 one-time Proposition 98 General Fund to support the Student-Centered Funding Formula in 2023-24.	Approve May Revision
34.	May Revision	<b>Local Assistance, Reappropriation (e-Transcript California).</b> The May Revision includes a reappropriation item 6870-488 to provide \$12 million one-time Proposition 98 General Fund to support the continued development of e-Transcript California.	Reject without prejudice; instead reappropriate \$12 million originally for this proposal to support the Student-Centered Funding Formula in 2023-24.

35.	May Revision	<b>Local Assistance, Reappropriation (Common Cloud Data Platform).</b> The May Revision includes a reappropriation item 6870-488 to provide \$12 million one-time Proposition 98 General Fund to support a common cloud data platform demonstration project.	Reject without prejudice; instead reappropriate \$12 million originally for this proposal to support the Student-Centered Funding Formula in 2023-24.
36.	May Revision	<b>Local Assistance, Reappropriation (Education Pathways for low-income workers).</b> The May Revision includes a reappropriation item 6870-488 to provide \$5 million to support a pathways for low-income workers demonstration project.	Approve support for this program with \$5 million one-time funding from the 2024-25 Strong Workforce Program appropriation; reappropriate \$5 million originally for this proposal to support the Student-Centered Funding Formula in 2023-24.
37.	May Revision	<b>Local Assistance, Reappropriation (Mapping Articulated Pathways).</b> The May Revision includes a reappropriation item 6870-488 to provide \$6 million to support mapping articulated pathways for credit for prior learning,	Approve May Revision
38.	May Revision	<b>Local Assistance, Student Financial Aid Administration and Board Financial Assistance Program Funding.</b> The May Revision includes an adjustment request for Schedule (5) of Item 6870-101-0001 so that it is increased by \$396,000 Proposition 98 General Fund to reflect an increase of \$197,000 for the Student Financial Aid Administration Program and an increase of \$199,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived, respectively.	Approve May Revision

39.	May Revision	<b>Local Assistance, Equal Employment Opportunity Program.</b> The May revision includes a budget item related to this program that reflects a \$1.1 million Employment Opportunity Fund increase to promote equal employment opportunities in hiring and promotion at community college districts.	Approve May Revision
40.	Legislature	<b>Part-Time Faculty Office Hours Reimbursement.</b> The Legislature’s plan includes trailer bill language that increases the reimbursement for districts from 50 percent to 100 percent to encourage increased usage of the program by districts, provide office hours, and incentivize spending of funds that are underutilized. The language would require the allocation to any district in a fiscal year to not exceed 100 percent of the total costs of the compensation paid for those office hours.	Approve this proposal.
41.	Legislature	<b>Related and Supplemental Instruction Reimbursement (RSI) Program Backfill.</b> The RSI Hourly Reimbursement program utilizes Proposition 98 funding to reimburse apprenticeship programs for the hours of RSI they provide to apprentices. It is one of multiple options for apprenticeship programs to receive reimbursement for RSI provided. The Legislature’s plan includes \$3,584,792 one-time Proposition 98 General Fund to backfill a shortfall in unfunded RSI hours from 2021-22 and 2022-23 for firefighter apprenticeship hours.	Approve this proposal.

**Staff Comment:** Subcommittee No.1 on Education heard issues related to CCC on March 7, 2024, April 25, 2024, and May 16, 2024.

**6980 CALIFORNIA STUDENT AID COMMISSION**

**Issues 42-50: Various Student Aid Commission Proposals**

<u>Issue</u>	<u>Origin</u>	<u>Description</u>	<u>Staff Recommendation</u>
42.	January Governor’s Budget with May Revise modification	<b>Middle Class Scholarship (MCS) Reductions.</b> Under last year’s budget agreement, the state would have provided a total of \$926 million General Fund (consisting of \$637 million General Fund ongoing and \$289 million General Fund one-time) for the program in 2024-25. The Governor’s budget proposes to forego the MCS planned appropriation of \$289 million in 2024-25. The May Revision reduces funding further by \$510 million General Fund in 2024-25 and ongoing. Combined with a technical adjustment, \$100 million General Fund ongoing would remain for the program.	Reject this proposal.  Maintain current funding through 2025-26 by including \$289 million General Fund in 2025-26.
43.	May Revision	<b>MCS Deadline Extension for Returning/Continuing Students.</b> The May Revision includes trailer bill language that provides returning/continuing students with additional time to submit a Free Application for Federal Student Aid and receive a MCS award for the 2024-25 award year. The deadline would be extended from May 2, 2024 to July 1, 2024 to renew their awards for the 2024-25 award year only.	Approve as proposed
44.	May Revision	<b>Cal Grant Program Caseload Adjustments.</b> The May Revision reflects updated Cal Grant expenditures based on the latest 2024-25 estimates of enrollment of Cal Grant-eligible students. The May Revision reflects an ongoing \$60.7 million decrease and, compared to the Governor’s Budget, there are reduced costs for the program of \$60.5 million one-time in 2023-24.	Approve May Revision
45.	Legislature	<b>Cal Grant Reform.</b> The 2022 Budget Act included a trigger that anticipated certain programs expenditures would be included in the 2024 Budget Act if General Fund resources reflected in the 2024 May Revision could support ongoing increases over the multiyear forecast. Due to the projected multiyear negative projections, the Cal Grant Reform Act changes are not included in the May Revision.	Approve phase-in of Cal Grant Reform beginning in the 2024-25 application cycle.  Approves placeholder trailer bill language that would continue the grade point average requirement for community college students, a phase-in of awards for

			Students with Dependent Children, and legislative intent to use 2024-25 Cal Grant caseload savings to support 2025-26 costs.
46.	May Revision	<b>Ongoing Reductions to Student Aid Commission State Operations.</b> The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.	Approve May Revision
47.	May Revision	<b>Learning Aligned Employment Program.</b> The May Revision reduces funding for this program by \$485 million General Fund one-time, reflecting the balance of unspent funds.	Approve May Revision
48.	May Revision	<b>Golden State Teacher Grant Program.</b> The May Revision proposes the following changes to the program: <ul style="list-style-type: none"> <li>○ Reduces support by \$60.2 million General Fund one-time. Combined with a technical adjustment, \$50 million one-time support would remain.</li> <li>○ Includes trailer bill language that would adjust award amounts and other criteria if the May Revision reduction is adopted.</li> <li>○ Includes provisional budget bill language to enable the Commission to receive one-time Federal Title II, Part A funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.</li> </ul>	Reject proposed reductions and associated trailer bill language to adjust award amounts and other criteria. Conform state operations and federal fund proposals to PreK-12 actions.

		<ul style="list-style-type: none"> <li>○ Includes provisional budget bill language for a \$500,000 reimbursement increase to enable the Commission to receive one-time Individuals with Disabilities Act funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.</li> <li>○ A one-time \$6 million federal reimbursements reduction to reflect a technical correction in support for the program in 2024-25.</li> </ul>	
49.	Governor’s Budget	<b>Cohort Default Rate Trailer Bill Language.</b> The Governor’s budget included trailer bill language that requires the California Student Aid Commission to use the three-year cohort default rate certified in 2020 to determine whether an institution is eligible to participate in the Cal Grant program in the 2023-24 award year. Institutions would be required to have a cohort default rate below 15.5 percent to participate in the Cal Grant program.	Approve as proposed
50.	Governor’s Budget	<b>Remove Statute to Establish an Auxiliary Organization and Associated Reporting Language.</b> The Governor’s budget included trailer bill language that removes the Student Aid Commission authority to establish an auxiliary organization for the purpose of providing operational and administrative services for the participation by the commission in the Federal Family Education Loan Program, or for other activities approved by the commission and determined by the commission to meet specified requirements. This authority was no longer deemed necessary.	Approve as proposed.

**Staff Comment:** Subcommittee No.1 on Education heard issues related to the CA Student Aid Commission on March 7, 2024 and May 16, 2024.