

# SUBCOMMITTEE NO. 1

# Agenda

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



Wednesday, February 24, 2021  
9:00 a.m.  
State Capitol - Room 4203

Consultant: Anita Lee and Elisa Wynne

## Items for Discussion

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## Public Comment

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**6610 HASTINGS COLLEGE OF LAW****Issue 1: Base Augmentation****Panel**

- Brian Rutledge, Department of Finance
- David Faigman, Chancellor and Dean, Hastings College of Law
- David Seward, Chief Financial Officer
- Jason Constantouros, Legislative Analyst's Office

**Background**

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, Hastings, is affiliated with UC but operates independently in many respects, having its own governing board (known as the Board of Directors). Hastings was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. Hastings is the oldest law school and one of the largest public law schools in the United States. Hastings' 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. Hastings' affiliation with UC offers it certain benefits. For example, Hastings uses UC's payroll processing and investment management services. Additionally, Hastings' employees participate in UC's employee health and pension programs.

As shown in the Legislative Analyst's Office figure below, Hastings receives approximately 71 percent of its total operational funding from student tuition and fee revenue, the the remainder from state General Fund, and a small amount from smaller sources such as state lottery and investment income.

**Figure 1****Hastings' Core Budget Would Increase Under Governor's Proposal***(Dollars in Millions, Except Per-Student Amounts)*

	2019-20 Actual	2020-21 Estimated	2021-22 Proposed	Change From 2020-21		Change From 2019-20	
				Amount	Percent	Amount	Percent
<b>Core Funding</b>							
General Fund <sup>a</sup>	\$15.2	\$14.7	\$16.8	\$2.1	14.3%	\$1.6	10.2%
Student tuition and fees	42.7	43.1	47.3	4.2	9.7	4.6	10.8
Other <sup>b</sup>	1.8	1.5	1.7	0.2	15.3	-0.1	-7.3
<b>Totals</b>	<b>\$59.8</b>	<b>\$59.3</b>	<b>\$65.8</b>	<b>\$6.5</b>	<b>11.0%</b>	<b>\$6.0</b>	<b>10.1%</b>
<b>Full-Time Equivalent Students</b>	944	963	1,054	91	9.5%	110	11.6%
<b>Funding Per Student</b>	\$63,298	\$61,587	\$62,426	\$839	1.4%	-\$872	-1.4%

<sup>a</sup> Excludes ongoing General Fund for lease revenue bond debt service and one-time General Fund.

<sup>b</sup> Consists of numerous fund sources, including state lottery, investment income, and overhead charged to auxiliary programs.

Since 2015-16, Hastings has had an operating deficit due to a decision by the school to increase tuition discounts for students to about 40 percent. As the school's core funding levels could not support this higher level of tuition discounts, Hastings covered these costs by drawing down its core budget

reserves. Though Hastings has since returned to its more traditional level of tuition discounting (30 percent) for new students, its operating deficit has persisted because previous student cohorts with the larger discounts are still enrolled.

The 2020-21 budget reduced Hastings operating budget by \$536,000, which would have been backfilled if additional federal funds were provided. While the Hastings received a reduction in state funding in 2020-21, these reductions were partially offset by increases in enrollment. As a result, Hastings core funding was \$438,000 or 0.8 percent lower in 2020-21 compared to 2019-20. Hastings also received \$859,671 in total federal relief funds (from the two higher education funding rounds to date), of which \$583,053 is for offsetting campus revenue losses and covering extraordinary campus costs. The remaining \$276,618 is for emergency student financial aid.

**Hastings Has Largely Addressed Budget Shortfalls by Using Reserves.** On its core budget, Hastings anticipates deficit spending of \$2.2 million (3.6 percent of annual spending) in 2020-21, leaving \$10.7 million in its core unrestricted operating reserve (about two months of annual spending). This deficit is notably smaller than the one Hastings had in 2019-20 (which was \$9.1 million, or 13 percent of annual spending, this amount included \$6.5 million in non-cash pension and retiree health care costs of \$6.95 million). In addition to drawing down its core reserves, Hastings reports taking some other actions to mitigate the impacts on its budget. For example, the school reports laying off some core-funded employees. In addition, several Hastings employees voluntarily agreed to one-time salary reductions ranging from 5 percent to 50 percent. For its auxiliary programs, Hastings anticipates ending 2020-21 with a \$849,667 deficit (18 percent of annual auxiliary spending) and \$2.5 million in reserves (more than six months of annual spending).

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

The Governor proposes a \$2.1 million General Fund (14 percent) base increase to Hastings. This increase is contingent on Hastings not increasing student tuition charges in 2021-22. According to the Administration, the proposed augmentation would avoid a seven percent increase (\$3,044) in resident and nonresident tuition charges (\$420) in 2021-22 initially adopted by Hastings' governing board in September 2020. In 2020-21 Hastings charges \$43,486 in resident tuition, and an addition \$6,000 for non-residents.

Though Hastings would not increase its tuition charges, it anticipates a 9.5 percent increase in enrollment, generating \$4.2 million in additional tuition revenue. When factoring growth in other core funding, Hastings anticipates total unrestricted core funding to increase by \$6.5 million (11 percent) in 2021-22 over its 2020-21 level.

Based on the Governor's budget proposal, Hastings has plans to spend this funding as follows: (1) \$1.8 million on student financial aid, (2) \$895,000 on a three percent employee compensation increase, (3) \$181,000 to restore one-time salary reductions, (4) \$201,000 on operating expenses and equipment, (5) \$89,000 on pension and health care benefits, and (6) \$3.6 million to build core reserves. As a result, Hastings would end 2021-22 with a \$1.4 million budget surplus, and \$12.1 million in core budget reserves.

**Legislative Analyst's Office Comments**

The LAO recommends the Legislature treat the Governor's proposed General Fund augmentation for Hastings as a maximum potential increase, even were the state's budget situation to improve in May. Similar to the recommendations for the other higher education segments, the LAO recommends the Legislature adopt an expectation that Hastings report on its experience with online education. Such a report should include: (1) data on pre-pandemic enrollment in its online courses, (2) analysis as to which courses are most suitable for online instruction, (3) an estimate of the fiscal impact of expanding online education, (4) a plan for improving student access and outcomes using technology, and (5) an assessment of the need for additional faculty professional development.

**Staff Recommendation. Hold Open.**

**6120 CALIFORNIA STATE LIBRARY**

The State Library's main functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing 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 things.

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. In 2018-19, 185 library jurisdictions with 1,119 library 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 information a core part of their mission. More than 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

**Issue 2: Zip Books and Lunch at the Library****Panel**

- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Jason Constantouros, Legislative Analyst's Office

**Background**

**Zip Books.** The Zip Books program purchases patron-requested books through Amazon and delivers them directly to patrons' homes. After completing a book, the patron gives it to the local library. The library can either keep the book, give it to another library, or sell it. Zip Books is often framed as an alternative approach to interlibrary loans and other forms of book sharing. In 2016-17 and 2018-19, the state provided \$1 million in one-time General Fund through the Library Services Act to support Zip books. In 2019-20, staff at the State Library noted that 68 library jurisdictions (37 percent) currently participate in the program.

**Lunch at the Library.** Established in 1946, the National School Lunch Program provides public school children free or reduced-price lunches while they attend school. Under the program, the United States Department of Agriculture (USDA) reimburses schools for providing meals that meet certain nutrition standards. USDA also reimburses states for providing free summer meals. For school districts, the reimbursement rates for summer meals are the same as those provided during the school year. For summer-only meal operators, reimbursements rates are slightly higher (with the higher rates likely intended to account for these operators' higher administrative costs).

Whereas only schools provide meals during the academic year, many more organizations—including local government agencies and nonprofit organizations—are eligible to provide summer meals. Students are not required to demonstrate eligibility to receive a summer meal. Instead, organizations can provide summer meals to any individual under the age of 18 at an eligible site.

Eligible sites are those located in areas where at least 50 percent of students qualify for a free or reduced-price lunch during the school year. Third, all meals provided at eligible sites are free.

In 2016-17, the summer program received \$46 million in federal funds. Of this amount, \$25 million covered meals provided by 351 school districts (roughly one-third of all districts) at 2,390 sites, with \$21 million covering meals provided by 199 local agencies, nonprofit organizations, and other providers at 2,571 sites. The state provided a small General Fund match (\$2 million) to the federal funding, which increased the reimbursement rate for each summer meal slightly. Altogether, 16.2 million summer meals were provided in 2016-17—an average of 419,00 meals per summer day.

Initiated in 2013, Lunch at the Library was established as a partnership with the California Library Association (an association of California local libraries) and the California Summer Meal Coalition (a multisector group dedicated to increasing summer meal participation). Because the federal summer meal program supports the cost of providing meals to students, Lunch at the Library focuses on other services and initiatives that support summer meal sites. Specifically, the program funds: (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.

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

The Governor proposes making both initiatives ongoing. Under the Governor's budget, Zip Books would receive \$1 million ongoing General Fund and the Lunch at the Library program would receive \$800,000 ongoing General Fund.

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

Given its projected out-year operating deficit, the state is constrained in its capacity to increase ongoing General Fund commitments. Given all the other calls on limited ongoing General Fund resources, the LAO questions whether these library proposals rank among the state's highest ongoing budget priorities. Local libraries already have funding and arrangements to facilitate book sharing, and the state and federal government already support student meal programs and after school programs. In both cases, patrons and students likely have other options for accessing the respective services. Moreover, no evaluations have been undertaken to assess the cost-effectiveness of the Zip Books and Lunch at the Library initiatives since receiving state funding.

The LAO recommends the Legislature revisit both of these proposals in May. Were the state to continue to have a projected out-year operating deficit, the LAO recommends the Legislature reject these proposals and redirect the associated funds toward higher budget priorities (for example, to help restore ongoing funding for the universities or provide more one-time funding for university facility maintenance).

### **The subcommittee may wish to ask:**

1. Do local libraries coordinate with their local school districts to offer school lunches?
2. What percentage of local libraries offered Lunch at the Library this summer? Did local libraries experience an increase in demand for meals during the summer 2020? How were these programs funded?

**Staff Recommendation. Hold Open.**

**Issue 3: Educational Enrichment Programs****Panel**

- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Jason Constantouros, Legislative Analyst's Office

**Background**

In 2019-20, the state provided one-time General Fund for local assistance grants focused on: (1) early learning and after school library programs (\$5 million); and (2) mobile library initiatives (\$3 million). Mobile library initiatives focus on extending services to patrons who have difficulty visiting their local libraries for health or other reasons. The State Library had flexibility to determine key parameters for these grants, such as eligibility and local match requirements. The State Library allowed local libraries to apply for one or both of these grant opportunities using a single application. According to the State Library, it awarded grants to 75 projects, representing virtually all of the applications received. The State Library does not have a break out for each of the grant opportunities. Award recipients were required to match between 20 percent to 30 percent of their awards with their local funds, with the match depending on the average income levels of residents in their respective service areas.

**Governor's Budget Proposal**

Similar to the 2019-20 budget, proposes one-time General Fund for these initiatives—\$5 million for early learning and after school programs and \$3 million for bookmobiles. Similar to the proposal in 2019-20, the State Library would have flexibility to determine eligibility and local match requirements.

**Legislative Analyst's Office Comments**

The state provides billions of ongoing funds to early education providers and schools to provide instruction to California's pre-K and K-12 students. Schools also are receiving billions of dollars in one-time federal and state funding to address student learning loss during the pandemic. With these large amounts targeted for California students, the statewide impact of the Governor's small, one-time library proposals likely would be very limited. Furthermore, the state has not fully evaluated the outcomes of the last round of educational enrichment library grants to assess their success or compared their cost-effectiveness with school-based programs.

In contrast to the early learning and after school grants, the bookmobile grants appear to be more narrowly tailored specifically toward library services. The bookmobile proposal also could be viewed as having a loose connection to the effects of the pandemic, as some individuals likely have been less inclined to access on-site library materials. Having said that, the state provided funding for bookmobiles prior to the pandemic and other issues, such as learning loss, appear more strongly linked to the effects of the pandemic. In addition, similar to the grants for early learning and after school programs, the state has not fully evaluated the outcomes of the last round of bookmobile grants to assess their impact. For all of these reasons, the Legislature may wish to weigh funding for additional bookmobiles and extended library services against other high one-time priorities.

The LAO recommends the Legislature reject the proposed \$5 million in grants for early learning and after school programs and redirect those funds for higher one-time budget priorities. The LAO

recommends the Legislature consider the \$3 million for bookmobiles, but still assess this request in light of the state's other pressing one-time priorities, such as initiatives to address learning loss at schools.

**Staff Recommendation. Hold Open.**



**Issue 4: Corporation for Education Network Initiatives (CENIC)****Panel**

- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Raul Rincon, Corporation for Education Network Initiatives in California (CENIC)
- Tony Nguyen, Corporation for Education Network Initiatives in California (CENIC)
- Jason Constantouros, Legislative Analyst's Office

**Background on Internet Charges**

The Corporation for Education Network Initiatives in California (CENIC) was formed in the 1990s to provide the state's public education agencies access to a high-speed internet network. Since 2014-15, the state has provided funding to the State Library to allow local libraries to use this network. The State Library pays its CENIC charges using General Fund and a special fund, the California Teleconnect Fund (CTF). Local library jurisdictions are responsible for covering the cost of annual internet service charges from the CENIC network to their local sites. Local libraries use their local funds and state and federal technology discounts to pay these costs.

**Background on Recent Fee Increases.** In May 2020, CENIC's Board of Directors approved three changes to its fee structure for member agencies, including the State Library. According to staff at CENIC, the changes are intended to cover a structural budget deficit at CENIC and bolster some of its services.

- New Circuit Deployment Fee. Beginning in 2020-21, all members will be required to pay a one-time fee of \$6,333 for each new or upgraded circuit. (Circuits connect sites to the CENIC network. Circuits can be upgraded to provide more bandwidth, which in turn increases internet speeds.)
- New Administrative Pass-Through Fee. Beginning in 2021-22, all members will be required to pay a 7.2 percent administrative fee on all pass-through costs and bulk purchases conducted by CENIC on their behalf. CENIC intends to use a portion of the resulting fee revenue to improve internet security for its members.
- Higher Membership Fee. Beginning in 2022-23, participants' membership fee (currently \$4.6 million for the State Library) will increase by 3 percent annually.

**Governor's Budget Proposal**

For 2020-21, the Governor proposes providing \$300,000 one-time General Fund to support the first year of local library circuit deployment fees. For 2021-22, the Governor proposes providing \$500,000 ongoing General Fund to help cover ongoing costs resulting from the new administrative pass-through fee. In addition to these amounts, the Governor proposes reappropriating unspent funds for local library broadband grants. The 2018-19 budget provided \$5 million one-time General Fund for this purpose, of which \$1.3 million remains unspent.

**Legislative Analyst's Office**

**Assessment of Fee Increases.** In late January, the LAO office met with staff at CENIC to discuss its activities and fee increases. While CENIC staff explained the planned fee increases, they were unwilling to share complete data on CENIC's revenues, expenditures, surpluses/deficits, and reserves. Without knowing CENIC's budget situation, the LAO was not able to assess the merits of CENIC's planned fee increases.

**Assessment of Proposed Funds to Cover Fee Increases.** The LAO has three concerns with the specific State Library broadband proposals.

- The LAO is still working with the State Library to understand the basis for the proposed \$300,000 for circuit deployment fee costs in 2020-21 and the Administration's plan to fund circuit deployments in future years.
- The state has \$1.3 million in unspent local library grant funds that could be used to help cover the costs of establishing and upgrading circuits.
- The proposal would continue a recent state practice of overbudgeting for State Library CENIC costs. In 2021-22, the state would be providing \$57,580 more than the State Library's estimated costs. According to staff at the State Library, this overbudgeting is intended to provide a cushion to help cover unexpected associated cost increases. The LAO does not think such a cushion is warranted, as the state can address changes in costs annually through budget action.

The LAO recommends the Legislature take the following actions:

1. Direct the Administration to explain its plans for the \$1.3 million in unspent local library broadband grants. To the extent these funds are available to cover projected circuit deployment fee costs in 2020-21, the LAO recommends the Legislature reject the proposed \$300,000 in 2020-21 and direct the State Library to use its unspent broadband funds to cover circuit deployment fee costs in 2020-21 and 2021-22, revisiting any remaining funds thereafter.
2. Modify the proposed ongoing augmentation in 2021-22 from \$500,000 to \$443,000. The lower level would align General Fund support with projected programmatic costs. Were the State Library to experience higher or lower costs than projected, the Legislature could accordingly adjust this funding level in the future, as is regular budget practice for most state agencies.

The subcommittee may wish to ask:

1. The LAO notes that additional information regarding CENIC's revenues, expenditures, surpluses/deficits, and reserves is needed to be able to assess the merits of CENIC's planned fee increases. CENIC, can you describe this information to the committee now, and also submit it in writing?
2. DOF: What is the plan for the \$1.3 million in unspent local library broadband grants?

**Staff Recommendation. Hold Open.**

**6100 DEPARTMENT OF EDUCATION**  
**6870 CALIFORNIA COMMUNITY COLLEGES****Issue 5: Adult Education Program****Panel:**

- Jen Kaku, Department of Finance
- Elly Garner, Department of Education
- Carolyn Zachry, Department of Education
- Representative from the Community College Chancellor's Office
- Paul Steenhausen, Legislative Analyst's Office

**Background**

**Adult Education Program.** The Adult Education Program was created in 2015-16 and was provided \$500 million in ongoing Proposition 98 funding annually for the provision of adult education through the K-12 and community college systems and their local partners. This new program was built on two years of planning to improve and better coordinate the provision of adult education by the Chancellor of the California Community Colleges and the Superintendent of Public Instruction. The program restructured the provision of adult education through the use of regional consortia, made up of adult education providers, to improve coordination and better serve the needs of adult learners within each region.

There are currently 71 regional consortia with boundaries that coincide with community college district service areas. Formal membership in consortia is limited to school and community college districts, county offices of education (COEs), and joint powers agencies (JPAs). Each formal member is represented by a designee of its governing board. With input from other adult education and workforce service providers, such as local libraries, community organizations, and workforce investment boards, the consortia have developed regional plans to coordinate and deliver adult education in their regions. Only formal consortia members may receive adult education funding directly. However, under a regional plan, funds may be designated for, and passed through to, other adult education providers serving students in the region.

**Adult Education Areas of Instruction.** Block grant funds may be used for programs in seven adult education instructional areas:

- 1) Elementary and secondary reading, writing, and mathematics (basic skills).
- 2) English as a second language and other programs for immigrants.
- 3) Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.
- 4) Short-term career technical education with high employment potential.
- 5) Pre-apprenticeship training activities coordinated with approved apprenticeship

programs.

- 6) Programs for adults with disabilities.
- 7) Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

**Consortia Funding.** In changing to the new program, past funding levels for school districts and COEs that operated adult education programs were retained, and then additional funds above this level were designated for regional consortia based on each region's share of the statewide need for adult education, as determined by the chancellor, superintendent, and executive director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy. In 2016-17, and future years, the CCC and CDE distribute block grant funding based on (1) the amount allocated to each consortium in the prior year, (2) the consortium's need for adult education, and (3) the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year. In practice, each year's allocation has provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. However beginning in 2018-19, the adult education program received a cost-of-living-adjustment (COLA), except for the 2020-21 fiscal year due to budget constraints as the result of the pandemic. Each consortium may choose a fiscal agent to receive state funds and then distribute funding to consortium members, or opt out and have members receive funds directly. Inclusive of the proposed COLA in the 2021-22 Governor's budget as notes below, the total funding for the adult education program is \$552.6 million.

In addition, according the LAO, the state provides approximately \$300 million annually in noncredit apportionment funding for community college adult education programs.

Commencing with the 2019-20 fiscal year, the members of a consortium must develop and adopt a three-year adult education plan that addresses a three-year fiscal planning cycle, updated at least once each year. This additional requirement is intended to provide greater regional collaboration and stability and to support long term partnerships between consortium members. However, the adult education program has only grown by COLA since its creation, limiting program expansion. Recently, stakeholders have raised the issue of consortium members with large carryover balances without a consortium-approved plan for expenditure of those funds. Stakeholders have requested that the Legislature, CDE, and CCC review this practice to ensure that carryover within individual members of consortia does not resulting in funding not being used to serve students within the budget year as adult education needs grow.

### **Adult Education Reporting**

**Progress in Serving Adult Students.** Consortia are in their sixth year of providing services under the adult education program. The most recent complete year of data is 2018-19, and adult education consortia served 897,325 unduplicated adult students. An unduplicated adult student is an adult who received any services or enrolled in any course provided by the adult education program, including one or more hours in a noncredit course or receipt of support services. As noted in the chart below, not all of these students were enrolled in adult education program areas, 293,812 received only services, which could include workshops, educational or career planning, assessment, or were referred to an outside

supportive service (received at least one hour of instruction in adult education), leaving 603,513 as the official number for students enrolled in a program receiving 12 or more contact hours of instruction per year.

The highest enrollment category are English as a Second Language (ESL) and Civics as shown below, followed by Career Technical Education (CTE), Adult Secondary Education (ASE), and Adult Basic Skills Education (ABE).

Enrollment category trends are generally consistent across both adult schools and community colleges with the exception being that adult schools serve a higher proportion of students in ASE while the community colleges and adult schools are serving about an equal number of students in ABE.

**Adult Education Outcomes.** Finally, while data is lagged, there is some information on outcomes for students in the adult education program.

For 2018-19, approximately 40 percent students enrolled in ABE, ASE, and ESL completed one or more educational functional levels (measured by exit tests). Of total adult students in the program, 26 percent completed a noncredit career education or workforce preparation course or had 48 hours or more of contact hours in these courses. Approximately 19,259 adult students earned a diploma, GED, or high school equivalency. For degree and certificate completion, limited data is available and in 2018-19, 57,772 adult education students earned a post-secondary CTE certificate and 5,932 adult students earned a post-secondary credential.

**Governor's Budget Proposal:**

The Governor's budget proposal includes an increase of \$8.1 million in ongoing Proposition 98 funding for a cost-of-living-adjustment (COLA) of 1.50 percent. The funds would be distributed to consortia based on their current allocation.

The Governor's budget proposal also includes an increase of \$1 million ongoing Proposition 98 General Fund to support technical assistance for the Adult Education Program.

**Suggested Questions:**

- CCC/CDE: What impacts from the pandemic have consortia reported? Are any trends being reported that track with state or regional unemployment data?
- CCC/CDE: Have the departments looked at the issue of carryover by individual consortia? What data is available on the amount of carryover for individual members of each consortia?
- DOF: Has the Administration considering providing additional COLA funds to the adult education program, similar to what was provided in 2018-19, and the current "super" COLA provided for the K-12 Local Control Funding Formula, to make up for the foregone COLA in 2020-21?
- DOF: What additional technical assistance needs are covered in the additional \$1 million in funding for this purpose?

**Staff Recommendation.** Hold Open.

**6980 CALIFORNIA STUDENT AID COMMISSION****Issue 6: Free Application for Federal Student Aid Proposals****Panel:**

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

**Background:**

In general, more than half of high school seniors complete a financial aid application. Most students (US Citizens, permanent residents, or other qualifying non-residents) may use the Free Application for Federal Student Aid (FAFSA) to apply for federal, state, and institutional aid. Undocumented students (who are ineligible for federal aid) use the California Dream Act Application (CADAA) to apply for state and institutional aid. The California Student Aid Commission (CSAC) helps students complete these forms through its outreach programs, including the Cash for College program, which provides financial aid application workshops for students and their families. Fifty-eight percent of California public high school seniors submitted a FAFSA or CADAA for the 2020-21 award year. Applications for the 2021-22 award year opened on October 1, 2020. As of late fall, CSAC was reporting that application rates among incoming freshmen were down compared to the same time in the previous year, with declines notably larger among CADAA filers (46 percent) than FAFSA filers (9 percent).

AB 2015 (Reyes), Chapter 533, Statutes of 2018 requires school districts to ensure that all students receive information on how to complete a FAFSA or CADAA before entering their senior year. (The fiscal and programmatic impacts of this new requirement are not yet known, as it is taking effect in 2020-21.) Other states have gone one step further to require high school students to submit a FAFSA. At the federal level, the recent Consolidated Appropriations Act, 2021, reduces the amount of information required of financial aid applicants. According to federal estimates, the new rules could decrease the number of FAFSA questions from 108 to 36. These changes are scheduled to take effect in the 2023-24 award year.

**Governor's Budget Proposal:**

The Governor's budget includes trailer bill language to require school districts to confirm that all high school seniors complete a FAFSA or CADAA, unless the student chooses to opt out or the district exempts the student due to extenuating circumstances. Districts would also be required to direct students to support services provided by CSAC's outreach programs. These requirements would take effect for seniors in the 2021-22 academic year (applying for the 2022-23 award year). The trailer bill language provides districts with "complete discretion on how to implement" the requirements. The administration indicates this proposal is intended to increase financial aid utilization rates, as well as potentially increase college participation among low-income students. The proposal has no associated funding.

**Legislative Analyst's Office (LAO) Analysis:**

The LAO recently reviewed this proposal in their most recent publication, *The 2021-22 Budget: California Student Aid Commission*. The LAO had the following comments:



**Proposal Would Likely Leverage More Federal Financial Aid.** Based on the limited outcome data available from other states, we expect that the Governor’s proposal would lead to an increase in financial aid application and utilization rates among recent high school graduates. One key benefit is that this would leverage additional federal Pell Grant funding to support students with their total cost of attendance. The size of this effect would increase over the course of several years, as additional cohorts are impacted by the policy. (Students may renew Pell Grants for up to six years of full-time undergraduate study or the equivalent.) Although the total amount of additional federal funds that would be drawn down is uncertain, it could conceivably be in the low hundreds of millions of dollars annually at full implementation.

**Proposal Could Notably Increase Cal Grant Entitlement Spending.** Just as more students would be considered for Pell Grants, more students also would be considered for Cal Grants. If the proposal were adopted, the state would likely see additional high school entitlement spending starting in the 2022-23 award year, with spending growing over the next three years as the larger cohorts of new recipients convert to renewal awards. At full implementation, the increase in Cal Grant spending over current levels could potentially be in the tens to low hundreds of millions of dollars annually. (The Cal Grant spending effect depends on various factors, including the policy’s effect on FAFSA completion, the share of new applicants who meet Cal Grant eligibility requirements, the share of new applicants who enroll in college, their segment of attendance, and their renewal rate.)

**Impact of Proposal on College Participation Is Uncertain.** In addition to increasing financial aid utilization, the administration indicates that the Governor’s proposal could encourage low-income students to enroll in college by increasing their awareness of available aid. This effect is plausible but uncertain. Research on the impact of FAFSA completion on college enrollment is limited, suggesting that FAFSA completion is associated with (but does not necessarily cause) college enrollment. Moreover, it is too soon to draw conclusions from states that have implemented similar policies to date.

**Proposal Builds in Certain Student Protections.** In contrast to policies enacted in some other states, the Governor’s proposal does not tie the completion of a financial aid application to high school graduation requirements. This provision, together with the opt-out and exemption provisions, are intended to remove the burden of filling out the form for students who otherwise might not benefit from doing so. The Governor’s proposal also requires districts to direct students to CSAC’s outreach programs in order to help students navigate the application process. Forthcoming federal changes to the FAFSA form could further simplify the application process for students.

**Proposal Could Potentially Create a Mandate for School Districts.** Under Proposition 4 (1979), the state is required to reimburse local governments, including school districts, for the cost of new programs and higher levels of service imposed by the state. If the Governor’s proposal were enacted—and if the Commission on State Mandates (CSM) were to determine that it constitutes a mandate—then the state would need to cover the associated cost for school districts. The cost would depend on the specific activities that CSM determines to be reimbursable. Although the cost has yet to be determined, it would likely be minor compared to the other fiscal impacts of this proposal (primarily increased Cal Grant spending).

The LAO recommends that the Legislature consider adopting the proposal in concept, but work with the Administration to ensure that the new requirement does not create any unnecessary costs for school districts. The LAO believes that the proposal could increase financial aid utilization and potentially

college enrollment. Were the Legislature to adopt the proposal, the LAO further recommends that it plan for increased out-year costs within the Cal Grant entitlement program.

**Suggested Questions:**

- DOF/LAO: How will this policy address concerns around student privacy, particularly for undocumented or immigrant families?
- DOF/LAO: What costs might school districts bear in meeting these requirements? What types of counseling and support are needed to ensure students can accurately fill out financial aid forms and understand the information they are providing?
- How does CSAC currently coordinate with LEAs in assisting student with filling out financial aid forms and how is this coordination anticipated to change under this proposal?

**Staff Recommendation: Hold Open.**



## 6980 CALIFORNIA STUDENT AID COMMISSION

The mission of the California Student Aid 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, 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 <sup>†</sup>

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5755	Financial Aid Grants Program	110.3	122.3	122.3	\$2,464,466	\$2,680,861	\$2,826,662
5775	Child Savings Accounts	-	-	-	10,000	-	-
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>		<b>110.3</b>	<b>122.3</b>	<b>122.3</b>	<b>\$2,474,466</b>	<b>\$2,680,861</b>	<b>\$2,826,662</b>
<b>FUNDING</b>		<b>2019-20*</b>			<b>2020-21*</b>	<b>2021-22*</b>	
0001	General Fund	\$1,388,037			\$2,244,370	\$2,405,674	
0784	Student Loan Operating Fund	-			100	-	
0995	Reimbursements	1,080,798			435,609	420,610	
3263	College Access Tax Credit Fund	5,631			782	378	
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>		<b>\$2,474,466</b>			<b>\$2,680,861</b>	<b>\$2,826,662</b>	

<sup>†</sup> Fiscal year 2019-20 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2019-20 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

**State Offers Multiple Types of Cal Grant Awards.** Cal Grants are the state's primary form of financial aid. There are three main types of Cal Grant awards—Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide.

- Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities.
- Cal Grant B in most cases provides the same amount of tuition coverage as Cal Grant A, 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 three Cal Grant award types, students with dependent children qualify for a supplemental award that provides additional nontuition coverage. A student may receive a Cal Grant A or B award for up to four years of full-time study or the equivalent, whereas a Cal Grant C award is available for up to two calendar years.

**Cal Grant Amounts Vary by Award Type and Sector**  
(Maximum Annual Award Amount, 2020-21)

<b>Tuition Coverage</b>	<b>Amount</b>
<b>Cal Grant A and B<sup>a</sup></b>	
UC	\$12,570
Nonprofit schools	9,084
WASC-accredited for-profit schools	8,056
CSU	5,742
Other for-profit schools	4,000
<b>Cal Grant C</b>	
Private schools	\$2,462
<b>Nontuition Coverage<sup>b</sup></b>	
<b>Cal Grant B</b>	
All segments	\$1,648 <sup>c</sup>
<b>Cal Grant C</b>	
CCC	\$1,094
Private schools	547
<sup>a</sup> Cal Grant B recipients generally do not receive tuition coverage in their first year. <sup>b</sup> Award amounts shown apply to students without dependent children. Students with dependent children qualify for a supplemental award that brings nontuition coverage to a maximum of \$6,000 for Cal Grant A and B recipients and \$4,000 for Cal Grant C recipients. <sup>c</sup> Cal Grant B recipients also receive a supplemental award (up to \$8) funded by the College Access Tax Credit. WASC = Western Association of Schools and Colleges.	

**Entitlement and Competitive Programs Have Certain Eligibility Criteria.** To qualify for Cal Grants, students must meet certain income and asset criteria, which vary by family size and are adjusted annually for inflation. For example, in the 2020-21 award year, a dependent student from a family of four must have an annual household income of under \$106,500 to qualify for Cal Grant A or C, and under \$56,000 to qualify for Cal Grant B. Students must also have a minimum grade point average (GPA), which ranges from 2.0 to 3.0 depending on award type. Cal Grants are provided as entitlements to recent high school graduates and transfer students under age 28. The state also provides a limited number of competitive awards to other students—typically older students who have been out of school for at least a few years.

### Cal Grant Eligibility Criteria

<b>Financial Criteria<sup>a</sup></b>
<p><b>Cal Grant A and C</b></p> <ul style="list-style-type: none"> <li>• Family income ceiling: \$99,200 to \$127,700, depending on family size.</li> <li>• Asset ceiling: \$85,500.</li> </ul> <p><b>Cal Grant B</b></p> <ul style="list-style-type: none"> <li>• Family income ceiling: \$46,300 to \$70,100, depending on family size.</li> <li>• Asset ceiling: same as A and C.</li> </ul>
<b>Other Major Criteria</b>
<p><b>High School Entitlement (A and B)</b></p> <ul style="list-style-type: none"> <li>• High school senior or graduated from high school within the last year.</li> <li>• Minimum high school GPA of 3.0 for A award and 2.0 for B award.</li> </ul> <p><b>Transfer Entitlement (A and B)</b></p> <ul style="list-style-type: none"> <li>• CCC student under age 28 transferring to a four-year school.</li> <li>• Minimum community college GPA of 2.4.</li> </ul> <p><b>Competitive (A and B)</b></p> <ul style="list-style-type: none"> <li>• An individual ineligible for one of the entitlement awards, typically due to age or time out of high school.</li> <li>• Minimum GPA requirements same as for entitlement awards.</li> </ul> <p><b>Competitive (C)</b></p> <ol style="list-style-type: none"> <li>1. Must be enrolled in career technical education program at least four months long.</li> <li>• No minimum GPA.</li> </ol> <p><sup>a</sup>Reflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24). GPA = grade point average.</p>

**Issue 7: Cal Grant A Eligibility Restoration****Panel**

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

**State Law Sets Financial Need Threshold for Cal Grant Eligibility.** A student's financial need reflects the difference between two factors:

- The student's cost of attendance, which is calculated by their campus and varies based on their living arrangement (on campus, off campus, or with family).
- The student's expected family contribution (EFC), which is measured by a federal formula that takes into account household income and size, among other factors.

State law requires students to demonstrate a certain level of financial need to be eligible for Cal Grants. To receive a Cal Grant A award, a student's financial need must be at least \$1,500 higher than the maximum award amount at their segment of attendance. As mentioned earlier, the maximum award amount at the California State University (CSU) and the University of California (UC) is linked to systemwide tuition and fees. With the \$1,500 addition, the financial need threshold for a Cal Grant A award in 2020-21 is \$7,242 at CSU and \$14,070 at UC. The Cal Grant B award has a lower financial need threshold of at least \$700, regardless of segment.

**Certain Students Who Changed Living Arrangement Lost Cal Grant Eligibility.** Due to the pandemic, on-campus housing is operating at significantly reduced capacity in 2020-21. Many students who otherwise would have lived on campus are instead living at home with family. Changing living arrangements in this way reduces a student's cost of attendance, and, in turn, their financial need. As a result, some students who otherwise would have qualified for Cal Grant A no longer meet the financial need threshold. (Cal Grant B recipients were generally not affected because the financial need threshold is significantly lower for that award.)

**Governor's Budget Proposal**

**Restore Eligibility for Students Impacted by Change in Living Arrangement.** The proposed trailer bill language would modify the financial need requirement for Cal Grant A recipients whose eligibility is impacted by a change in living arrangement (from on campus to off campus or with family) due to the pandemic. For these students, Cal Grant eligibility in 2020-21 and 2021-22 would be based on what their financial need would have been had they remained on campus. The budget provides \$58 million ongoing General Fund beginning in 2020-21 to fund these students' awards. The proposed amount is based on the administration's estimate that awards would be restored to about 5,400 students. Under the estimate, about 70 percent of these students are attending UC, with the remaining students attending CSU or private nonprofit institutions. (Community college students generally do not receive Cal Grant A awards.) The Governor includes this proposal in his early action package, which he is asking the Legislature to act upon in the spring.

**Legislative Analyst's Office Comments**

**Proposal Addresses Unintended Effect.** Had the pandemic not resulted in campuses operating their housing programs at reduced capacity, more students would have lived on campus in 2020-21. In turn, some of these students would have had greater financial need and met the threshold for receiving Cal Grant A tuition coverage. In developing the current rules, the state likely did not intend for changes in living arrangement due to an emergency to affect students' Cal Grant eligibility and tuition coverage. The LAO believes that allowing the impacted students to receive Cal Grant A tuition coverage, even if living with family in 2020-21, is reasonable. Many of these students likely had planned on receiving the tuition coverage, and they might not have alternative ways to now cover the unexpected cost increase.

**Early Action Is Warranted to Restore Awards in Current Year.** Students whose Cal Grant eligibility was impacted in 2020-21 are not receiving tuition coverage in the current academic year. Under the traditional budget time line, this proposal, if enacted, would not go into effect until after the academic year ends, leaving students responsible for covering tuition costs in the meantime. Taking early action on this proposal could allow students to receive aid sooner.

**Cost of Proposal Is Likely Overestimated.** The proposed amount in the Governor's budget is based on estimates the segments provided last fall of the number of students whose financial aid packages were impacted by a change in living arrangement. The segments have since revised their estimates downward, based upon updated information about how campuses are adjusting students' financial aid packages. The most significant change is at UC, which has revised its estimate of impacted students from about 3,800 to about 450. As a result, the cost of restoring eligibility for these students could be much lower than the Governor's proposed amount.

The LAO recommends adopting the trailer bill as a part of early action, but recommends the Legislature revisit the associated funding level at the May Revision, when all other Cal Grant cost estimates are typically updated. By May, better data should be available on the number of impacted students.

**Staff Comments**

Staff notes that there are other impacts that COVID-19 has had on Cal Grant eligibility. Current law requires a high school student to submit their high school GPA to determine eligibility for a Cal Grant award. However, there are certain circumstances where a verified GPA cannot be obtained by a student, i.e. homeschooled students. CSAC regulations that "applicants who do not have a grade point average from a high school shall provide a test score from the General Educational Development test (GED), the American College Test (ACT) or the Scholastic Aptitude Test (SAT). The COVID-19 crisis has caused severe interruptions in education, including the cancellation of standardized exams. Many students, including homeschooled students, have found themselves in the position of being unable to submit a verified grade point average and unable to take a standardized test due to repeated test cancellations or postponements. As a result, these students will not be eligible to receive a Cal Grant. Based on prior year data, approximately 700 students each year submit test scores in lieu of a traditional GPA. Given that the CSAC application deadline is on March 2<sup>nd</sup>, the subcommittee may wish to consider working with CSAC to address this issue.

**Staff Recommendation. Hold Open.**

**Issue 8: Private Non-Profit Sector Cal Grant****Panel**

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Alex Graves, Association of Independent California Colleges and Universities
- Lisa Qing, Legislative Analyst's Office

**At Private Nonprofit Institutions, Cal Grant Award Amounts Are Tied to Transfer Targets.** Over 90 private nonprofit institutions are currently eligible to participate in the Cal Grant program. The 2018-19 budget package included trailer legislation creating a new requirement that the sector admit a specified number of students with an ADT each year, with the target gradually increasing over time. If the sector does not meet the target, then the maximum award amount for new Cal Grant recipients attending any institution within the sector is to be reduced from \$9,084 to \$8,056 in the following year.

**State Has Postponed or Suspended Requirement for the Past Two Years.** The initial target was for private nonprofit institutions to admit 2,000 ADT students in 2018-19. The sector admitted 869 students that year, missing its target. Rather than reduce Cal Grant award amounts at the sector, the state postponed each annual requirement by one year in the 2019-20 budget package, then subsequently suspended the revised 2019-20 requirement in the 2020-21 budget package. Nonetheless, the sector ended up admitting 2,372 ADT students during 2019-20—exceeding that year's target by a few hundred students. Due to the timing of data collection for the spring 2020 term, the sector did not have this final count until after the requirement was suspended.

**Current Law Requires Sector to Admit 3,000 ADT Students in 2020-21.** This target is scheduled to increase to 3,500 ADT students in 2021-22, and then to be adjusted annually in future years according to a specified formula. State law requires the association representing the sector to report on its progress toward meeting the requirement by April of each year. As of this writing, the Association of Independent California Colleges and Universities (AICCU) was in the process of compiling data from member institutions on fall 2020 admissions. There are currently 39 participating AICCU institutions who have articulated 36 ADT majors.

**Governor's Budget Proposal**

The proposed trailer bill language would postpone each upcoming annual target by one year, starting with the current target. Under this proposal, the maximum Cal Grant award amount at private nonprofit institutions would remain at \$9,084 for the budget year, regardless of the number of ADT students the sector admits in 2020-21. Then, in 2021-22, the sector would be required to admit 3,000 ADT students (as opposed to the 3,500 required in current law) to maintain the maximum award amount for the following year. This proposal is part of the Governor's early action package.

**Legislative Analyst's Office Comments**

**Proposal Prevents a Potential Award Reduction for Students With Financial Need.** Based on an AICCU survey, member institutions saw a median enrollment decline of seven percent from fall 2019 to fall 2020. In contrast, California's two public university systems saw slight enrollment increases. If this

trend persists for the spring term, the private nonprofit sector could be at risk of missing its ADT target for 2020-21. Under current law, students with financial need attending the sector would bear the consequences of the missed target. This could be viewed as unreasonable, especially given the financial impact of the pandemic on many lower-income students.

**Early Action Would Reduce Uncertainty for Incoming Students.** The Governor's proposal would mostly affect the incoming class of 2021-22, as the reduction in award amounts under current law only applies to new Cal Grant recipients. Under current law and the Governor's proposal, students renewing their awards would continue to qualify for the current maximum award amount. Many of these incoming students are likely making enrollment decisions during the spring. Taking early action would provide them with greater predictability regarding their financial aid coverage as they make their enrollment decisions for the 2021-22 academic year.

The LAO recommends the Legislature adopt the Governor's early action proposal to postpone the ADT target for private nonprofit institutions by one year.

**Staff Recommendation. Hold Open.**



<b>Issue 9: Competitive Cal Grant Awards</b>
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**Panel**

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

**Background**

**State Provides a Limited Number of Competitive Awards.** The state currently authorizes 41,000 new competitive awards annually for students who do not qualify for an entitlement award. CSAC uses a scoring matrix to prioritize among eligible applicants, as shown below. The scoring matrix places greatest weight on measures relating to an applicant's financial need, including their EFC. Applicants also receive points for certain socioeconomic factors and their GPA. Each year, half of the competitive awards are available to students at any segment who apply by March 2, and the other half is reserved for students attending the California Community Colleges (CCC) who apply by September 2.

**CSAC Uses Scoring Matrix to Allocate Competitive Awards**

*Reflects Scoring Matrix Used Since 2018-19*

<b>Component</b>	<b>Maximum Points</b>
Expected family contribution <sup>a</sup>	250
Family income and size	250
Grade point average	100
Dependents <sup>b</sup>	100
High school experience <sup>c</sup>	100
Parents' educational level	100
Family environment <sup>d</sup>	100
<b>Total</b>	<b>1,000<sup>e</sup></b>
<sup>a</sup> Determined by a federal needs calculation. <sup>b</sup> Points awarded to single independent students with children. <sup>c</sup> Points awarded to students who attended schools with high poverty rates, schools with low university-going rates, or continuation schools, as well as students who submit a score on a high school equivalency test. <sup>d</sup> Points awarded to students who are foster youth, orphans, wards of the court, unaccompanied, or at risk of homelessness. <sup>e</sup> In 2020-21, CSAC made initial award offers to students with a minimum score of 609 in the March cycle and 616 in the September cycle.	

**Student Demand for Competitive Awards Far Exceeds Current Supply.** In 2019-20, over 293,000 students were eligible for a new Cal Grant competitive award. Of these students, only 51,000 (17 percent) were offered an award. The number of offered awards exceeds the 41,000 authorized



awards because not every student offered an award eventually receives it. Students offered awards had an average annual income of about \$8,100. The remaining 242,000 students, who were not offered awards, had an average income of \$30,000. Increasing the number of available awards would align with a key objective of Cal Grant modernization efforts—expanding eligibility for low-income students.

2019-20	Paid*	Awards	Eligible Non-recipients	All Applicants
CCC	16,752	41,842	177,201	219,043
UC	1,688	1,019	8,806	9,825
CSU	8,593	5,212	43,340	48,552
Public - Other	10	13	18	31
Non-Profit	1,415	1,121	7,435	8,556
For-Profit	1,193	1,550	5,452	7,002
<b>Total</b>	<b>39,651</b>	<b>50,757</b>	<b>242,252</b>	<b>293,009</b>

\*New – does not include renewal students first paid in 2019-20 who are included in Competitive paid rate.

### **Governor’s Budget Proposal**

The Governor’s budget provides \$35 million ongoing General Fund to add 9,000 new competitive awards, bringing the total number of new competitive awards available each year to 50,000. The proposed funding level consists of two components—\$28 million for base awards and \$7 million to provide supplemental access awards to those recipients who have dependent children.

Because of the competitive award scoring matrix, the newly proposed awards would likely go to students who have a low EFC, are low income, and have other socioeconomic disadvantages. The use of this scoring matrix reflects a systematic way of prioritizing additional aid.

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

The Governor’s budget reflects the cost of providing 9,000 additional new awards in 2021-22. Over the next few years, the larger cohort of new recipients will convert to larger cohorts of renewal recipients. This results in costs that increase over the next four years. Based on CSAC’s estimates, the annual cost of providing 9,000 additional competitive awards would roughly double by 2024-25. This cost increase would contribute to the state’s projected out-year operating deficits. The administration has accounted for this proposal’s out-year effects in its January projections of the state’s operating deficits.

The LAO encourages the Legislature to keep the state’s projected operating deficit in mind as it considers any Cal Grant expansion proposal. If the Legislature were to decide to adopt the proposal to increase the number of new competitive awards, it would want to ensure that other budget adjustments have been made in order to cover the increasing out-year costs. If the funds are available, the LAO thinks this proposal is worth considering because it reflects a systematic approach to allocating additional aid according to student need.

### **Staff Recommendation. Hold Open.**

<b>Issue 10: Supplemental Awards for Foster Youth</b>
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**Panel**

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

**Background**

About 4,000 foster youth receive Cal Grants at CCC, UC and CSU. Over half of these students are enrolled at CCC. Most of them received an award through the high school entitlement program. The majority received Cal Grant B awards, which are designed for lower-income students. This figure excludes about 1,200 foster youth who were eligible for a Cal Grant competitive award but were not offered one due to the limited number of these awards. (Although the competitive award scoring matrix provides foster youth with priority points, demand for these awards far exceeds supply, as discussed in the previous section.) Under current rules, foster youth receive the same Cal Grant award amounts as other Cal Grant recipients.

**Most Foster Youth Receiving Cal Grants Attend CCC  
2019-20**

<b>Segment</b>	<b>Number</b>	<b>Percent</b>
California Community Colleges	2,413	57%
California State University	1,216	29
University of California	326	8
Private nonprofit institutions	184	4
Private for-profit institutions	77	2
Other public institutions	2	—
<b>Totals</b>	<b>4,218</b>	<b>100%</b>
<b>Program Type</b>		
High School Entitlement	2,322	55%
Competitive	1,595	38
Cal Grant C	166	4
Transfer Entitlement	135	3
<b>Totals</b>	<b>4,218</b>	<b>100%</b>
<b>Award Type</b>		
Cal Grant B	3,715	88%
Cal Grant A	337	8
Cal Grant C	166	4
<b>Totals</b>	<b>4,218</b>	<b>100%</b>

The majority of foster youth receiving Cal Grants (93 percent) have zero EFC, reflecting that they have no family resources they can contribute. Many of these students also could have a relatively high cost of

attendance, as they may not have the option of the least expensive living arrangement—at home with family. Despite the existing financial aid and student support programs available for foster youth, these students continue to report elevated rates of basic needs insecurity. For example, in a survey of CCC students, 43 percent of foster youth reported experiencing homelessness in the past year, compared to 18 percent of other respondents. (Because this survey had an overall response rate of 5 percent, respondents might not be representative of the student population.)

**Recent Cal Grant Changes Expanded Eligibility for Foster Youth.** The 2018-19 budget package enacted several changes to Cal Grant B eligibility specifically for current and former foster youth. First, it made foster youth eligible for a high school entitlement award until they are 26 years old, regardless of when they graduated from high school. Second, it extended the deadline to apply for a high school entitlement award from March 2 to September 2 for foster youth attending CCC. For the second round of competitive awards offered annually, all CCC students, including foster youth, must apply by September 2. Third, it increased the time limit for foster youth to receive any Cal Grant B award from four years to eight years of full-time undergraduate study (or the equivalent).

**Other Programs Also Provide Financial Assistance to Foster Youth.** The chart below illustrates financial aid packages for two students who are foster youth. In addition to Cal Grants, both students in this example receive federal Pell Grants, and the student attending CCC receives two state-funded grants for low-income community college students. Both students also receive targeted aid for foster youth through the Chafee Educational and Training Vouchers Program. The Chafee program, which is also administered by CSAC, provides grants of up to \$5,000 each to students who were in foster care between the ages of 16 and 18. The program is supported by \$18 million (\$12 million federal funds and \$6 million state General Fund) that flows through the California Department of Social Services. About 4,200 students—including roughly half of Cal Grant recipients who are foster youth—receive a Chafee grant each year. In addition to traditional financial aid, many campuses also have broader student support programs for foster youth that include financial support. For example, the state provides \$20 million ongoing Proposition 98 General Fund for NextUp, a program at 45 community colleges that provides book and supply grants, academic counseling, tutoring, and other support to foster youth.

### Foster Youth May Receive Financial Aid From Multiple Programs

*Illustrative Financial Aid Packages for a Foster Youth in Sophomore Year Enrolled Full Time<sup>a</sup>*

	CCC Student	CSU Student
<b>Cost of Attendance</b>	<b>\$25,000</b>	<b>\$30,000</b>
<b>Financial Aid</b>		
Pell Grant	\$6,345	\$6,345
Chafee Grant	5,000	5,000
Student Success Completion Grant <sup>b</sup>	4,000	—
Cal Grant B	1,648	7,390
California College Promise Grant	1,380	—
<b>Totals</b>	<b>\$18,373</b>	<b>\$18,735</b>
<b>Net Cost for Student</b>	<b>\$6,627</b>	<b>\$11,265</b>
<sup>a</sup> Package reflects maximum award amounts for major state and federal grant programs. Some students may also receive financial aid from other sources, such as institutional grants, scholarships, and loans.		

<sup>b</sup>Available to CCC students receiving Cal Grant B who enroll full time. Award amount reflects aid for students enrolled in 15 units per semester.

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

The Governor proposes to increase the Cal Grant Access Award for foster youth. The amount of supplemental aid would depend on the student's award type. Specifically, the maximum access award would increase from \$0 to \$6,000 for Cal Grant A recipients, from \$1,648 to \$6,000 for Cal Grant B recipients, and from \$1,094 to \$4,000 for Cal Grant C recipients.

Foster youth attending private colleges would not qualify for these supplemental awards, nor would foster youth who are eligible for but not receiving a competitive award. In all of these aspects, the Governor's proposal mirrors the supplemental award for students with dependent children that was created in the 2019-20 budget package. The Governor's budget provides \$20 million ongoing for the foster youth program in 2021-22, with the intent to provide the full award amounts for all eligible students. The associated trailer bill language limits funding for this program in the future to \$40 million annually, with award amounts prorated downward for new recipients if funding is insufficient in any given year.

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

Although the Governor's proposal has potential benefits, it adds another type of award to the Cal Grant program. The Governor took a similar approach in 2019-20 in proposing supplemental awards for students with dependent children. To date, the Governor's approach to expanding the Cal Grant program has relied on creating supplemental awards for specific student groups. These supplemental awards have their own eligibility rules, some of which might be considered arbitrary. Such an approach works counter to recent legislative interest in simplifying the program. Were the Legislature to want to expand access awards, it could explore other ways of doing so that might simplify rather than complicate the existing structure of the Cal Grant program.

**Certain Constraints Prevent More Systematic Expansion of Access Awards.** An alternative to creating supplemental access awards for specific student groups is expanding access awards based on EFC. In addition to potentially adding less complexity to the Cal Grant system, this approach could also be more systematic. By expanding award amounts first to students with the lowest EFC, the state would be ensuring that it is prioritizing additional aid resources according to need. For now, however, this option is impractical due to methodological issues and fiscal constraints. In 2019-20, 228,000 Cal Grant recipients (59 percent of all recipients) had the lowest possible EFC of zero. The cost of providing each of these recipients with access awards of up to \$6,000 could be in the high hundreds of millions of dollars annually—substantially more than the Governor's proposed \$20 million. Alternatively, allocating the proposed \$20 million across all of these students would increase the access award for each student by an average of \$90—an amount unlikely to notably impact affordability or outcomes.

**Forthcoming Federal Changes Will Help State Prioritize Students for Aid.** The federal Consolidated Appropriations Act, 2021, makes changes to the financial aid system that will soon improve the state's ability to identify the highest-need students. The new system, which is scheduled to take effect in 2023-24, replaces the EFC with a new measure called the Student Aid Index (SAI). The SAI will allow for greater differentiation among students with high need, making prioritization

logistically easier. Whereas many students have the lowest possible EFC of zero, fewer students will be grouped at the lowest possible SAI. This will open up the possibility of expanding access awards to students with the lowest SAI, rather than creating supplemental awards for specific student groups.

**Consider Proposal, Funds Permitting.** As with the Governor's proposal to increase the number of new competitive awards, the LAO encourages the Legislature to keep the state's projected operating deficit in mind as it considers whether to provide supplemental access awards for foster youth. Compared to the competitive award proposal, this proposal has the fiscal advantage of having relatively flat costs in the out-years. Some out-year cost increases are still possible, particularly if there is an increase in the number of foster youth receiving Cal Grants. If the Legislature were to give high budget priority to Cal Grant expansion, the LAO thinks that expanding award amounts for foster youth is a reasonable way to target additional aid in the near term. In the longer term, the LAO believes the new federal SAI could provide the state with a more systematic way to target additional aid to the highest-need students without having to create supplemental awards for specific student groups. Should the Legislature wish to take a more systematic approach, it could consider working with CSAC and the administration over the next few years to develop a plan including cost estimates and phase-in options for expanding award amounts based on SAI.

**Staff Recommendation. Hold Open.**

**Issue 11: Grant Delivery System Modernization Project – Maintenance and Operations Final Phase****Panel**

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

**Background**

CSAC processes an estimated 1.5-2 million applications and appropriates over \$2.5 billion of state-funded student aid for several grant and specialized programs, including the Cal Grant, the Middle Class Scholarship (MCS), and the Chafee Grant for Foster Youth Program, as well as administering the California Dream Act Application (CADAA) and several other programs mandated by statute and administered via the current Grant Delivery System (GDS). As CSAC program mandates have dramatically expanded and changed over time, GDS's antiquated technology can no longer effectively support the required changes and meet processing demands. This has led to the implementation of error-prone manual and temporary short-term processes to meet the growing, complex business needs of external and internal CSAC financial aid users.

The current GDS is a 30 year system that no longer meets the business needs of CSAC due to lack of usability, capacity, performance and capabilities. Additionally, GDS is unavailable during certain batch processes for between 14 to 24 hours per week, and during this time, users could not provide new information or make any changes to existing information. Due to outdated technology, each financial aid program had multiple disjointed and disparate systems, maintained separately, required students, campus administrators and Commission staff to log into different applications. Policy changes and the implementation of new financial aid programs had created difficulties and inefficiencies in changing GDS to meet new expectations, requiring numerous work-around and manual processes.

In 2018, to address the GDS technology, the Grant Delivery System Modernization was proposed and approved by the California Department of Technology. The state provided \$5.5 million General Fund the first year of the project in 2018-19 and \$6.2 million for the second year of the project in 2019-20. In December 2019, the project completed its first major release of the interface for students to manage their financial aid applications and awards. The 2020-21 budget provided \$5.3 million to complete the project and to support the initial costs of the maintenance and operation phase, which will begin upon project completion in November 2020. CSAC is in the final stretch for delivering the GDMS project that provides an easily accessible, one-stop shop for applying and managing the Grant application and funding process.

The modernization effort has six key/core components of which four have been implemented and two are scheduled for launch in this fiscal year.:

- The Modernized Technology Component Implementation (pre-requisite to all GDMS products) - Done
- Web Grants for Students -Done, Launched December 2019, serves 100,000's of California Grant Applicants
- Web Grants for California National Guard -Done, Launched June, 2020



- Web Grants for Foster Youth (Chafee) -Done, Launched February, 2020
- Web Grants for Institutions -70 percent complete, planned launch April, 2021
- Web Grants for Dreamers (CADAA) -70 percent complete, planned launch May, 2021

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

The Governor's budget proposes \$1.78 million in General Fund one-time for 2021-22, and \$719,000 for 2022-23 and ongoing for the Maintenance and Operations (M&O) phase of the GDSM project. This request includes one-time funding for specified vendor(s) to complete the final stage of M&O and ongoing funding for operations (hardware and software) to deliver the final phase of the GDSM project.

Full development of the GDSM infrastructure platform is anticipated to be completed by November 30, 2020, at which time the legacy, Grant Delivery System (GDS) will be retired. This will greatly enhance CSAC's Cal Grant Delivery system reliability, security and functionality. The final step is implementation of M&O phase of the work. This is a critical phase that continues testing and integrates new businesses enhancements to CSAC's grant delivery system. Funding for the M&O activities include, but are not limited to, the following:

<b>Role</b>	<b>2021-2022</b>
Consultants (one time, as per Financial Analysis Worksheet (FAW))	\$1,066,000
Hardware/Cloud Servers (recurring as per FAW)	\$307,000
Software Licenses (recurring as per FAW)	\$312,000
IVR (recurring as per FAW)	\$100,000
<b>Total</b>	<b>\$1,785,000</b>

### **Staff Comments**

CSAC notes that so far, the application and database ability has improved for students and segments. The modernized system is more secure and uses a single sign-on/Identity Management system to control access. Students are no longer restricted to using a single proprietary web browser (Internet Explorer) to access the system. They can use an array of browsers, tablets, and mobile devices. The interface provides easy to understand detail about Cal Grant status including a "to-do" list to help guide students through the process. Segments will be consuming GDSM Web Grants when it launches in April, 2021.

According the Department of Technology independent project oversight report rating, the project is within its overall budgeted allocation for development, maintenance, and operations, however it has experienced delays in implementation from the planned November 2020 planned launch date to April 2021. CSAC notes that this delay was due to longer testing of the Web Grants for Institutions phase of the project. As a result of the delay, CSAC submitted a Special Project Report to the CDT. This report revises the project plan. Staff notes that CSAC submitted the report to CDT in January, and will be available to the Legislature in the Spring.

The subcommittee may wish to ask:

- CSAC: Will the project delay impact the costs of the project?

### **Staff Recommendation. Hold Open.**

**Issue 12: Cal Grant Reform Update (Informational)****Panel**

- Marlene Garcia, Executive Director, California Student Aid Commission
- Jake Brymner, California Student Aid Commission

**Background**

In March of 2020, CSAC released a report *Cal Grant Modernization: A Vision for the Future*, which proposed to reform the Cal Grant program. The report recommended to consolidate Cal Grant A, B, and C awards and the High School Entitlement, Transfer Entitlement, and Competitive Cal Grant into a two-part entitlement program:

- **Cal Grant/2:** expands grant aid to CCC students by guaranteeing access grants of up to \$6,000 for low income students who meet the specified requirements. Under current law, the Cal Grant B provides an access grant of \$1,648 to UC, CSU, and CCC students. Current law also provides students with dependent children receive up to \$6,000 in living assistance grants total.
- **Cal Grant/4:** provides 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 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.

In addition, the proposals would eliminate various eligibility requirements under current law.

- Eliminates GPA requirement for students attending community colleges, and streamline GPA verification requirements for students attending four-year institutions to a 2.0 GPA.
- Eliminates California's 'income and asset' standards to determine level of need and instead base financial need on the federal formula for Expected Family Contribution (EFC). The program will be limited to students with zero EFC.
- Eliminate the age 26 cap and time out of high school restrictions that currently prevent older students from accessing entitlement awards.
- Provide tuition or fee awards to all eligible students regardless of grade level by eliminating the gap in first- year tuition coverage for Cal Grant B recipients.

Based on the March 2020 proposal, CSAC estimated the new net cost of implementing this proposal was \$1.1 billion General Fund.

In January 2021, CSAC heard a modified Cal Grant Modernization proposal, with a goal of being cost neutral. Under the new proposal, CSAC made the following changes:

- **CalGrant/2:** Reduces the CalGrant/2 award from the proposed \$6,000 to \$1,250.



- **CalGrant/4:** Guarantees tuition fee award to students with an EFC equal or less than \$5,576 (the Pell Grant cutoff) for students attending an eligible four-year institution. The median household income of a Pell Grant-eligible student is approximately \$59,000 per year.
  - For students attending an eligible non-profit institution, the maximum Cal Grant would cover a fixed amount of the student's tuition costs, as determined in the annual State Budget Act (currently \$9,084).
  - Cal Grant tuition awards at for-profit institutions would remain unchanged from current levels.
  - Institutional aid would be expected to help \$0 EFC students cover their basic needs.
- **Students with Dependent Children:** Only students with a zero EFC are eligible for an award. The proposal would also reduce the award amount from up to \$6,000 to \$2,800.
- **The Middle-Class Scholarship** will continue to award a percentage of tuition to students at the UC and CSU who do not receive a Cal Grant 4 award. CSAC would convert MCS to an EFC-based eligibility award rather an income and asset award. The proposal would also eliminate MCS as a "last dollar award."

Included earlier in the agenda is a description of current eligibility requirements for the Cal Grant program. Existing law specifies the current income ceiling for a Cal Grant A and C is \$99,200 to \$127,700 depending on family size. Additionally, the income ceiling for a Cal Grant B is \$46,300 to \$70,100 depending on family size. CSAC notes that the average income of a zero EFC household is \$14,337, the average income of a 100 percent EFC (\$5,576) household or Pell Grant cut of household is \$57,516.

The subcommittee may wish to ask:

- CSAC: How would this proposal help college affordability for students?
- CSAC: Will there be any students that are currently eligible for Cal Grant awards that would no longer be eligible under the new proposal?
- CSAC: The Cal Grant/4 proposal shifts the responsibilities of providing the access award from the state to the institutions. How much institutional aid do the segments have, and how will this be implemented or enforced?
- CSAC: The federal Consolidated Appropriations Act, 2021, makes changes to the financial aid system, which replaces the EFC with a new measure called the Student Aid Index (SAI). How will this impact CSAC's proposal?
- DOF: What is the Administration's position on CSAC's proposal?

**Staff Recommendation. None, this is an informational item.**

**Issue 13: Philanthropic Funds and Donations****Panel**

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

**Background**

CSAC notes that they currently do not have the authority to receive direct philanthropic contributions. Instead, CSAC creates partnerships and relationships with other entities that can directly receive the funds. For example, CSAC partnered with Mathematica to conduct the 2018-19 Student Expenses and Resources Survey (SEARS), which was funded by the College Futures Foundation. In this instance, College Futures provided funds directly to Mathematica. A similar approach was utilized when CSAC partnered with the UC Davis California Education Lab to conduct a May 2020 survey on student experiences during the COVID-19 pandemic. More recently, the College Future Foundations awarded the Foundation for California Community Colleges with \$750,000 for a two-year grant for projects that will be jointly led by the Foundation for California Community Colleges and CSAC.

CSAC believes that the current process of working with other entities is not transparent and limits the scope of the type of work CSAC can do. For example, CSAC notes that these agreements with the funding organizations, such as the Foundation for Community Colleges, or the UC Davis California Education Lab, is limited to the extent of the partner organization's priorities and scope, and how the funding organization structures the grant.

**Governor's Budget Proposal**

The Governor proposes trailer bill language to authorize the commission to receive bequests, grants and philanthropic funds, subject to the conditions set by the Executive Director of CSAC and approval by the Department of Finance.

**Staff Comments**

As noted above, CSAC has been able to conduct some research and policy development work with donations to partner organizations. Under this proposal, CSAC will be able to directly receive the funds and determine the specified uses. As currently proposed, the trailer bill does not specify how funds will be used. However, CSAC notes that they would use the external funding to support continued policy research and development efforts. In addition, CSAC is also considering using resources to develop a marketing plan and targeted communications materials to promote various programs, such as the College Access Tax Credit. CSAC notes that the current framework does not provide transparency. As currently structured, the trailer bill language does not provide oversight from the Legislature or the public information on sources of donations or intended uses. The subcommittee may wish to consider additional clarity or accountability measures.

**The subcommittee may wish to ask:**

- CSAC/DOF: Who will be conducting the activities such as outreach, research, and policy development with the donations? Will this be state employees conducting this work?

**Staff Recommendation. Hold Open.**