

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh



Tuesday, February 1, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Christopher Francis, Ph.D.

Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6980 California Student Aid Commission		13
Issue 1: Financial Aid Expansion: Updates, Proposals, and Ongoing Issues		3
Issue 2: State Operations: Workload resources and infrastructure support		10
6610 California State University		13
Issue 3: Base Budget Increase, Resident Undergraduate Enrollment Growth, and General Updates		14
Issue 4: Deferred Maintenance and Energy Efficiency		23
Issue 5: Student Housing Updates		26

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.

6980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

The California Student Aid Commission (CSAC). CSAC 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 CSAC 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, 2 members are appointed by the Senate Rules Committee, and 2 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.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5755 Financial Aid Grants Program	115.6	139.7	144.7	\$2,428,504	\$3,596,181	\$3,878,176
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	115.6	139.7	144.7	\$2,428,504	\$3,596,181	\$3,878,176
FUNDING			2020-21*	2021-22*	2022-23*	
0001 General Fund			\$2,000,015	\$2,689,352	\$3,457,282	
0784 Student Loan Operating Fund			-	100	-	
0995 Reimbursements			427,707	433,790	420,509	
3263 College Access Tax Credit Fund			782	439	385	
8506 Coronavirus Fiscal Recovery Fund of 2021			-	472,500	-	
TOTALS, EXPENDITURES, ALL FUNDS			\$2,428,504	\$3,596,181	\$3,878,176	

Issue 1: State Financial Aid Expansion: Updates, Proposals, and Ongoing Issues**Panel**

- Marlene Garcia, Executive Director, California Student Aid Commission
- Jake Brymner, California Student Aid Commission
- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Background

Middle Class Scholarship Program (MCS) 1.0 and 2.0. MCS started in 2014, and is only available to eligible students attending UC or CSU. Under the first iteration of the program, MCS 1.0, students with household incomes and assets each under \$171,000 may qualify for an award that covered a portion of their tuition and systemwide fees (when combined with all other public financial aid). CSAC provided these scholarships to eligible students who fill out the FAFSA. This program significantly changed as part of the 2021 Budget Act in the following ways:

- AB 132 specifies that starting with the 2022-23 academic year; an eligible student shall receive a that helps cover *the total cost of attendance* at UC and CSU. The award amount for each student is now the difference between the cost of attendance and other financial aid and family and student contributions.
- The budget agreement noted that funding for MCS program will increase by \$515 million in 2022-23, bring total funding to \$632 million. SB 169 requires UC and CSU to provide at least the same level of institutional financial aid for students as provided in 2021-22.
- The law also requires UC and CSU to report on information regarding program participation, student loan amounts, and cost-of-attendance, among others, as specified. The law also clarifies the award amount for students enrolled part-time.

Cal Grant Equity Framework and AB 1456. In the fall of 2019, CSAC – pursuant to a request from state legislative leaders who focus on higher education access and affordability issues – convened a Cal Grant Reform Work Group (Work Group) to make policy and fiscal recommendations for modernizing state financial aid. On March 6, 2020, CSAC released a follow-up publication entitled “Cal Grant Modernization: A Vision for the Future” that incorporated the recommendations of the Work Group. The new Cal Grant Equity Framework proposed by the Student Aid Commission would establish a “Cal Grant 2” for to provide a non-tuition award for CCC students and a “Cal Grant 4” to provide a tuition award for students at public universities or defined award amounts for students at private institutions.

- Cal Grant/2 was proposed to expand grant aid to California community college students by guaranteeing access grants of up to \$6,000 for low-income students who meet the specified requirements. Access grants would help defray non-tuition costs, such as housing, food, transportation and other educational expenses. The proposed Cal Grant/2 also included access for returning adults and students with dependents.
- Cal Grant/4 was proposed to guarantee financial aid to cover tuition and fees for low to middle-income students who meet specified requirements and attend a qualifying four-year college or university (UC, CSU, or Cal Grant eligible private institution). Cal Grant/4 was proposed to

increase access to baccalaureate pathways for returning adults. Cal Grant/4 provides awards regardless of year in school and urges colleges and universities to target institutional financial aid resources to fund non-tuition access awards for the highest need students.

Cal Grant Expansion in 2021 Budget Act. AB 132 (Committee on Budget) Chapter 144, Statutes of 2021 established the California Community College Expanded Entitlement Awards, which eliminates the age and time out of high school Cal Grant eligibility requirements for CCC students. The bill specified that CCC Expanded Entitlement Awards may retain their Cal Grant Award when they transfer to a UC or CSU. The budget provided \$152.8 million for this purpose.

AB 1456 Veto. AB 1456 (Medina, McCarty, and Leyva) would have enacted the Cal Grant Equity Framework for financial aid awarded during the 2022-23 academic year. However, citing “significant cost pressures to the state, likely in the hundreds of millions of dollars annually,” as well as the investments and agreements made in the 2021 Budget Act, AB 1456 was vetoed.

Governor’s Budget Proposals for 2022-23

Relevant financial aid proposals include the following:

Middle Class Scholarship. The Governor’s budget proposes an increase of \$515 million ongoing General Fund, for a combined total of \$632 million, to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student’s total cost of attendance. As previously mentioned, this augmentation was included in the 2021-22 budget agreement. The table below shows recipients, total spending, and average award amount. The increase in recipients and total spending reflect changes due to the 2021 Budget Act.

Middle Class Scholarships

	2020-21 Actual	2021-22 Estimated	2022-23 Projected
Recipients	55,421	59,850	360,112
Total spending (in millions)	\$114	\$117	\$632
Average award	\$2,060	\$1,955	\$1,755

Cal Grant Program Adjustments. The Governor’s budget proposes a decrease of \$43.8 million one-time General Fund in 2021-22 and an increase of \$143.8 million ongoing General Fund in 2022-23 to reflect: 1) Revised estimates of the number of new and renewal Cal Grant awardees in 2021-22 and 2022-23 and 2) The impact of the UC’s recently adopted cohort-based tuition model, which increases Cal Grant tuition and fee award amounts for some UC students beginning in the 2022-23 academic year.

The state’s Cal Grant entitlement program is now estimated to provide over 502,000 financial aid awards to students who meet specified eligibility criteria in 2022-23, including more than 170,000 awards to CCC students newly eligible due to the entitlement expansion made in the Budget Act of 2021. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

Cal Grants

	2020-21 Actual	2021-22 Estimated	2022-23 Projected
Recipients	373,557	464,660	502,433
Total spending (in millions) ^a	\$2,240	\$2,604	\$2,792
Average award ^a	\$5,997	\$5,604	\$5,556

^a Includes spending on Students with Dependent Children and Foster Youth supplemental awards. Excludes College Access Tax Credit. Excludes Dreamer Service Incentive Grant.

Staff Comments

Remaining Gaps in Financial Aid Reform- Barriers remain in accessing Cal Grants. The 2017-18 budget required CSAC to report by February 1, 2018, on options to consolidate existing programs. The intent of the report was to lower students' total cost of college attendance, which includes tuition and fees, books and supplies, transportation, and room and board. The goal of the report was to identify: (1) similarities between the state's nine grant and scholarship programs and the four loan assumption programs, including similarities in student and family eligibility requirements, (2) options for how programs could be streamlined or consolidated, and (3) any technology or systems barriers, or other challenges to streamlining or consolidating programs.

CSAC contracted with the Century Foundation, and released a report *Expanding Opportunity, Reducing Debt: Reforming California Student Aid*, on April 3, 2018. The report recommended the state: (1) combine major CSAC programs into one Cal Grant entitlement that would be available without regard to students' age, time out of high school, and high school GPA, (2) revise the expected family contribution, and (3) create a standardized methodology to determine the cost of attendance that takes into account regional cost of living. CSAC endorsed three aspects of reform: (1) streamlining financial aid and closing gaps by utilizing a GPA requirement of 2.0 across all programs, and allow Cal Grant B students to receive their tuition award in their first year, (2) consolidating Cal Grant A, B, C and the Middle Class Scholarship into a single program, and (3) increasing the Cal Grant B Access Award from \$1,672 to \$3,000.

The 2021 Budget Act agreements addressed some longstanding gaps to Cal Grant. While the 2021 Budget Act removed age and time out of high school limitations for CCC students seeking a Cal Grant, however, several barriers remain:

1. **Total Cost of Attendance, COVID-19 Impacts, and Federal Assistance.** While California has one of the country's most robust financial aid systems, it is primarily focused on covering tuition costs. The stipends associated with the Cal Grant B and the Cal Grant C programs provide some aid for living expenses, \$1,648 and \$1,094 respectively; however, these stipends do not come close to covering the cost of living expenses associated with basic needs, like food, housing, technology, and transportation. In the most recent Student Expenses and Resources Survey, CSAC found that a third of California students reported being food or housing insecure. In further surveys administered by the Commission, students have indicated that their food and housing expenses have increased since the onset of the COVID-19 pandemic. Moreover, over the past two decades, the value of the maximum access award has grown at a much slower rate than college costs and had it kept pace with the growth of non-tuition costs, it would worth about \$3,200 – nearly double its current amount.

Tuition at the CCC is the lowest in the nation; however, living expenses can exceed \$20,000 for a student living off-campus. CCPGs are widely available to help students with tuition and fee costs, but fees make up, at most, 10 percent of total college costs, and state and institutional grant aid for living expenses are limited.

To cover living expenses, many students must work part-time or even full-time jobs. This can have a negative impact on student outcomes and increase their time to earn a degree. Research by the American Council on Education indicates that students working more than 15 hours per week are more likely to drop out of college than those working fewer than 15 hours.

The Legislature may wish to continue to identify holistic approaches to address total cost of attendance at the state's public higher education segments, including whether the current Access Award amount or the institutional financial aid framework is appropriate in addressing student needs. For example, an annual award adjustment could be considered, based on the California Consumer Price Index, to ensure that its purchasing power does not erode over time as non-tuition costs rise.

As well, the total cost of attendance could be further addressed by leveraging federal resources. California can, for example, better leverage federal resources through the Supplemental Nutrition Access Program (SNAP, or CalFresh in California) by providing more students with a Cal Grant tuition award that utilizes Temporary Assistance for Needy Families (TANF) funding. Students that receive a Cal Grant award for tuition that includes TANF funds qualify for an exemption to the federal restrictions on student access to SNAP, allowing them to apply for this important benefit. CSAC analysis suggests that California could access over \$100 million in additional federal funds through SNAP benefit.

2. **Complexity of the Cal Grant program.** While the 2021 Budget Act made the Cal Grant program more inclusive, it also further contributed to the existing complexity of the program. As outlined above, there are currently eight different types of Cal Grant with varying requirements based on income, GPA, and the segment they attend. The complexity of the Cal Grant makes understanding and predicting the availability of financial aid very challenging, particularly for first-generation students. Other state efforts to help families plan and save for their student's postsecondary education could be advanced by establishing a more user-friendly and understandable state financial aid system.

For example, to simplify and streamline processes, the Legislature may wish to consolidate the multiple Cal Grant awards and better integrate eligibility calculations with federal Pell Grant eligibility. As the federal government implements changes to simplify the application process for federal financial aid, California has the opportunity to align state aid policy with those goals. Further simplification and streamlining will enable earlier and clearer communication to families and create a simpler process that will lower barriers to applying for and accessing aid.

3. **GPA requirements.** Students must still provide a transcript or college GPA to demonstrate eligibility for Cal Grant entitlements. This is not in line with the open-access nature of community colleges that serve adult learners who may not have ready access to their transcript or do not meet the 2.0 GPA requirement. Because 40 percent of community college students are 25 and older, many may be unable to get their transcripts from high schools. Removing the GPA

requirement would have eliminated the need to find old high school grade records, especially for students who last attended high school decades ago or students who attended high school in a different state. As well, advocates have argued that high school performance is often less relevant to an older student's ability to succeed in college.

There are also three different GPA requirements (2.0 for Cal Grant B, 2.4 for the Transfer Entitlement, and 3.0 for Cal Grant A) for students at four-year institutions depending on the type of Cal Grant for which they are eligible, which leaves gaps in coverage depending on a student's income and qualification for a Cal Grant A or B.

4. **Time out of high school requirement for incoming students who go directly to UC, CSU, and private institutions.** Students must still apply for aid within one year of high school graduation to qualify for a Cal Grant entitlement if they enroll at a four-year institution. The LAO previously estimated, prior to adoption of CCC Entitlement Awards, that offering awards to these students would result in about 49,000 additional paid recipients at a cost of about \$332 million.
5. **Age cap on transfer student access to Cal Grants.** Students that do not receive a Cal Grant while at CCC or that transfer to a private institution are only eligible for a Cal Grant entitlement if they are under age 28 by Dec. 31 of the award year. This creates a barrier to financial aid access for adult learners or students that are advised to retain their Cal Grant eligibility until they enroll at a four-year institution.
6. **Supplemental Cal Grant support for foster youth and students with dependent children lacking for those attending an independent nonprofit college or university.** Over the past two years, the state has created \$6,000 supplemental Cal Grant awards for these students; however, that eligibility is currently limited to such students attending a University of California, California State University, or California Community College. The Legislature may wish to extend this support to these students who choose to attend a nonprofit higher education institution as it will further simplify Cal Grant eligibility and promote greater equity in access to this financial support for students.
7. **Transfer entitlement portability for community college transfer students to cover students transferring to an independent nonprofit college or university.** The elimination of age and time out of high school restrictions for community college students to access a Cal Grant award led to the expansion of access for these awards. If a CCC student transfers to a private university, then they are unable to bring their CCC Expanded Entitlement award with them however. The portability of their remaining eligibility upon transfer to a four-year university was limited to a UC or CSU. Students transferring to privates are essentially still subject to age requirements—they can switch award types to Transfer Entitlement if they're under age 28, but if they're over age 28 then they would need to compete for a Competitive award. As a result, those community college students who transfer to an ICCU will not be guaranteed a Cal Grant. The Legislature may wish to address this to ensure that community college students with the Expanded Entitlement who transfer are guaranteed a Cal Grant at an ICCU.

Student Debt in CA as of 2020. Students that attend California public colleges and universities have some of the lowest debt in the nation upon graduation. According to the Project on Student Debt, by The Institute on College Access and Success (TICAS), average student debt at graduation in 2020

ranged from \$18,350 in Utah to \$39,950 in New Hampshire, and new graduates' likelihood of having debt varied from 39 percent in Utah to 73 percent in South Dakota. In nineteen states, average debt was more than \$30,000, and it was over \$35,000 in six states.

In 2019-20, 46 percent of California college graduates had student loan debt. The average debt load of a California college graduate in 2019-20 was \$21,125, placing the state third lowest in the nation on this measure. In 2019-20, 44 percent of students graduating from UC had some form of student loan debt, with an average amount of \$18,101. At CSU, 49.8 percent of students who graduated in 2016-17 had some form of student loan debt, with an average amount of \$17,346. Given these figures, the Legislature may wish to continue efforts to phase out dependence on student loans to establish "Debt Free Education."

Remaining Gaps in Financial Aid Reform- Debt Free Education and Funding MCS 2.0. Though there is a combined total of \$632 million to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student's total cost of attendance in 2022-23 the full implementation costs are projected to be approximately \$2.6 billion. This estimate from CSAC does not include state operations funding and staffing to effectively implement reform, revised form of the MCS program and support campus partners in transitioning to this new approach. As well, this estimate does not contain any potential administrative considerations from the UC and CSU. Given the new provisions in MCS 2.0, which address the total cost of attendance for qualifying CSU and UC students, the Legislature may wish to consider additional budget actions to fully fund Debt Free Education through the Middle Class Scholarship for eligible UC and CSU students.

Suggested Questions:

- CSAC, Cal Grant Reform: What does CSAC see as the biggest barriers and most urgent issues to Cal Grant accessibility that remain and why? How many people are prevented from accessing Cal Grants because of these barriers? Does CSAC have an associated cost estimate to address these issues?
- CSAC, On implementation of CCC Entitlement Program:
 - To date, what steps have CSAC taken to implement the CCC Entitlement Program?
 - Please provide the subcommittee with an update on the number of new award offers, as well as what is known to date about paid rates.
 - Has CSAC encountered any challenges with implementation?
- CSAC, On implementation of MCS 2.0:
 - To date, what steps have CSAC taken to implement the revamped MCS?
 - What data, if any, has CSAC collected about it?
 - Assuming no changes to the proposed amounts in the final budget for 2022-23, what challenges, if any, does CSAC envision as it implements this revamped program?

- What are the overall differences in implementation activities between the previous and new versions of the MCS?
- Can you explain how these challenges could impact a student's decision timeline? In other words, are there impacts from the student perspective that would need to be addressed?
- Does CSAC believe that any statutory changes are needed to improve program implementation?

Staff Recommendation. Hold Open Governor's proposals.

Issue 2: State Operations: Workload resources and infrastructure support**Panel**

- Jake Brymner, California Student Aid Commission
- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Governor's Budget Proposals

The Governor's budget proposes \$979,000 General Fund that includes:

1. \$479,000 of which is ongoing, and position authority for five full-time permanent positions to provide CSAC with the necessary staffing and financial resources to continue serving students, high schools, colleges, and other education partners for all of the financial aid programs under its administration and,
2. \$500,000 one-time General Fund to augment the Cash for College program, a longstanding program that offers workshops to help students complete their financial aid applications. The one-time amount would be added to the program's ongoing funding level of \$328,000, bringing total funding to \$828,000 in 2022-23. The funds would go to the program's regional coordinating organizations—typically nonprofit entities that provide support to the high schools and colleges hosting the workshops. The Administration indicates the proposed augmentation would be distributed to the seven existing regional coordinating organizations, as well as up to 15 new organizations in areas of the state that are not currently covered by the program and have low financial aid application rates.

Background

The Governor and the Legislature have supported numerous education initiatives that underscore the idea that California's economically disadvantaged students deserve more resources to overcome the extra obstacles they face in achieving their goals. CSAC staff provide resources and personal assistance to thousands of California's students on a daily basis. In addition to implementation and oversight for the initiatives mentioned earlier in this agenda, CSAC is also preparing for the federal government's Free Application for Federal Student Aid (FAFSA) simplification scheduled for October 1, 2023. The prominent changes from the FAFSA simplification include reducing the questions from over 100 to approximately 40 and replacing the Expected Family Contribution (EFC) with the Student Aid Index (SAI). While the simplification efforts will benefit students tremendously, CSAC will need to perform extensive programming changes from the receipt of the FAFSA data from United States Department of Education (USDE), all state financial aid processing programs including the Cal Grant program, and updating the California Dream Act Application (CADAA) to mirror the simplified FAFSA.

Most notably, the state expanded the Cal Grant entitlement program for community college students; revamped the Middle Class Scholarship program; instituted a new requirement for school districts to verify that high school seniors complete college financial aid applications; and launched several major one-time initiatives related to teacher preparation, displaced workers, and work-study opportunities. (These changes were highlighted in Issues 1 and 2). The five proposed positions consist of:

- Two program technicians to provide additional call center support to students.
- One associate governmental program analyst to support school districts with the new financial aid application requirement.

- One attorney to provide legal counsel related to the new and expanded programs.
- One research data specialist to support the Cradle to Career data system and other programs. (This position would be funded by \$150,000 ongoing General Fund provided to CSAC in 2021-22 for the Cradle to Career data system.)

CSAC also notes that the additional staff will help in the following ways:

- 1) The Customer Assistance and Processing Unit (CAPU) is the Commission's call center for all student, parent, and general public inquiries, including questions about all types of financial aid. CAPU's responsibility is to provide timely, accurate and consistent financial aid information to students, parents, schools, and other stakeholders. Staff duties include, but are not limited to, answering customer calls, responding to customer emails, keying customer forms, updating student accounts, updating the California Dream Act Application (CADAA) information, responding to other inquiries, sending ad hoc customer notifications, and maintaining unit statistics. CAPU staff will be able to serve more student calls and maintain or decrease the abandon rate from this year.
- 2) ISU receives all of the high school and college inquiries, from questions that take less than a minute to more complex calls that can last up to an hour. Not considered to be a call center, the ISU staff provides guidance for all LEAs and Cal Grant participating institutions. The changes to the Cal Grant program from the Budget Act, the financial aid completion requirement, and the FAFSA Simplification Act will create more work for ISU. CSAC expects high school counselors will call ISU even more for assistance with WebGrants reports to ensure all of their seniors have completed their FAFSA/CADAA. ISU can provide additional support to LEAs, higher education institutions, Community Based Organizations and other educational entities to ensure compliance with the financial aid application requirement, changes from the 2021 Budget Act and the FAFSA Simplification Act.
- 3) Additional Regional Coordinating Organizations can be established statewide to assist high school students and families to complete the FAFSA/CADAA requirement.

Legislative Analyst's Office Comments and Recommendations

Positions to address workload

Recommend Approving the Five Positions at Minimum. Under the Governor's budget, CSAC's local assistance spending in 2022-23 is \$1.5 billion (60 percent) higher than the level two years earlier in 2020-21. Given the magnitude of the recent augmentations, together with the number of new programs and the added complexity of some of the programs, the LAO thinks staffing increases at CSAC are warranted. The Administration and CSAC have provided justification for the five proposed positions, and the LAO recommends approving them. Beyond these five positions included in the Governor's budget, CSAC has requested 22 additional positions to address workload increases associated with its new and expanded programs. In the coming months, the Legislature may wish to work with the administration and CSAC to determine if any of these additional positions are needed to ensure that CSAC has the capacity to successfully implement its programs.

Cash for College

Recommend Approving Proposal and Adding Reporting Requirement. As part of the requirement to verify that high school seniors complete financial aid applications, districts are to direct students to relevant support services, including but not limited to CSAC’s outreach programs. Because this is likely to increase demand for Cash for College workshops, the LAO recommends adopting the Governor’s proposal to provide additional one-time funding for this program in 2022-23 (the first year of the requirement). Given that the new requirement is ongoing, there could be continued demand for student support beyond 2022-23. At this stage, however, many questions remain open about the implementation of the requirement—including what types of student support districts will provide, whether those activities will constitute a state-reimbursable mandate, which other entities will provide support, and what gaps in support will remain. The Legislature may wish to monitor these issues in the coming years to help inform its future decisions about the appropriate ongoing funding level for the Cash for College program. To that end, the LAO recommends the Legislature require CSAC to report on the Cash for College program’s activities in 2022-23, including the areas of the state covered, the number of workshops hosted, the number of students participating, and the number of applications completed.

Suggested Questions

- Please describe how the five positions proposed are related to the implementation of agreements from last year’s budget and other anticipated changes. Does CSAC believe that this reflects the total estimated need for effective implementation of the ongoing financial aid programs in light of recent changes?
- DOF: What went into DOF’s decision to include this level of funding and positions in the Governor’s budget? Does DOF anticipate augmenting the need in future years?

Staff Recommendation. Hold Open.

6610 CALIFORNIA STATE UNIVERSITY

Overview

The California State University (CSU) is comprised of 23 campuses. All campuses offer undergraduate and graduate instruction for professional and occupational goals and liberal education programs. For undergraduate programs, each campus requires a basic program of general education regardless of the major selected by the student. In addition to master's-level graduate programs, the CSU offers doctoral-level programs in education, nursing practice, physical therapy, and audiology. The CSU also offers some doctoral degrees jointly with the University of California and with private institutions.

The university is governed by the Board of Trustees, which includes the following 25 members: five ex officio members, 16 members appointed by the Governor to eight-year terms, three members appointed by the Governor to two-year terms (two student representatives, one voting and one non-voting, and one faculty representative), and one alumni representative appointed to a two-year term by the CSU Alumni Council. The Trustees appoint the Chancellor and the campus presidents. The Trustees, the Chancellor, and the presidents develop systemwide policy. The systemwide Academic Senate, made up of elected faculty representatives from the campuses, recommend academic policy to the Board of Trustees through the Chancellor.

The CSU's goals include:

- Offering degree programs in academic and applied areas that are responsive to the needs of citizens of this state and providing for regular review of the nature and extent of these programs.
- Providing public services to the people of California.
- Providing services to students enrolled in the university.
- Offering instruction at the doctoral level jointly with the University of California and with private institutions of postsecondary education, or independently in the fields of education, nursing practice, physical therapy, and audiology.

Governor's Proposed Budget in 2022-23. The Governor's budget increases ongoing General Fund for CSU by \$304.1 million and provides a total of \$233 million for one-time initiatives. Much of the new spending is linked to the Governor's compact with CSU. The largest components of CSU's compact are five percent base increases, almost three percent resident undergraduate enrollment growth in 2022-23, and one percent resident undergraduate enrollment growth annually thereafter through 2026-27. Proposals are included in Issues 4-6.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5560 Support	47,708.3	48,600.9	48,600.9	\$10,850,637	\$12,003,756	\$11,561,533
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	47,708.3	48,600.9	48,600.9	\$10,850,637	\$12,003,756	\$11,561,533
FUNDING				2020-21*	2021-22*	2022-23*
0001 General Fund				\$3,702,260	\$5,205,382	\$4,762,659
0895 Federal Funds - Not In State Treasury				1,677,475	1,720,505	1,720,505
0948 California State University Trust Fund				5,468,902	5,075,869	5,075,869
3290 Road Maintenance and Rehabilitation Account, State Transportation Fund				2,000	2,000	2,500
TOTALS, EXPENDITURES, ALL FUNDS				\$10,850,637	\$12,003,756	\$11,561,533

Issue 3: Base Budget Increase, Resident Undergraduate Enrollment Growth, and General Updates**Panel**

- Ryan Storm, California State University
- Dr. Nathan Evans, California State University
- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Governor's Budget Proposals

Base Budget Increase. Contingent upon the Administration and CSU reaching agreement on a multi-year compact by the May Revision, the Governor's budget proposes an increase of \$211.1 million, for a five-percent base increase, to support operational costs.

Resident Undergraduate Enrollment Growth. The Governor's budget proposes an increase of \$81 million ongoing General Fund to support California resident undergraduate student enrollment growth of 9,434 full-time equivalent students in the 2022-23 academic year.

CSU Budget Request

The CSU requests \$673 million General Fund ongoing to support core operations starting in 2022-23. This amount includes \$75 million to support the Graduation Initiative 2025, \$20 million to support Student Basic Needs, \$75 million for Bridging Equity Divide Through Technology efforts, \$223.3 million to cover salary and benefits (\$209 million for the compensation pool plus \$13.96 million to cover health benefits), \$135 million for academic facilities and infrastructure, \$129.8 million to fund strategic resident enrollment growth (Of this amount, \$87 million would be funded by General Fund and \$42.5 million would be funded by increased tuition revenue from enrolling more students), and \$16.8 million to cover the State University Grant Requirement covered in the revamped Middle Class Scholarship per SB 169. As well, the request includes \$40.5 million to cover mandatory costs, this includes: \$29.6 million for Inflation on Non-Personnel Expenditures, \$3.094 million for maintenance of new facilities and \$7.8 million for minimum wage increases.

Background

Base Budget. Since 2013, following the Great Recession the state has provided CSU annual base increases ranging from \$125 million ongoing in 2013 to \$323 million ongoing General Fund in 2019. However, in 2020, the impact of the COVID-19 pandemic and the associated economic downturn led the state to reduce state support at CSU. While the 2020 budget provided a base increase of \$199 million General Fund ongoing to CSU, the budget also included a \$498 million reduction, this resulted in a net reduction of \$299 million ongoing or 7.4 percent. The budget bill specified that this reduction would be restored if federal funding was provided to the state by October 2020. However, this did not occur. The 2020 budget included intent language that CSU use reserves to mitigate cuts, and that the cuts do not have a disproportionate impact on low-income students, students from underrepresented minority groups and other disadvantaged groups.

The 2020 budget also required CSU to report on level of cuts by campus, a description of the stakeholder consultation process used to make the cuts an explanation of how those actions were decided, and a description of how the CSU's decisions minimize harm to the enrollment of and services

provided to students eligible for Pell Grants, students from underrepresented minority groups, and other disadvantaged students. In November 2020, the CSU submitted the report to the Legislature, and noted that after consultation sessions with campus presidents and stakeholders, it was decided that the reduction would be allocated to campuses based on two methodologies: (1) a pro-rata across-the-board reduction based on 2019-20 campus operating budgets, and (2) a campus reduction based on the number of students that were not Pell Grant eligible in 2018-19, this resulted in each campus base budget being reduced by \$793 for every non-Pell grant eligible student enrolled at the campus. Each methodology was applied to half of the budget shortfall. Campus reductions ranged from \$5.6 million to \$28.9 million.

CSU utilized a number of one-time sources to temporarily support the \$299 million funding drop for 2020-21, including the use of designated balances and reserves, the federal CARES Act funding (described below), a slowdown in hiring and a halt on travel. The Chancellor's Office surveyed campuses in August 2020 and January 2021 and found that campuses planned to use over \$200 million or about half of their unrestricted reserves in the 2020 to help address the budget shortfall. However, based on data released at the end of 2020-21, unrestricted reserve levels were up from one year before. This is due to the availability of three rounds of federal assistance. The impact of these reductions will vary by campus, for example, prior to the COVID-19 pandemic, San Francisco State already had operating budget challenges due to declining enrollment, whereas other campuses have been able to avoid layoff notices by implementing budget savings strategies.

2021 Budget Act. The 2021 Budget Act provided an increase of \$299 million ongoing General Fund to backfill a reduction made in the 2020-21 Budget Act. Additionally, the budget approved an increase of \$185.9 million ongoing General Fund to reflect a five percent base increase. CSU has discretion over how to spend this augmentation. It likely will use the funds primarily to restore budget cuts, expand course offerings and student supports related to Graduation Initiative 2025, and cover employee compensation cost increases. The 2021 Budget Act also includes a net increase of \$50 million for adjustments specifically to CSU retiree health benefit and pension costs.

CSU Enrollment Update. The CSU experienced a drop in university-wide enrollment for the fall 2021 term with 477,466 students as compared to 485,550 for the fall 2020 term and 481,929 for the fall 2019 term. These enrollment numbers are CSU's lowest since fall 2015- when it had 474,571 students.

Moreover, the table below from the LAO shows a notable decline at CSU for resident undergraduate full time equivalent (FTE) students. Enrollment among its new freshmen, transfer students, and continuing students in 2021-22 are all estimated to be down from 2020-21 levels.

Drops in 2021-22 Enrollment Likely Linked to Pandemic

Resident Undergraduate Full-Time Equivalent (FTE) Students

	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Estimated
CSU	349,004	348,210	352,693	353,262	340,470
Change from prior year		-794	4,483	569	-12,792
Percent change from prior year		-0.2%	1.3%	0.2%	-3.6%

CSU Tuition. Since 2011-12, tuition rates have remained relatively constant with an increase of \$270 in 2017-18 to support the first year of funding dedicated to Graduation Initiative 2025. The CSU systemwide tuition is \$5,742 per year for a resident undergraduate student. In addition to the systemwide tuition, each campus also charges mandatory campus-based fees, which on average is \$1,697. The CSU tuition and fee average is \$7,439. According to the CSU, 81 percent of student receive financial aid and 77 percent of undergraduate financial aid recipients receive enough grants and scholarships to cover the cost of tuition. CSU reports that the average debt for a CSU baccalaureate degree recipient is \$18,173, this lower than the statewide average of \$21,485 and the national average of \$28,950.

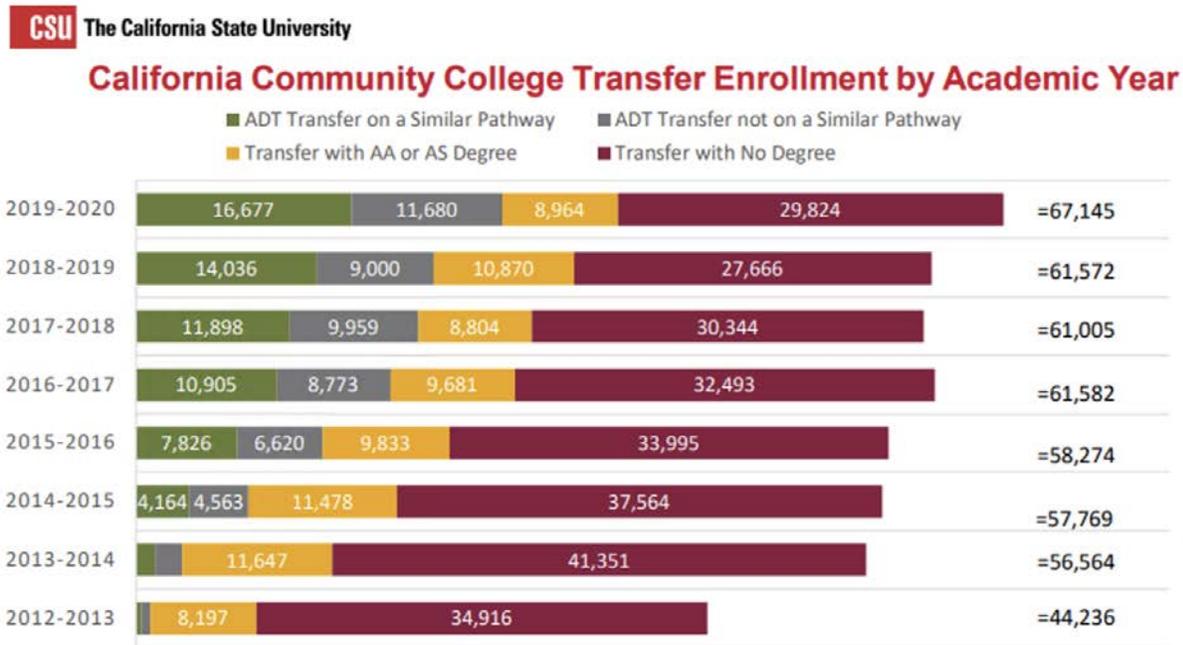
The CSU currently provides more than \$941 million of institutional aid, which includes \$701 million for the State University Grant program. An additional \$815 million from the state Cal Grant program and over \$1 billion from the federal Pell Grant program help CSU undergraduate students cover tuition, fees and some personal expenses.

CSU Transfer and Associate Degree for Transfer (ADT). There are currently multiple paths a student may take to transfer to a CSU, such as through an ADT, associate degree, or transfer after earning a few credits, or earning enough credits to reach junior standing and transfer. Navigating the numerous transfer pathways, including the different admission requirements, general education and major requirements, which vary across systems and campuses, often created confusion and barriers for a students' academic success. In an effort to create clearer pathways from California Community Colleges (CCC) to CSU, SB 440 (Padilla), Chapter 428, Statutes of 2010, and SB 1440 (Padilla), Chapter 20, Statutes of 2013, established the ADT at the CCC.

A CCC student earns an ADT after completing 60 transferable coursework, including a minimum of 18 units in a major or area of emphasis and either 39 or 42 units of general education. Existing law requires the CSU to guarantee admission with junior status to CCC students who earns an ADT and has at least 2.0 GPA. Junior status means that a student can complete their bachelor's degree within two years of transferring. CSU is also required to grant ADT students priority admission over all other community college transfer students. While a student is guaranteed admission, some CSU campuses and programs are impacted and cannot offer a slot to every eligible applicant. Statute specifies that the ADT does not guarantee admission for a specific major or campus. CSU is instead required to grant student priority admission to their local CSU campus, and a program or major that is similar to their CCC major and area of concentration. The determination of which ADT programs are "similar" is left to the discretion of CSU campuses. Moreover, statute requires CSU to redirect students who complete ADTs but are denied admission to the campus they applied to another CSU campus with available capacity. Statute also requires CSU to annually report by December 1st the number of students admitted with an ADT, the proportion of ADT students who graduate from CSU within two or three years, number of ADT student who were redirected, and enrolled.

On January 26, 2021, the CSU Board of Trustees Committee on Education heard an update on the ADT. The Board agenda item notes that there are currently 40 ADT pathways and all community colleges (except Calbright College) offers an ADT program. CSU notes that when reviewing the major preferences of students transferring from a CCC to a CSU, these pathways account for 90 percent of their preferred majors. The CSU notes that the top CSU majors of ADT transfer students are psychology with almost 3,000 students, followed by business administration, sociology and criminal justice. As shown on the display below, in 2019-20, more than 28,000 new transfer students enrolled at the CSU having first earned an ADT, this is about five percentage points over the prior academic year. Since 2012, students transferring with an ADT grew from three percent to about 42 percent. While the number

of ADTs and transfer students have grown over the last several years, about 41.2 percent of new ADT transfers were enrolled in a pathway not similar to their ADT.



CSU also notes that 55 percent of ADT students who transferred into a similar pathway in fall of 2018 were able to graduate in two years. This compares to about 47 percent of ADT students enrolled in a not similar pathway and 40 percent of students who had no degree or an AA degree.

While the number of students who have transferred over the decade increased, the Campaign for College Opportunity’s recent report, *10 Years After Historic Transfer Reform – How Far Have We Come and Where Do We Need to Go?*, noted that share of ADT transfers on a similar path upon enrollment varies greatly across the CSU campuses. For example, just 11 percent of Pomona’s, 12 percent of San Luis Obispo’s and 13 percent of Humboldt’s new transfer students were enrolled in a similar pathway compared to 43 percent of Fullerton’s, 29 percent of San Diego’s and 30 percent of Long Beach’s new transfer students. A majority of CSU campuses have less than 25 percent of their transfer students on an ADT similar pathway.

Labor and Employee Relations. On December 20, 2021, CSU and the California Faculty Association (CFA) reached a tentative agreement on a successor contract. The agreement covers the 29,000 instructional faculty, coaches, librarians and counselors across the 23 CSU campuses and, upon ratification by the CSU Board of Trustees and CFA membership, will run through June 30, 2024. The agreement calls for faculty to receive the following: 1) A one-time payment of \$3,500, prorated by each faculty member’s 2020-21 time-base, 2) a four percent general salary increase (GSI), retroactive to July 1, 2021, 3) up to a four percent GSI, effective July 1, 2022, dependent on the state budget allocation to the CSU, 4) a 2.65 percent service salary increase (SSI) during fiscal years 2021-22 and 2023-24 for all eligible faculty, including coaches, counselors and librarians and 5) a 2.65 percent post-promotion increase (PPI) during fiscal year 2022-23 for eligible faculty, including coaches, counselors and librarians.

Graduation Initiative 2025. Historically, CSU’s four-year graduation rate for incoming freshmen was below 20 percent and the two-year graduation rate for transfer students was below 30 percent. To

address its low graduation rates, CSU launched the Graduation Initiative 2025 and set a systemwide goal to increase the four-year graduation for first time freshman at 40 percent, and the two-year transfer graduation rate at 45 percent by 2025. Currently, the systemwide four-year graduation rate is 33 percent and the two-year graduation rate is 44 percent.

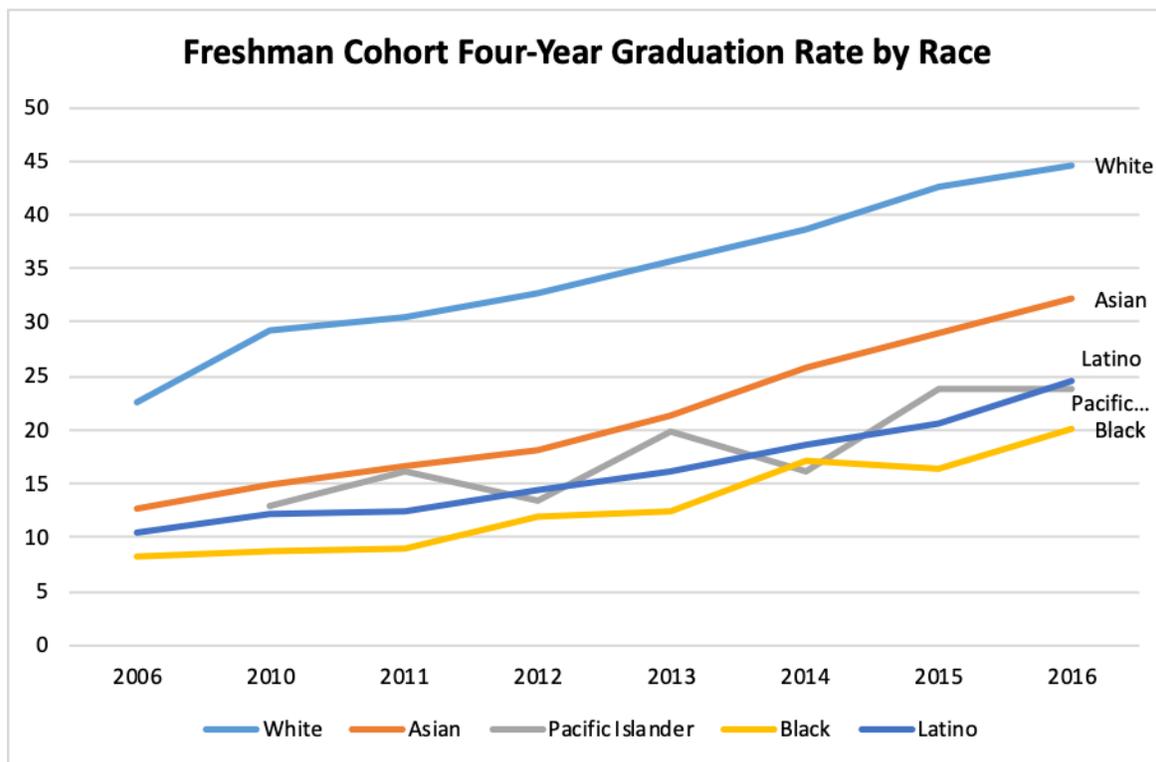
Over the five years, the state has made significant investments in the CSU Graduation Initiative 2025. The 2019-20 budget provided \$45 million ongoing General Fund and \$30 million one-time General Fund for the Graduation Initiative 2025, the 2018-19 budget provided \$75 million ongoing, the 2017 budget provided \$12.5 million one-time, and the 2016 budget provided \$35 million one-time. The 2019 budget required CSU to report on the distribution of funds to campuses, how funds were used, how they were linked to best practices for student success, data on outcomes, how campuses are working to close equity gaps, and growth in management, faculty and support staff positions. The 2021 budget included \$15 million General Fund ongoing to expand the Basic Needs Initiative, a component of CSU's Graduation Initiative 2025 that primarily focuses on addressing student food and housing insecurity

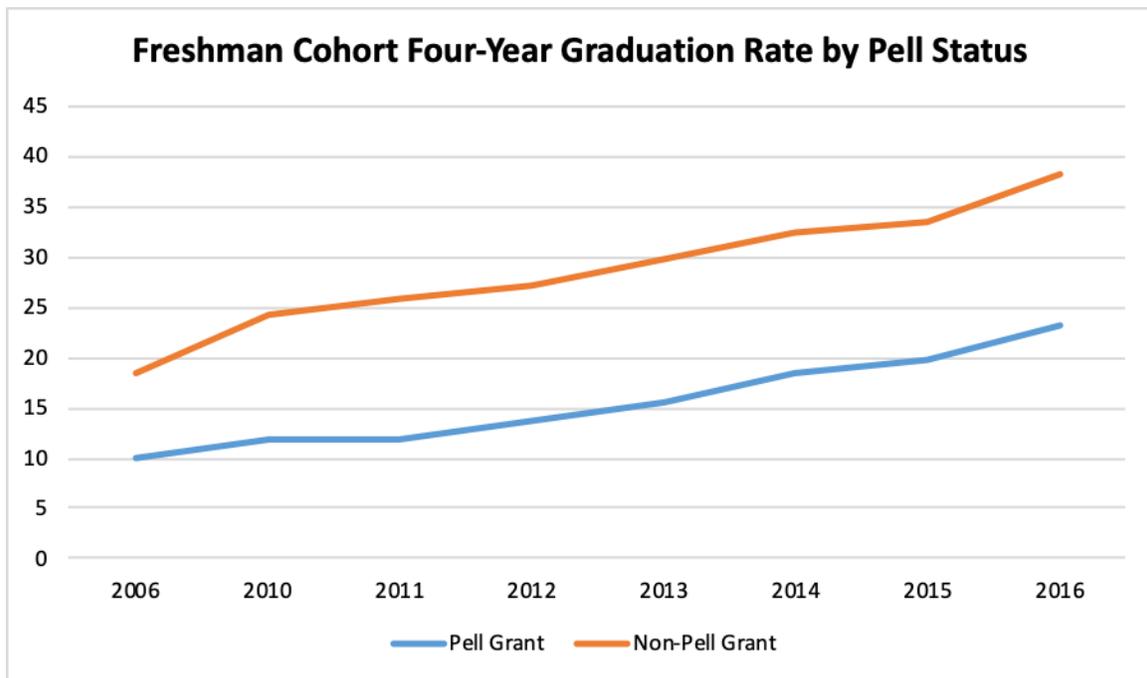
On January 15, 2021, the CSU report to the Legislature and notes that in 2019-20, CSU awarded nearly 110,000 bachelor's degrees, which is the highest number in its history and an increase of more than 23,000 compared to 2015. Additionally, CSU achieved their highest retention rate with 85.5 percent of first-year students who returned for a second year. The report notes that the Graduation Initiative 2025 awards to campuses range from \$1.16 million to \$5.93 million. The report highlights various investments including increasing academic support services, promoting higher unit loads, redesigning curricula, hiring faculty, supporting faculty and student proficiency in virtual learning, among others. The January report also highlights some strategies campuses used to reduce achievement gaps, such as the creation of a pilot program focused on retention of first-generation students, hiring of peer mentors, providing additional instructional support, providing equity minded professional development, among others.

The Graduation Initiative 2025 also seeks to eliminate equity gaps between students who are underrepresented minorities and their peers. As shown in the table from CSU and graphs below, four-year graduation rates across various student groups have increased overtime, however, there has not been significant systemwide changes in closing the achievement gap. The CSU noted in 2020 that systemwide, the gap between Pell-recipient students and their peers narrowed one percentage point from 10.2 to 9.2. In 2021, the gap has increased back to 10.2. The CSU also slightly narrowed the equity gap for students who identify as African-American, Native American or Latinx from 11.1 percentage points to 10.5 percentage points in 2020. This number has now increased to 12.4 percentage points.

TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

		2016	2017	2018	2019	2020	2021	2025 GOAL	
GRADUATION RATES	First-Time Students	4-Year	21%	23%	25%	27%	31%	33%	40%
		6-Year	59%	59%	61%	62%	62%	63%	70%
	Transfer Students	2-Year	33%	35%	38%	40%	44%	44%	45%
		4-Year	74%	75%	77%	77%	79%	80%	85%
EQUITY GAPS (in percentage points)	Underserved Students of Color	12.0	12.2	10.5	11.1	10.5	12.4	0.0	
	Pell Grant Recipients	10.0	10.6	9.5	10.2	9.2	10.2	0.0	





The CSU previously noted that in the spring of 2021 that they will establish a new advisory committee which will provide recommendations to: (1) implement universal adoption of strategies with demonstrated efficacy in improving student retention and graduation; (2) establish campus-based metrics that would assist with accountability and allocation of Graduation Initiative 2025 legislative funding; (3) determine viable strategies to more aggressively close equity gaps, with targeted campus-by-campus analysis and adaptation; and (4) disseminate and review progress reports for the system and campuses to guide future areas of focus. The committee submitted a report to Chancellor Castro in July 2021 with a set of recommendations and strategic imperatives for his consideration.

Swanton Pacific Ranch Rebuild. Cal Poly's Swanton Pacific Ranch, located in Santa Cruz County, represents one of the most ecologically-diverse, actively-managed, university-held properties found anywhere in the world. The 3,800-acre working ranch is dedicated to providing students and faculty with unparalleled learning and research opportunities for developing climate-resilient range, forest and watershed management practices.

In August 2020, the CZU Lightning Complex fire burned through Cal Poly's Swanton Pacific Ranch in Santa Cruz County, destroying nearly all structures and forcing evacuation. Operations continue to be limited while cleanup continues.

Legislative Analyst's Office Comments and Recommendations

Base Increase

CSU Faces Several Key Operating Cost Increases in 2022-23. One notable disadvantage of unrestricted base increases is that the proposed amounts tend to be arbitrary, lacking clear justification based on documented cost increases. CSU has identified several cost increases in 2022-23:

- ***Employee Benefits.*** CSU estimates the cost of providing employee health benefits will increase by \$14 million due to rising CalPERS-negotiated premiums.

- **Faculty Salary Increases.** CSU recently negotiated a tentative agreement with its largest employee group, the California Faculty Association. CSU estimates the cost of the associated increase in salary (and salary-driven benefits) would be \$86 million under the Governor’s proposed base increase.
- **All Other Salary Increases.** Most of CSU’s non-faculty employees either have open contracts for 2022-23 or are non-represented. CSU estimates the cost of every 1 percent increase in its salary pool (including salary-driven benefits) for these employees is approximately \$23 million.
- **Other Operating Costs.** CSU has identified costs totaling \$40 million to cover certain other costs over which campuses have limited flexibility—namely a statutory increase in the minimum wage, inflation on operating expenses and equipment, and the ongoing maintenance of new facilities.

Recommend Building Base Increase Around Identified Operating Cost Increases. The LAO recommends that the Legislature decide the level of base increase to provide CSU by considering the operating cost increases it wants to support in 2022-23. This could include employee health benefits, salary increases for employee groups with previously negotiated agreements, increases in the salary pool for other employee groups, and various other operating costs. For illustration, at the Governor’s proposed augmentation level (\$211 million), the Legislature could cover benefit cost increases, the previously negotiated salary increases, an approximately three percent increase in the salary pool for all other employee groups, and certain other operating costs identified by CSU.

Enrollment

Given Recent Enrollment Decline, Legislature Could Reconsider 2022-23 Expectations. When the Legislature set the 2022-23 enrollment target last June, it likely did not anticipate an enrollment decline in 2021-22. CSU is estimating, however, about 13,000 (3.6 percent) fewer resident undergraduate FTE students in 2021-22 than in 2020-21. If CSU were to grow 9,434 additional students in 2022-23 from the depressed current-year level, it still would be serving about 3,000 fewer students than it did in 2020-21. The LAO thinks this likely runs counter to the Legislature’s intent to expand access and fund greater enrollment at CSU. In light of this updated information, the Legislature may wish to reconsider providing CSU any augmentation for enrollment growth in 2022-23.

Recommend Setting Enrollment Target for 2023-24. Given the timing of campus admissions decisions, the LAO thinks it is unlikely CSU could enroll significantly more students in 2022-23 than under the Governor’s budget (349,904 resident undergraduate FTE students). However, CSU potentially could grow enrollment in 2023-24. The LAO recommends that the Legislature set a target enrollment level for 2023-24 in the *2022-23 Budget Act*, sending an early signal about its expectations before campuses begin making admissions decisions next spring. Aligning with their comments in the previous section, they recommend providing enrollment growth funding to cover the associated cost, rather than having CSU accommodate the cost from within an unrestricted base increase. (The LAO recommends providing funding in 2023-24 but signaling intent in the *2022-23 Budget Act*.) The LAO estimates that every one percent growth in resident undergraduate enrollments in 2023-24 would add about 3,500 FTE students, at a General Fund cost of around \$35 million. When deciding its enrollment target, the Legislature could consider the factors below.

- **High School Graduates.** The Department of Finance projects the number of high school graduates in California to increase by 0.6 percent in 2022-23, which is in turn expected to increase CSU freshman enrollment demand in 2023-24.
- **Community College Students.** Community college enrollment declined in 2020-21, and a further drop is expected in 2021-22. Correspondingly, CSU reports a 9.6 percent decline in new transfer students in fall 2021, and an even steeper decline to date in transfer applications for fall 2022. It is uncertain whether transfer enrollment demand will recover by 2023-24.
- **Continuing Cohorts.** In fall 2021, the number of new students entering CSU was 6.8 percent lower than in the previous fall. This smaller new cohort will remain at CSU for the next few years, potentially leading to fewer continuing students in 2023-24.

Suggested Questions

- The Governor's budget proposal is smaller than the CSU's budget request and CSU's stated need. Within the \$211 million proposed in the Governor's budget, what are your priorities that would be covered? Overall, what will CSU fund with the \$211 million if this base amount is not increased in the final budget agreement?
- Please discuss the differences in enrollment for fall 2021 as compared to 2019 and 2020. Why has enrollment declined in 2021 compared to the previous two years?
- The Governor's budget provides enrollment growth funding for 2022-23. What are the implications of the fall 2021 decline for 2022-23 enrollment levels?
- The 2021 budget included \$15 million General Fund ongoing to expand the Basic Needs Initiative, a component of CSU's Graduation Initiative 2025. How were the funds allocated and used by campuses for basic needs? The 2021 budget also provided another \$15 million specifically for mental health. How were these funds for mental health allocated and used by campuses for basic needs?
- Please provide a status update on GI 2025. What recommendations have the Graduation Initiative 2025 Advisory Committee developed to date and which of these recommendations are prioritized by CSU going forward? How does CSU plan to implement these recommendations?
- Please provide an update on the Swanton Pacific Ranch rebuild. Does CSU believe that any further assistance is needed to continue the rebuild efforts?

Staff Recommendation. Hold Open.

Issue 4: Deferred Maintenance and Energy Efficiency at CSU**Panel**

- Ryan Storm, California State University
- Elvyra San Juan, California State University
- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Governor's Budget Proposal

The Governor's budget proposes an increase of \$100 million one-time General Fund for deferred maintenance and energy efficiency projects at CSU campuses.

CSU Budget Request

The CSU's adopted budget requests \$135 million for academic facilities and infrastructure, which could cover facility renovation and improvement, such as seismic projects, critical infrastructure needs, system upgrades, facilities, and deferred maintenance. The CSU's adopted budget also requests \$3.094 million to address mandatory costs of addressing maintenance of new facilities which are scheduled to open in 2022-23. This regular maintenance includes costs of utilities, building maintenance, custodial, landscape and administrative support. In addition to these ongoing requests, the CSU's adopted budget request includes \$1 billion in one-time funds to address its deferred maintenance backlog.

Background

Prior to 2014-15, the state sold bonds to support CSU's academic facilities and paid the associated debt service. Beginning in 2014-15, the state altered this approach by authorizing CSU to use its operating funds to finance deferred maintenance, facility renewal and renovations, building replacements and new facilities to serve enrollment growth. In a related action, the 2014-15 budget package shifted \$302 million in ongoing base funding into CSU's main support appropriation. The amount equated to what the state was paying for CSU debt service at the time.

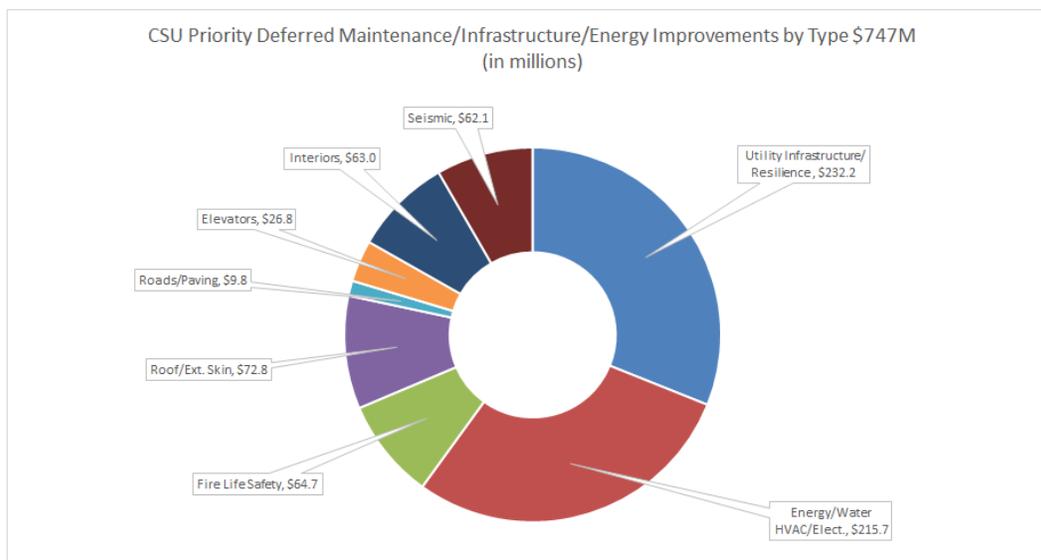
Moving forward, CSU is expected to pay off all debt—both for outstanding state bonds and any new CSU bonds—from its main General Fund appropriation. The new process limits the CSU to spending a maximum of 12 percent of its main General Fund appropriation on debt service and pay-as-you-go academic facility projects. By combining capital outlay and support into one CSU budget item, the state intended to incentivize CSU to weigh the tradeoffs of supporting more operating costs (such as compensation increases and enrollment growth) with funding new capital projects.

Over the last several years, the state has provided CSU with one-time funding for deferred maintenance. The 2015-16, 2016-17 and 2018-19 budgets provided \$25 million, \$35 million, and \$35 million in one-time General Fund, respectively, for deferred maintenance. The 2019-20 budget provided \$239 million one-time General Fund to support deferred maintenance and child care center projects. The budget required the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds. In response to the COVID-19 economic downturn, the 2020-21 budget authorized CSU to redirect up to \$146 million General Fund in

unspent deferred maintenance funds from 2019-20 to be used in 2020-21 to support core operations, including enrollment and student support services. CSU did not opt to use this authority.

The 2019-20 budget included supplemental reporting language requiring CSU to report by January 1, 2021, a plan to ensure its academic facilities are well maintained. The maintenance plan must include estimates of annual spending, need, total amount of the backlog, and how much it would cost to eliminate the backlog. Additionally, the report must provide an update regarding seismic safety issues across campuses, and the cost, timeline and plan on how to address them.

The January 15, 2021 report estimates a renewal backlog of \$4.01 billion covering infrastructure, HVAC/energy, fire/life safety, building envelope, roadways, elevators, interiors and seismic. In addition, CSU estimates an annual average increase of \$308 million in deferred renewal need over the next 10 years. To adequately eliminate the existing backlog and the projected annual increases to that backlog, the CSU estimates it needs to spend \$708 million each year for the next ten years. Infrastructure and academic facilities deferred maintenance backlog varies by campus, ranging from \$15 million at Maritime Academy to \$356 million at San Jose State. In 2021-22, campuses and the Chancellor's Office identified approximately \$750 million in priority deferred maintenance projects. The CSU figure below categorizes the types of projects.



CSU reviews several factors in the allocation of deferred maintenance funds. These factors include: (1) critical infrastructure systems whose failure would result in an interruption of operations on either a campus wide or critical building level, (2) building systems such as HVAC, electrical, elevators, (3) replacing obsolete utility systems, (4) fire life safety and seismic projects, and (5) special needs projects such as making campuses more resilient considering climate change.

The CSU notes that many of their identified deferred maintenance projects provide for improved energy efficiency. For example, HVAC, electrical, building envelope or infrastructure project may improve energy efficiency or lower their water consumption. Of the \$750 million in projects identified in the 2021-22 budget year, over \$500 million fall into this category.

Legislative Analyst's Office Comments and Recommendations

Proposal Is Prudent, But Does Not Address Underlying Issue. CSU currently reports a \$5.8 billion maintenance backlog. Providing one-time funds for deferred maintenance projects would help in addressing this backlog, while also helping to avoid more expensive facilities projects (including emergency repairs) in the long run. One-time funding would not, however, address the underlying cause of the backlog. Backlogs tend to emerge when campuses do not set aside enough funding from their support budgets to maintain their facilities on an ongoing basis. CSU estimates it would need to spend an average of \$284 million annually over the next ten years to address its capital renewal needs and prevent its backlog from growing. This is about \$100 million more than the best available estimate of CSU's current annual spending on these types of projects (\$182 million).

Recommend Considering Governor's Proposal as a Starting Point. To address CSU's maintenance backlog, the LAO recommends that the Legislature provide at least the \$100 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information in May, the Legislature could consider providing CSU with more one-time funding for this purpose. In addition to providing one-time funding, the LAO encourages the Legislature to begin developing a long-term strategy around university maintenance and capital renewal needs. Potential issues to consider include timing, fund sources, ongoing versus one-time funds, and reporting. Given the magnitude of the ongoing maintenance and capital renewal needs at the universities, developing such a strategy would likely require significant planning beyond the 2022-23 budget cycle.

Suggested Questions

- The Governor's budget proposal is smaller than the CSU's budget request and CSU's stated need. How does CSU plan to reconcile this? Which projects will it fund with this proposal and how were proposals selected?
- What are the up-to-date projections for the estimates to address the backlog?

Staff Recommendation. Hold Open

Issue 5: Student Housing Updates**Panel**

- Ryan Storm, California State University
- Elvyra San Juan, California State University
- Rebecca Kirk, Department of Finance

Governor's Budget

Per the 2021 Budget Act agreements, the 2022-23 proposed budget provides \$750 million one-time General Fund for the second installment of a planned \$2 billion one-time General Fund appropriation over a three-year period. This augmentation was included in the 2021-22 budget agreement.

Background

California's housing crisis threatens the state's higher education goals of increasing access and improving affordability. For most students, housing costs are higher than tuition. Despite a significant recent student housing building boom at both the University of California (UC) and California State University (CSU), many campuses report waiting lists for on-campus housing, and students struggle to find affordable and safe off-campus options. Campus housing programs, which suffered losses during the COVID-19 pandemic, are struggling to fund new construction or renovation projects that keep student costs down and address local government and neighborhood concerns.

The need for more student housing on or around campuses is clear:

- Homelessness is prevalent across California's three higher education segments, with 1 in 20 students at UC, 1 in 10 students at CSU, and 1 in 5 students at California Community Colleges (CCC) reporting experiencing homelessness at some point during the academic year. Even more students experience some form of housing insecurity. For example, 16 percent of UC students in 2020 reported sleeping in nontraditional housing arrangements (such as a hotel, transitional housing, or outdoor location) because they lacked permanent housing.
- Affordable, on-campus housing is a benefit to students. A report to the CSU Board of Trustees in July 2020 noted that research across college campuses nationally and within the CSU suggest that students living on campus have higher grade point averages and lower academic probation rates, higher retention and graduation rates, and shorter time to graduation than their off-campus peers.
- Insufficient student housing can hinder campuses' ability to increase enrollment and serve more Californians. Both UC Davis and UC Santa Cruz, for example, have agreements with local governments that limit increased enrollment unless housing is added to accommodate that growth. CSU Humboldt has launched a plan to become a polytechnic university and more than double its student body in the next decade, but campus officials note that on-campus housing must be built before dramatically increasing enrollment. The local housing market cannot accommodate thousands of new students.

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country -

are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

Higher Education Student Housing Grant Program, and Capacity Expansion Grant Program creation. SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021, creates two new programs to support affordable student housing at the UC, CSU and Community Colleges, and campus expansion projects at UC and CSU. SB 169 appropriates \$500 million one-time General Fund in 2021-22 for student housing projects, includes legislative intent to provide \$750 million in 2022-23 and \$750 million in 2023-24 for this purpose. This appropriation and proposed funding will be divided as follows: 50 percent to CCCs, 30 percent to CSUs, and 20 percent to UCs. The law creates a process for campuses to propose housing projects by October 2021 for inclusion in the subsequent budget act. The law also creates the campus expansion program and includes legislative intent to provide funding for this program in the future.

Student Housing Update as of January 2022. Of the \$500 million one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, \$25 million is available for CCC planning grants for student housing. The Department of Finance (DOF) received 114 applications totaling approximately \$3.2 billion from CCCs, CSU, and UC in the initial application-filing round. By March 1, DOF will provide the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation.

CSU Specific Funding Under Housing Grant Program. The 2021 Budget Act includes \$150 million one-time General Fund in 2021-22 for CSU through the Higher Education Student Housing Grant Program. The state intends to provide CSU an additional \$225 million in each of the subsequent two years for this purpose.

Suggested Questions

- DOF: Please share any updates on the process so far.
- CSU: Please describe the CSU's student housing plans in relation to the Student Housing Grants. How many projects have been submitted? What are your observations so far?
- What challenges, if any, has the CSU encountered so far in developing additional student housing?
- How many more beds does CSU need to accommodate student needs?

Staff Recommendation. No action needed at this time.