

SUBCOMMITTEE NO. 1

Agenda

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



Monday, March 1, 2021
9:00 a.m.
State Capitol - Room 3191

Consultants: Anita Lee and Elisa Wynne

Items for Discussion

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Public Comment

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6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**Issue 1: Cradle to Career Data System****Panel:**

- Kathy Booth, WestEd
- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

Background

The 2019 Budget agreement included the California Cradle-to-Career Data System Act in 2019 to guide the planning for, and development of, a longitudinal data system. The project has been overseen by the Office of Planning and Research, which contracted with WestEd, an education consulting company, to undertake the outreach and planning efforts. Since enactment, over a dozen state agencies, numerous data experts, and a wide range of stakeholders have engaged in an intensive and collaborative planning process involving over 50 public meetings. The agencies and organizations represented on the workgroup are as follows:

- The California Department of Education.
- The Office of the Chancellor of the California Community Colleges.
- The University of California.
- The California State University.
- The Commission on Teacher Credentialing.
- The Student Aid Commission.
- The Employment Development Department.
- The Labor and Workforce Development Agency.
- The California Health and Human Services Agency.
- The State Department of Social Services.
- The Department of Technology.
- The Bureau for Private Postsecondary Education.
- The Association of Independent California Colleges and Universities.
- The California School Information Services.

The process resulted in consensus regarding a series of concrete plans and proposals to connect information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies.

The 2019-20 statute provided \$10 million in General Fund for the planning and initial implementation of the Cradle to Career Data System, available for expenditure through the 2021-22 fiscal year. Of the total, statute allocated roughly \$4 million to the Office of Planning and Research and appropriate state agencies and provided for the remaining funds to be available for the Office of Planning and Research with the approval of an expenditure plan by the Department of Finance and notification to the Joint

Legislative Budget Committee pursuant to required reports on the structure and governance of the data system and issues of data management.

Initial Planning and Implementation. The *Cradle to Career Data System First Legislative Report*, released in December of 2020, details the preliminary planning that has come out of the workgroup meetings thus far, as described below.

The workgroup recommends a five-year timeframe for building out the data system—referred to as phase one. Initially, the system would link existing K–12, public postsecondary, employment, and financial aid data, expanding to include teacher credentialing, early learning and care, private and independent colleges, workforce training programs, and health and social services by the end of phase one.

The strategic objectives for phase one are:

- Develop the architecture for linking records across agencies and creating intersegmental data sets.
- Provide public-facing data visualizations, query tools, and a research library that provide actionable information on education, social services, employment patterns, and equity gaps in opportunities and outcomes.
- Provide interagency data sets that enable research on factors that help Californians meet critical education milestones, evaluate the long-term impact of state-funded programs, and identify strategies for closing equity gaps.
- Provide resources, training, and technical assistance that build data literacy among policymakers, practitioners, and the public.
- Provide college and career planning tools, college-readiness monitoring, electronic transcripts, and confirmation of eligibility for financial aid and student supports.
- Lead efforts to ensure the reliability of data contributed by the partner entities.

Information from each data provider would be stored in the cloud in a secure repository. The core data set used for the dashboards and query builder would be kept in a centralized database, and other information would be linked for approved purposes. Data uploads would occur once per year and privacy measures would be used to protect individuals. Other information for operational tools, such as student planning tools and electronic transcripts, would be updated more frequently as needed to make the tools functional.

The Cradle-to-Career Data System would be governed by a board made up of representatives of state agencies and stakeholders who use the information. Two-thirds of the governing board's seats would be apportioned to entities providing data, and one-third to stakeholders appointed by the Governor and Legislature. The managing entity, would be a new program within the state's Government Operations Agency (GovOps). GovOps would provide the services and technical expertise necessary for the data system for the first five years, after which the managing entity structure would be reassessed by the governing board. The managing entity would be responsible for implementing the data system.

Timeline and Costs:

The workgroup recommends investing in a proof-of-concept in the first half of 2021, followed by a five-year implementation process to reduce the cost of building and maintaining the system. The estimated

budget for the proof-of-concept and year one (fiscal year 2021–22) deliverables is between \$15 million and \$20 million.

- Proof-of-concept deliverables: Produce a proof-of-concept dashboard, expand access to college planning tools in low-income regions, upgrade K–12 data infrastructure for college eligibility, electronic transcripts, and application tools.
- Year one deliverables: Establish governance and staff, secure technology solutions, create initial analytical data set (focused primarily on K–12, public postsecondary, financial aid, and employment information), release summaries of student and employment outcomes, design dashboards and query builder interface.
- Year two deliverables: Launch the dashboards and query builder, train the public on using data tools, commence fulfilling data requests, expand analytical data set (teacher credentialing), expand access to college planning tools, upgrade electronic transcript infrastructure for competency-based education and social service eligibility tools.
- Year three deliverables: Expand analytical data set (independent and out-of-state colleges), provide electronic transcripts for all public colleges, expand access to college planning tools.
- Year four deliverables: Expand analytical data set (private colleges and early learning and care), provide electronic transcripts for all private and independent colleges, expand content of college planning tools.
- Year five deliverables: Expand analytical data set (social service, health, and workforce information), finish scaling college planning and electronic transcript tools, plan for phase two.

The Office of Planning and Research plans to release the second statutorily required progress report by April 1, 2021.

California College Guidance Initiative (CCGI). CCGI supports 6th –12th grade students and their families as they prepare for college. As of the 2020-21 budget act, \$3.5 million in ongoing Proposition 98 funding is provided for the initiative, CSU provides approximately \$250,000, and CCGI collects district fees for some services and pursues philanthropy to support the project with a total budget of approximately \$7 million. CCGI uses technology planning tools that link academic data between K-12 districts and higher education for the purpose of student admission, placement, guidance, and educational planning. CCGI manages the website, CaliforniaColleges.edu, which allows all California students to: (1) explore career interests, (2) explore majors and programs of study, (3) develop a college financing plan, and (4) choose the high school courses needed to meet college eligibility requirements. In addition, CCGI partner districts pay extra fees to receive personalized services. For participating districts, CCGI articulates with application platforms for the CCC and CSU, and enables students to launch applications from an account that is tied to their K-12 Statewide Student Identifier. Housed at the Foundation of California Community Colleges, CCGI was launched in 2013 in a handful of school districts, and currently supports nearly 100 districts that serve more than 669,000 California 6th-12th grade students.

Governor’s Budget Proposal:

To support the continued development of the Cradle-to-Career Data System, the Governor's budget proposes \$15 million General Fund, of which \$3 million is one-time, to establish an office within the Government Operations Agency to provide support and resources for:

- The acquisition, development, and maintenance of the system's analytical tools, including data storage and querying functions;
- The administration and maintenance of the data system;
- Updating the K-12 California Longitudinal Pupil Achievement Data System (CalPADS) data system software to facilitate smoother system compatibility;
- Expanding eTranscript functionality to additional colleges and universities;
- The hiring of management level data system coordinators at the University of California, California State University, California Student Aid Commission, and California Community Colleges Chancellor's Office; and Governance and operational costs.

Trailer bill legislation would specify that housing of the new office at the Government Operations Agency would be in effect until July 1, 2026 or a later date, as approved by the Governing Board, pending a review of the appropriateness of the placement and enact recommendations from the first report to the Legislature.

Additionally, the Budget provides \$3.8 million ongoing Proposition 98 General Fund to support the California Career Guidance Initiative (CCGI). CCGI provides an interface for student data between high schools, students, and families that will be integrated into the Cradle-to-Career Data System

Current Year Budget Request:

Staff notes that in addition to the proposals in the January Budget, the Administration recently notified the Legislature through the Joint Legislative Budget Committee of the expenditure plan for the remaining 2019-20 funds, as required by trailer bill legislation. Approximately \$6 million one-time General Fund remains available to support system development and the request from Office of Planning and Research, as approved by the Department of Finance would release these funds to support the initial development phase of the Cradle-to-Career Data System.

The Department of Finance asserts that the request is consistent with the recommendations reflected in the Cradle-to-Career Data System Workgroup's required report that was submitted to the Legislature in December of 2020. The expenditure plan reflects the following three core one-time General Fund expenditures in support of the system's development:

- \$1.8 million to support partial year administrative startup costs. These funds would be used to hire a project start-up and data workgroup administrative transition team, which would include hiring a retired annuitant, Project Director and technology contracts manager.
- \$2.6 million to support a "proof of concept" pilot project and one-time technology costs. These funds would be used to support a "proof of concept" pilot project between the California Commission on Teacher Credentialing, the California Department of Education, and the California State University to test the transfer of data between the participating entities. In addition, these funds would support one-time technology and software acquisition costs.

- \$1.6 million to regionally scale the California College Guidance Initiative (CCGI) in the Central Valley and Inland Empire, and to begin California Longitudinal Pupil Achievement Data System (CALPADS) data integration. As part of the mandated report to the Legislature from the Cradle-to-Career Data System Workgroup, the Workgroup recommended the statewide scaling of the CCGI to support having a single program serve as the statewide “operational tool” for college guidance and transition. These funds would enable CCGI to expand its program to Central Valley and Inland Empire school districts and support these districts in assessing University of California and California State University college readiness for individual students, streamline the college application process, and align CCGI to improve data integration with postsecondary education. It would additionally provide the California Department of Education with the capacity needed to bring CALPADS data submissions into alignment with the needs of the Cradle-to-Career data system, and develop a technological integration between CALPADS and CCGI.

The Joint Legislative Budget Committee has asked the Administration for an extension of the review window for this request to April 15, 2021 to allow time to review the second statutorily required progress report, anticipated to be submitted by April 1, 2021.

Suggested Questions:

- The Governor’s budget includes a \$12 million ongoing investment in the data system. Is it anticipated that this amount will change during implementation of phase one?
- With the additional one-time and ongoing funding for CCGI, at what point would tools for student college eligibility be available statewide?
- How does the current year budget request that is under review by the Joint Legislative Budget Committee integrate with and support the Governor’s Budget proposal?

Staff Recommendation. Hold Open.

6440 UNIVERSITY OF CALIFORNIA

The University of California (UC) provides instruction in undergraduate, graduate professional, and graduate academic programs through the doctoral degree level; research; continuing education for adult learners; and public service.

UC was founded in 1868 as a public, state-supported land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by the Regents of the University of California. The Board of Regents includes the following 26 members: 7 ex officio members, 18 members appointed by the Governor with the approval of the Senate for 12-year terms, and 1 student appointed by the Board. The Governor is President of the Regents.

The 1960 Master Plan for Higher Education designates UC as the primary state-supported academic agency for research. In addition, the university serves students at all levels of higher education in California and is the public segment primarily responsible for awarding the doctorate and several professional degrees, including in medicine and law.

There are ten UC campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of these are general campuses that offer undergraduate, graduate, and professional education. The San Francisco campus is devoted exclusively to the health sciences. The university operates five teaching hospitals and administers more than 800 research centers, institutes, laboratories, and programs. It also oversees one United States Department of Energy laboratory and partners with private industry to manage two other Department of Energy laboratories.

The Regents appoint a university president, who is typically responsible for overall policy development, planning, and resource allocation. The ten UC chancellors are responsible for management of the individual campuses. The Regents have delegated authority to the Academic Senate, including responsibility for policies on admissions and academic programs.

3-YEAR EXPENDITURES AND POSITIONS †

	Positions			Expenditures		
	2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5440 Support	113,549.3	115,415.5	115,415.5	\$40,426,849	\$41,631,227	\$45,473,739
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	113,549.3	115,415.5	115,415.5	\$40,426,849	\$41,631,227	\$45,473,739

Governor's UC Budget Proposals
2021-22 (In Millions)

Proposals	Amount
Ongoing Proposals	
Base increase (3 percent)	\$104
Retirement benefits ^a	—
Student mental health and technology	15
Student Basic Needs Initiative	—
Programs in Medical Education (PRIME)	13
Other	4
Subtotals	(\$136)
One-Time Initiatives	
Deferred maintenance	\$175
Emergency student financial aid	15
California Institutes for Science and Innovation	20
Faculty professional development	5
Other	10
Subtotals	(\$225)
Totals	\$361

Issue 2: Base Budget Increase

Panel:

- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

Base Budget. Since 2013, following the Great Recession the state has provided UC annual base increases. However, in 2020, the impact of the COVID-19 pandemic and the associated economic downturn led the state to reduce state support at UC. While the 2020 budget provided a five percent base increase of \$169.2 million General Fund ongoing to UC, the budget also included a \$471.6 million reduction, this resulted in a net reduction of \$302.4 million ongoing or 8.1 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 UC 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.

Base Support Reduced
General Fund Reductions From 2019-20 Ongoing Levels

	Amount	Percent
UC	\$302.4	8.1%
Campuses	259.2	7.7
Office of the President	27.3	12.7
Agriculture and Natural Resources	9.2	12.7
UCPath ^a	6.7	12.7
^a General Fund reduction was offset by a \$31.5 million increase in campus assessments. Overall support for UCPath increased \$24.8 million (37 percent).		

The 2020 budget also requires UC 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 UC'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. On October 30, 2020, the UC submitted the report to the Legislature, and noted that the campuses received a uniform reduction from what would otherwise be the campuses 2020-21 base General Fund appropriation. The percentage cut for Merced (3.6 percent) is smaller in recognition of its projected growth and its high reliance on State General Funds relative to other core funds. President Napolitano provided guidance to campuses on how they should implement the budget reductions. Specifically, the Chancellors were directed to take the following considerations into account:

(1) limit potential impact on vulnerable student populations, (2) mitigate cuts to faculty, staff and students – Chancellor’s were asked to consider approaches such as strategic use of reserves, reduce or eliminate other expenses such as non-essential travel, or voluntary furloughs or salary reductions.

UC utilized a number of one-time sources to temporarily support the funding drop for 2020-21, including the use of designated balances and reserves, the federal CARES Act funding (described below), a slowdown in hiring, forgoing general salary increases for employee groups and a halt on travel. The UC Office of the President reports that UC campuses plan to draw down as much as \$174 million or about 65 percent of its estimated uncommitted core reserves at the end of 2018-19, the most recent year of information available.

Federal Assistance. The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided UC approximately \$260 million. UC also received \$7.4 million for campuses designated as minority serving institutions. Institutions are required to spend at least half of these funds on student financial aid. Students, in turn, could use their financial aid grants for expenses related to campus disruptions resulting from COVID-19. The remainder was available for institutional expenses associated with changes in instructional delivery due to the pandemic. Qualifying institutional expenses ranged from paying for technology and faculty professional development to providing student refunds for housing and dining programs as campuses shifted to remote operations.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed on December 27, 2020, will provide UC campuses approximately \$391 million from the CRRSAA, of which \$130 million must be spent on student aid.

CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. Whereas the CARES Act specified that institutional relief was for expenses related to changes in instructional delivery due to COVID-19, CRRSAA allows institutions to use their funds for expenses and lost revenues associated with COVID-19, as well as certain student support activities.

Lastly, CRRSAA also provides California with \$341 million for the Governor’s Emergency Education Relief Fund, initially created under the CARES Act. Of this amount, \$187 million is reserved for assistance to private K-12 schools. California has discretion to spend the remaining \$154 million on emergency grants to elementary and secondary schools, higher education institutions, or other education-related entities. Under the CARES Act, the state chose to allocate all of its Governor’s Emergency Education Relief funds for elementary and secondary education. The Administration has not yet indicated whether it intends to allocate any of the new Governor’s Emergency Education Relief funds for higher education.

Recently, the House passed the American Rescue Plan, House Resolution 1319, which would expand the HEERF with \$35 billion to public higher institutions, historically black colleges and universities and other minority serving institutions, and \$5 billion to a Governor’s fund to be used for either education or PreK-12. The bill specifies that colleges must use no less than 50 percent of funds to provide emergency financial aid.

UC Enrollment Update. Deviating from the state’s recent practice, the 2020-21 budget did not include UC enrollment targets for either the 2020-21 or 2021-22 academic years. Though UC did not face any new enrollment expectations in the 2020-21 budget, the 2019-20 budget provided UC funding to enroll 4,860 more resident undergraduate students in 2020-21 over the level in 2018-19. UC reports that it has met the 2020-21 target. Overall enrollment at UC has increased in the fall of 2020. In addition to the fall-to-fall growth, UC experienced a notable increase in enrollment during the summer 2020 term. After factoring in this summer growth, UC anticipates exceeding its 4,860 student growth target for 2020-21. UC notes that for the fall of 2021, UC has received its highest number of undergraduate applications with approximately 250,000 applications received.

UC Enrollment Trends for New and Continuing Resident Enrollment
Fall Resident Headcount

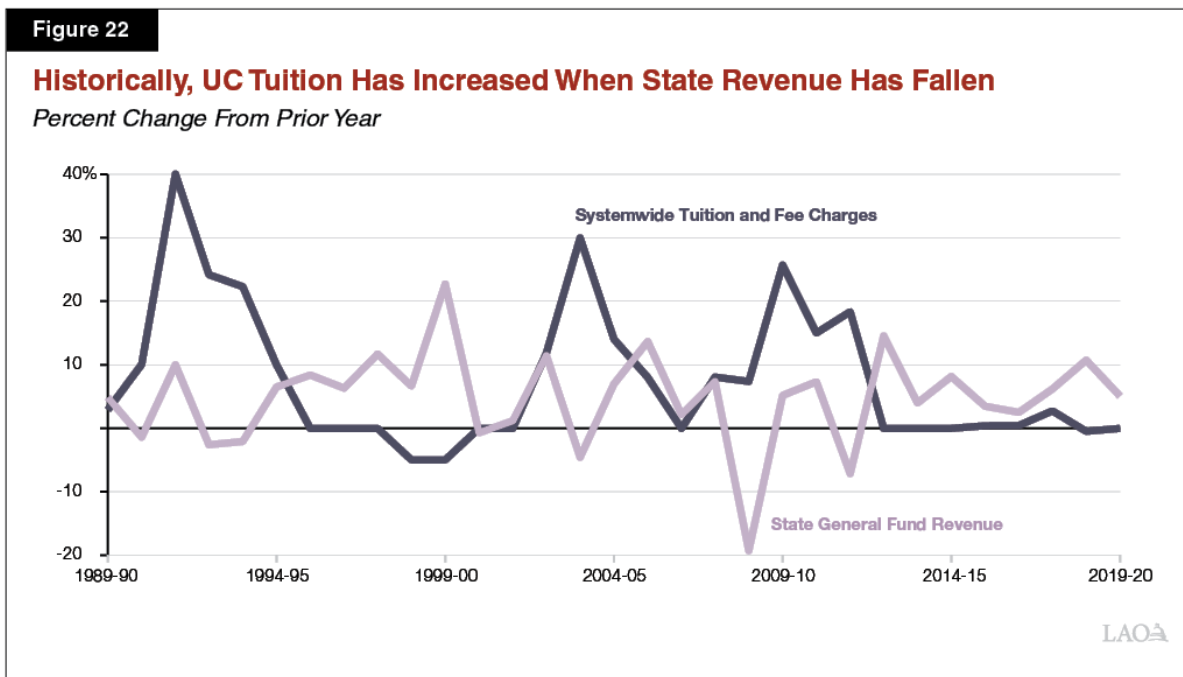
UC	2018	2019	2020	Change From 2019 Amount	Change From 2019 Percent
Undergraduate					
New	54,910	54,326	56,918	2,592	4.8%
Continuing	128,035	131,340	130,528	-812	-0.6
Subtotals	(182,945)	(185,666)	(187,446)	(1,780)	(1.0%)
Graduate					
New	6,760	6,885	6,783	-102	-1.5%
Continuing	24,263	24,495	24,527	32	0.1
Subtotals	(31,023)	(31,380)	(31,310)	(-70)	(-0.2%)
Totals^a	213,968	217,046	218,756	1,710	0.8%
^a Excludes postbaccalaureate enrollment, for which new and continuing breakouts are not available. In fall 2020, UC enrolled a total of 134 resident postbaccalaureate students—10 fewer students than in fall 2019.					

Nonresident Enrollment. The 2016 budget act required the UC Regents to adopt a policy limiting the number of undergraduate nonresident students as a condition of receiving enrollment funding for California residents. In 2017, the UC adopted a policy to cap nonresident enrollment at five UC campuses at 18 percent. At UC Berkeley, UC Irvine, UCLA and UC San Diego, nonresident enrollment was capped at the proportion that each campus enrolled in 2017-18.

Of the approximately 285,100 students UC served in fall 2019, 58,700 (21 percent) were nonresidents. New nonresident undergraduate enrollment in fall of 2020 dropped by 7.2 percent and new nonresident graduate enrollment dropped by 18 percent. The UC estimates that this decline in enrollment will result in a decrease of \$38 million in nonresident tuition revenue.

UC Transfer. In order for UC to meet minimum transfer requirements, students must: (1) complete a seven course pattern in English courses, math, and two other courses in either arts and humanities, social and behavioral sciences, or physical and biological sciences, (2) have at least a GPA of 2.4, (3) complete at least 60 semester units, and (4) complete required/ recommended courses needed for the intended major. This minimum requirement does not guarantee admission to the campus or major of choice. Each campus and major may have additional admission requirements. In addition to the minimum requirements, the UC has also implemented Transfer Pathways to help provide a set of courses that students need to prepare for particular majors. So far, UC has specified transfer pathways for 20 majors. In addition, UC has the Transfer Admission Guarantee (TAG), which guarantees transfer admission to a major at one of six campuses (Davis, Irvine, Merced, Riverside, Santa Barbara, and Santa Cruz). Each campus has their own TAG requirements, which can differ by major, and a student can only apply to one TAG. For some colleges, the major is not guaranteed as a part of TAG. The myriad of transfer requirements for students can often be difficult to navigate for students.

UC Tuition. UC tuition revenue comprises the less than half of UC core funding. Historically, when state revenue has grown, tuition levels have been held flat. When state revenue has slowed or dropped, tuition levels increased. For 2020-21, UC’s undergraduate resident systemwide tuition and fees are \$12,570, and nonresidents pay an additional \$29,754 for a total of \$42,324 (this is known as the nonresident supplemental tuition). In addition to these systemwide fees, campus also charge campus-based fees, which vary depending on the campus. The LAO display below shows tuition trends.



At UC, about half of all undergraduate resident students are identified as financially needy and receive enough aid to cover tuition costs. The state’s Middle Class Scholarship program helps middle-income students with up to 40 percent of their tuition costs. Another five percent of undergraduate resident students benefit from this program. As a result of these aid programs, students from higher income families are the most affected by tuition increases at UC.

Graduation Rates. In 2018, the UC Board of Regents have expressed concern over student achievement gaps and developed multiyear plans to eliminate them by 2030, this was called the

Framework of 2030. The cost of the framework plan was estimated at \$260 million (\$240 million for graduation gaps and \$20 million for the Student Academic Preparation and Education Partnerships (SAPEP).

UC Gaps in Graduation Rates

Rates for First-Time, Full-Time Freshman

(Four Year data is for entering 2015 cohort, and six year data is for entering 2013 cohort)

	Four Year	Six Year
Race/Ethnicity		
White	73%	87%
Asian/Pacific Islander	76	89
Latino	58	79
Black	54	77
Gender		
Female	74%	88%
Male	64	83
Financial Status		
Not a Pell Grant recipient	74%	87%
Pell Grant recipient	63	83

For the 2014 cohort, the four-year graduation rate was 67.9 percent, and the two-year graduation rate from transfers was 57 percent in 2016. The 2030 goals for the system are to increase the four-year graduation rate to 76 percent and to increase the two-year graduation rate to 70 percent. The UC's goal is to also increase Pell Grant and underrepresented student groups graduation rates by 15 percent and 21 percent respectively.

In addition, each college has campus specific goals as well. For example, Santa Cruz's goal is to increase four-year graduation rate from 53 percent to 70 percent, and to increase Pell Grant students four-year graduation rate from 48 percent to 70 percent. For UC Irvine, their goal is to increase the four-year graduation rate from 70 percent to 74 percent, and for Pell grant students to increase the four-year graduation rate from 68 percent to 74 percent.

Governor's Budget Proposal

The Governor proposes an increase of \$104 million General Fund ongoing or three percent increase to support UC operational costs, of this funding \$8.9 million is for the UC Office of the President, UC Path and the Division of Agriculture and Natural Resources (UCANR). UCANR will be discussed in the next item in the agenda. UC Path is UC's systemwide human resources, payroll, benefits and workforce administration for the system. As a condition of receiving these funds, UC must do the following:

- 1) Submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025. To the extent possible, the UC must coordinate with the California State University and Community Colleges to establish shared definitions and metrics regarding equity gaps.
- 2) Adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19.

- 3) Create a standalone dual admissions pathway providing guaranteed admission to the UC upon completion of an Associate Degree for Transfer (ADT), or its UC equivalent, at a community college, if the student completed it within two academic years. The pathway must be designed to achieve the following goals: increase access to UC for underrepresented students experiencing geographical or financial challenges, to increase underrepresented graduation rates and decrease student costs, improve transfer pathways between CCC and UC, and increase predictability for student and institutional planning.

The Governor has released trailer bill language to create the dual admission's pathway. The proposed language specifies that the pathway is a separate transfer pathway for first-time freshman applicants, which will start in 2023-24. Under the dual admissions pathway, UC shall offer guaranteed admission to a specific UC campus selected by the student at the time of the agreement, however if the selected major is impacted, the agreement may specify additional admissions criteria. The guarantee would also provide the student access to services at the applicable campus or campus near the students primary residence. The trailer bill notes the goal of the UC is provide roughly half of the dual admissions to students that were initially not eligible for UC. Though not specified in the trailer bill, the Administration notes that it is the intent for students to apply specifically for the dual admissions pathway.

Though not specified in the budget bill, the Governor's Budget Summary states that the additional investments are provided to the UC with the expectation that the UC will maintain resident undergraduate tuition and fees at existing levels for the 2021-22 academic year.

Early Action Agreement. The recently adopted early action agreement included \$302.4 million General Fund ongoing backfill the 2020 reduction to UC. This amount is in addition to the Governor's January budget proposal. The Administration will be submitting a spring finance letter for inclusion in the May Revision.

UC Budget Request

In response to the Governor's January budget proposal, UC requested an increase of \$385 million General Fund ongoing above the Governor's budget proposal. Specifically, UC requested an additional: (1) \$196.1 million to restore the 2020-21 reductions, (2) \$157.7 million ongoing General Fund to address retirement and health benefit increases, faculty merit increases, contractually committed compensation, salary increases, and capital outlay debt service, and (3) \$30.4 million to close equity gaps by 2030.

Since the early action agreement was announced, UC's has amended their original budget request. UC requests an increase of \$85 million above the January budget proposal and the \$302 million budget restoration. This funding will support operations costs (\$53.8 million) and to help address equity gaps (\$30.4 million).

Potential UC Tuition Model Change and Increase. In January 2020, the UC Board of Regents discussed a tuition plan to help fund its budget priorities and give students more predictability in their tuition charges. The plans would guide tuition decisions over the next four years (through 2024-25). The UC Board of Regents was scheduled to vote on these options on March 2020, however, due to COVID-19, the vote did not occur. UC staff has recently indicated that the Regents will discuss tuition policy later this Spring, and may vote on this item in the Summer.

In January 2020, the Board of Regents heard two proposals for a tuition increase. The first was a uniform annual adjustment based on inflation through 2024-25. The other was a cohort-based tuition model. Currently, students are charged the same level of tuition regardless of the student cohort. Under the cohort-based tuition model, a student would be charged the same amount of tuition during their time at UC. However, each incoming cohort of first-time students - entering freshman and transfer students, regardless of residency status, would be subject to a tuition increase. During the remainder of their time at UC, tuition for students in that cohort remains flat. UC estimates that if the cohort based tuition model that was discussed in January 2020 had been adopted with the Student Services Fee, and Nonresident Supplemental Tuition, the UC would have collected \$76 million total in new fees, and \$53 million after return-to-aid.

Under the January 2020 BOR proposal, undergraduate students in state-supported programs who first enroll at a UC campus in 2020-21 or later would be charged the applicable levels of tuition, the student services fee, and nonresident supplemental tuition (NRST) charged to students will be determined according to the following schedule:

Year Student First Enrolls at UC (Entering Cohort)	Increase Over Amount Charged to Students Who Entered in Prior Year
2020-21	Inflation + 2.0%
2021-22	Inflation + 1.5%
2022-23	Inflation + 1.0%
2023-24	Inflation + 0.5%
2024-25	Inflation

The cohort-based tuition and fees for a student cohort will be in effect for six years from the time the student first enrolls.

Legislative Analyst’s Office Comments Based on the January Budget Proposal

Consider Proposed January Base Increases as Starting Point. The proposed three percent base increase could serve as a starting point for legislative deliberations. The three percent increase would help the UC cover some increases in their operating costs and leave some funding remaining for salary and staffing increases while still being attentive to the state’s tight fiscal outlook. In May, the Legislature will get updated state revenue estimates and be in a better position to assess the state’s ongoing budget capacity. In light of that updated information, the Legislature then could revisit the size of the proposed university base increases. Regardless of the level of support the Legislature ultimately decides to provide, it could consider adopting language having each segment report key information about its budget plans in the fall. Specifically, such reports could include each segment’s projected core funding, spending by program area, operating deficits, budget reserves, and specific actions taken to implement budget plans. These reports could help the Legislature keep better apprised of how the segments are responding to remaining fiscal challenges.

Equity Plans. The LAO notes that the Governor’s expectation is more ambitious than UC’s internal equity plan. UC has expressed some concern with the accelerated time line, particularly given the absence of additional state funds to reach the more ambitious goals. To fulfill the Governor’s expectations, UC campuses likely would have to redirect resources from other operating areas to

enhance its student support services. The LAO notes that were the Legislature supportive of the Governor's equity goals, it recommends enhancing associated legislative oversight. Specifically, the LAO recommends the Legislature modify the existing March university performance reports to include the common equity-gap metrics that are developed. As part of these March reports, the Legislature also could direct the segments to provide revised goals, time lines, and implementation plans were they to be found falling short of meeting established equity goals.

Reject the Online Education Proposal and Direct UC to Report Key Information. The LAO notes that while online courses can provide a more flexible learning environment and mitigate demand for on-campus classrooms, online courses have some drawbacks. Online courses, however, can have drawbacks. For example, research suggests that online courses tend to have lower completion rates than in-person instruction, and gaps are greater for Black and Latino students. Partly in response to both these perceived benefits and drawbacks, the state began funding efforts to improve online education several years ago. For example, the 2013-14 budget provided UC \$10 million ongoing General Fund to create new online courses, encourage faculty participation in teaching online courses, and provide associated faculty professional development.

The LAO notes that the Administration has not justified whether the proposed 10 percentage point increase is warranted given student demand for online courses and campus facility issues. A more refined analysis might indicate a higher or lower level of online education is warranted at any particular campus. Without a clearer rationale for setting online enrollment targets, campuses could make poor decisions that work counter to promoting student success. The LAO recommends the Legislature instead adopt budget bill language directing the universities to report on their experiences with online education. Such a report should include: (1) data on pre-pandemic enrollment in online courses for each campus, (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.

Dual Admission Pathway Comes With Risks. Though a dual admission pathway has potential benefits, it also has potential drawbacks—possibly working at cross-purposes with the state's recent efforts to simplify the transfer process. For example, if only a portion of students are eligible for dual admission as freshmen, then all other interested community college transfer students would still need to navigate one or more of the myriad other transfer pathways. Depending on how universities implement the dual admission policy, the new pathway also could disproportionately benefit certain community college students. For example, a few community colleges typically account for a disproportionate share of transfer students. Depending upon how it would work, a dual admission pathway might further benefit those community college campuses that already have well-established relationships with certain UC campuses.

More Information Is Needed to Fully Assess Proposal. In particular, the administration should provide greater clarity regarding: (1) the portion of high school graduates who would be eligible for dual admission, (2) how the new dual admission pathway would interact with the existing transfer pathways available to students, (3) whether the pathways would be developed at the systemwide level or by each UC campus, and (4) whether the new associated degrees relating to UC would benefit only students in the dual admission pathway or all interested transfer students. The LAO withholds making a recommendation on this proposal until these details are available. Upon receiving more information, the LAO could provide a further analysis of the more fully developed proposal.

Set Enrollment Target for 2022-23. Although the Governor does not propose funding to support enrollment growth, the LAO recommends the Legislature set enrollment expectations for the 2022-23 academic year. Given the various countervailing factors cited above, as well as the state's limited capacity to support new ongoing spending, the Legislature could set an expectation that the universities hold enrollment flat in 2022-23. If the Legislature wished to support enrollment growth, the LAO estimates the General Fund cost of every one percent growth in resident enrollment would be \$24 million at UC.

Staff Comments

Cohort-Based Tuition. According to the January 2020 UC regent's item, UC notes that several public institutions have adopted a cohort based tuition model to mitigate the challenges posed by unpredictable annual tuition and fee levels, with varying degrees of success. At the July 2019 Board of Regents meeting, Regents heard an item regarding cohort-based tuition and noted seven other public universities in the country implemented a cohort based tuition mode: University of Illinois and Urbana-Champaign, University of North Carolina at Chapel Hill, University of Arizona, Kent State University, University of Georgia (system), University of Kansas, and Western Oregon University. Of the public universities that UC selected, UC notes that three states (Georgia, Kansas and Oregon) discontinued the cohort based tuition model because of reductions in state funding. UC notes that adopting a cohort-based tuition model would require moderate and predictable increases to UC's annual state appropriation. UC also notes that while cohort-based tuition provides predictability for students once they enroll, there is a greater potential of variability from one cohort to the next. In a 2017 University of Washington planning and budgeting brief, it notes that, "under the cohort-based tuition model, the effects of increasing costs are necessarily borne almost exclusively by incoming students. Locking in tuition rate for continuing students leaves institutions with one option to increase (perhaps significantly during a financial crisis) tuition for students." The Education Commission of the States notes that little research exists on the impact of guarantee tuition policies.

Online Education Policy. In 2019-20, 1.5 percent of all undergraduate and graduate courses offered at UC were online. As a result of the COVID-19 pandemic, UC transitions almost all courses to remote instruction. However, laboratory, field study (especially in remote sites), and performance art courses were the most difficult to adapt and a greater proportion of these classes were cancelled. UC staff has informed the committee that they are opposed to the Governor's proposal, and states that without additional funds to expand operations, the increase in online courses will represent a permanent shift of some courses from in person to online, without expanding the number of available courses. UC notes that the UC Academic Senate is currently examining lessons learned from remote instruction and how online course offerings could be expanded in the future.

Dual Admissions. The subcommittee may wish to consider if the creation of a new transfer process or program is more appropriate to be discussed in policy committee. Additionally, it is unclear if the creation of a new program will address the complex issues that students face when navigating UC's transfer process, or if it will create greater confusion. The subcommittee may also wish to consider if it is more prudent to address existing challenges in the transfer process, such as campus or departmental requirements, or if creating a new pathway is the appropriate solution.

The Subcommittee may wish to ask:

- DOF: What is the rationale for linking the adoption of an online education policy to the base increase at UC?
- UC: Since the Legislature and the Administration has reached an agreement on restoring last year's reduction, how does this impact the potential Fall 2022 tuition increase?
- UC: What is UC's position on the dual admissions proposal? How would UC implement it? How would this proposal impact enrollment management and planning?
- DOF: What is your expectation of how UC would implement the dual admissions proposal?
- UC: What were the outcomes of other states who implemented cohort-based tuition? Are there any studies that evaluated the impact it had on students and their families?
- DOF: What is the Administration's position and thoughts on cohort-based tuition?

Staff Recommendation. Hold Open.

Issue 3: UC Agriculture and Natural Resources**Panel:**

- Brian Rutledge, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

UC Agriculture and Natural Resources (ANR) Focuses on Research and Outreach. UC's ANR division oversees various programs focused on agriculture, natural resources, and related topics. Its leadership is located at the UC Office of the President (UCOP) in Oakland. A Vice President oversees the division, which consists of 30 administrative and support staff. Its core staff of scientists, researchers, and outreach coordinators are located across three campuses (Berkeley, Davis, and Riverside) as well as numerous off-campus centers and sites. In addition to these three campuses, the ANR division operates nine off-campus centers, known as "research and extension centers," located across the state. These UC-owned sites contain laboratory space for research on specialized resource management issues. The centers also host outreach and training programs for farmers and industry in the state. Beyond these UC-owned sites, the UC also houses staff at local sites known as "local cooperative extension offices" across the state, which conducts research outreach and education.

UC ANR operates statewide programs including UC California Naturalist, UC Master Gardner, 4-H Youth Development, Expanded Food and Nutrition Education, UC Integrated Pest Management, UC Sustainable Agriculture Research and Education, among others.

Funding Model for ANR Division Changed Several Times Over Past Decade. Though ANR relies on state funding to support its core operations, the state and UC's approach to budgeting for ANR costs has changed notably over the years, which are described below:

- **Direct Allocation From UCOP.** Historically, the state has not earmarked funds specifically for ANR but instead has given UC flexibility to determine the division's level of support. Prior to 2012, UCOP allocated a portion of the UC's General Fund support directly to ANR to support the division's core operations.
- **Campus Assessment.** In 2012, UC undertook a series of changes to the way it allocated funds to its campuses and divisions, including ANR. Under the new funding model, UC allocated all state General Fund to campuses and charged campuses back an assessment to support central services and programs (UCOP; ANR; and UCPath, the university's systemwide payroll and human resources program). UC implemented this change to give campuses more flexibility and control over their budgets and operations.
- **State Line Item.** In 2017-18, the state altered this funding arrangement by directly budgeting General Fund for UC's central services (including ANR) in the annual budget act. The state established this line item in response to a report from the California State Auditor that raised concerns over UCOP's budget transparency. Since establishing this line item, the annual budget act has prohibited UC from assessing fees on campuses to support UCOP or ANR. (This

prohibition also initially extended to UCPath, but since 2018-19 the state has allowed campus assessments to supplement UCPath's General Fund support.)

State Enacted Base Reduction to ANR Division in 2020-21. The state's 2020-21 budget package reduced UC's base General Fund support for central services and campuses. For ANR specifically, the state reduced base General Fund support by \$9.2 million (12.7 percent) from the 2019-20 level for a total of \$63.4 million. As a percent of operations, ANR's reduction was comparable to UCOP's reduction and larger than the reduction for campuses (7.7 percent). While UCPath also received a General Fund reduction in 2020-21, the state authorized an increase in campus assessments, such that total support for UCPath increased in 2020-21. The chart below displays UCANR's use of state funds.

State Fund Uses	FY19-20 Expenditures	FY20-21 Budget*
Cooperative Extension Specialists on UC Campuses	\$21.5	\$17.5
County Extension Offices	\$20.1	\$16.8
Statewide Programs & Institutes	\$6.9	\$6.2
Research & Extension Centers	\$7.1	\$8.4
Institutional Support	\$4.2	\$3.3
UC Path	\$0.8	\$0.0
Administration	\$12.0	\$11.2
Total	\$72.6	\$63.4

ANR Reports Budget Shortfall in 2020-21. Given the magnitude of the General Fund reduction to ANR in 2020-21 and increased operating costs, UC estimates the division has a budget shortfall. In response to the LAO's information request, ANR staff estimated the 2020-21 shortfall to be \$13.1 million. To address this shortfall, ANR took several measures to limit spending. Most notably, ANR suspended plans to fill some vacant positions (including those resulting from retirements). ANR staff also notes plans to identify further operational efficiencies and secure additional outside fund sources (such as philanthropy and federal and state grants). Any ANR deficit in 2020-21 will be funded out of UCOP's reserves.

Governor's Budget Proposal

In January, Governor Proposed Partial Restoration Using Mix of Funds. In January, the Governor proposed a three percent General Fund augmentations to UC's central services and campuses. Much like for UCOP and campuses, ANR's base augmentation—\$1.9 million—would partially restore ANR's base budget to its 2019-20 level. To restore the remaining \$7.3 million reduction to ANR, the Governor's budget proposed authorizing UC to charge campuses new assessments. The proposal gave UC flexibility to determine how to charge campuses to yield the proposed amount of ANR support.

In addition to this base support, the Governor's January budget provides ANR \$2 million one-time General Fund as part of a package of proposals aimed at addressing wildfire issues. This was heard in Senate Budget Subcommittee 2 on Resources, Environmental Protection and Energy.

Early Action Agreement. As mentioned earlier in the agenda, the Legislature and the Administration reached an agreement to backfill the 2020 budget reduction to UC's base, which included \$9.2 million for UC ANR. This amount is in addition to the Governor's January budget proposal. The Administration will be submitting a spring finance letter on this for inclusion in the May Revision. Assuming the early action agreement, it is estimated that UC ANR may still have an operating shortfall due to costs associated with employee compensation increases. However, assuming the early action agreement and the January proposal to provide \$1.9 million base increase, and the campus-based assessment fees, ANR will have an operating surplus of \$4.6 million.

Staff Recommendation. Hold Open.

Issue 4: Student Supports and Basic Needs
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Panel:

- Brian Rutledge, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

Over the last several years, the state has made significant investments to support students, including food pantries, resources to support students experiencing homelessness, and mental health services. The descriptions below highlight some of these budget actions.

State Has Funded Several Basic Needs Initiatives
General Fund, Unless Otherwise Noted (In Millions)

	2017-18	2018-19	2019-20	2020-21
UC				
Food and housing	\$2.5	\$1.5	\$15.0	\$15.0
Rapid rehousing	—	—	3.5	3.5
Mental health services	—	—	5.3	5.3
Totals	\$2.5	\$1.5	\$23.8	\$23.8

During Pandemic, Some Students Likely Are Having More Challenges With Basic Needs. The state does not have comprehensive data on the impact of the pandemic on student financial need, largely because financial aid applications use income data from two years prior to the award year. However, surveys suggest many students had unanticipated financial needs due to the pandemic. In a California Student Aid Commission survey of financial aid applicants across all segments conducted in late spring 2020, over 70 percent of respondents reported experiencing a loss of income due to the pandemic. Students also reported increased concern about paying for various living costs, including housing and food, health care, and technology. The 2020 UC Undergraduate Experience Survey found that 30 percent of students experienced some level of food insecurity, including skipping meals or not having money to purchase food. The survey also found that 40 percent were concerned about paying for their undergraduate tuition.

Basic Needs. The 2019-20 budget provided \$15 million ongoing General Fund to address food and housing insecurity. The UC submitted a report to the Legislature on September 16, 2020 on the use of funds from June 2019 to June 2020. Of the \$15 million, \$5 million was distributed to campuses as a base amount of \$500,000, \$2.5 million was retained by UCOP of as innovation grants, \$500,000 was earmarked for systemwide coordination, and the remaining \$7 million was distributed to campuses based on the number of students who were food or housing insecure.

Campuses hired employees to serve as case managers to assist students in emergency situations, provide CalFresh application assistance, conduct financial analyses, coordinate data collection and analysis, provide financial aid advising, facilitate educational workshops, and bolster outreach and marketing efforts, among other purposes fundamental to the success of basic needs services. Campuses also used funds to purchase equipment, purchase grocery store gift cards, and short-term housing. As a result of these funds, campuses were able to provide basic needs services to 48,500 unique students in 2019-20. Campuses were also able to serve 2,150 housing insecure students across the system.

Student Homelessness and Housing Insecure. The 2019-20 budget provided \$3.5 million ongoing General Fund to support rapid rehousing for homeless or housing insecure students. Specifically, campuses were to establish partnerships with community organizations that have experience in helping people experiencing homelessness. The funding may be used to connect students to case managers, establish ongoing housing procedures and to provide emergency housing grants. On July 13, 2020, the UC submitted a report to the Legislature about the use of funds. UC campuses used rapid rehousing funds to hire a total of 3.5 full-time equivalent (FTE) staff, specifically three full-time employees dedicated to housing students, such as case managers and coordinators, and two similar positions at 25 percent FTE. Campuses also hired 10 student interns to serve in roles such as basic needs and off-campus peer coordinators, and a marketing and website intern. Campuses were also able to provide housing services and support, direct student housing awards, emergency relief and crisis resolution.

Student Mental Health Services. In 2014, the UC Regents adopted the Long-Term Stability Plan for Tuition and Financial Aid, which included a five percent annual increase in the Student Services Fee from 2015-16 through 2019-20. Approximately 50 percent of this annual increase funds the hiring of direct service mental health providers at campus Health and Counseling centers over this interval. In 2018-19, the student services fee was \$1,218. In addition to the Student Services Fee, students also pay campus-based fees. These fees help fund programs such as campus health care, wellness, campus climate, financial aid and other programs and activities depending on the campus. Campus-based fees vary across campuses, ranging from \$1,000 to \$2,000. In 2018-19 the State Budget Act provided UC \$5.3 million one-time funds for student mental health. In 2019-20 the State Budget Act provided UC with \$5.3 million in ongoing funds for student mental health, making this three years of ongoing funding when combined with the SSF increases out of the five year plan.

Federal Assistance. As noted previously, the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided UC approximately \$260 million. Institutions are required to spend at least half of their allocations on emergency financial aid students, with the remainder for institutional relief. CSU used \$130 million of these funds to provide students with emergency financial aid. Based on federal guidance, all undergraduate, graduate and professional students at UC who are eligible to receive federal financial aid may receive HEERF grants. International students and undocumented students were not eligible to receive HEERF, instead, these students could receive grants through campus-based emergency programs supported through other sources, such as foundation, operating funds and lottery funds.

As noted previously, the CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. UC campuses awarded CARES Act funding to undergraduate students in a way that is consistent with the “exceptional need” above, providing tiered awards based on their Expected Family Contribution or status as parenting students. However, some

campuses provided CARES funds to graduate students without a Free Application for Federal Student Aid (FAFSA) as long as they signed an affidavit that they would otherwise have qualified as Title IV eligible. The Office of the President does not recommend that campuses require all CRRSAA recipients to file a FAFSA, but strongly recommends that an alternative means of confirming that a student has extraordinary financial need be established.

Regarding guidance on providing aid to undocumented students, the UC notes that the CARES Act specifically excluded undocumented students, so the Office of the President recommended that campuses identify campus funding to provide equivalent emergency grants for AB 540 undocumented students. In general, campuses were able to achieve this goal. The CRRSAA appears to eliminate the requirement that students be Title IV eligible to receive emergency grants, but the new Department of Education has yet to issue guidance. Therefore, UCOP strongly recommends that campuses use campus funds instead of CRRSAA funds to provide emergency grants to AB 540 undocumented.

UC issued guidance to campuses on how to distribute the CARES Act funds. The guidance encouraged campuses to consider targeting vulnerable populations for additional support, such as student parents, former foster youth, disabled students and formerly incarcerated students. In general, campuses provided \$200 to \$1,700 to students based on need. Graduate student support also ranged from \$550 to 1,500.

Traditional Financial Aid Programs Provide Support for Basic Needs. The primary way the federal government, the state, and universities support living costs during the college years is through financial aid. Many students with financial need qualify for a federal Pell Grant (worth up to \$6,345 annually) and a state Cal Grant access award (worth up to \$1,648 annually for most students). Federally subsidized and unsubsidized loan programs also are available to assist students. These grants and loans can be used for any cost of attendance, including housing, food, transportation, and books and supplies. In addition to federal and state programs, UC has its own institutional aid program funded using a portion of student tuition and fee revenue. The UC indicates this program covers all costs of attendance for students with financial need, after assuming a self-help expectation (\$10,500) that can be met through any combination of work and borrowing.

Governor's Budget Proposal

Emergency Student Financial Aid. The budget proposes \$15 million one-time for emergency financial assistance grants for full-time, low-income students with a 2.0 GPA in the last year and a half, or students who were working full-time for at least one year over the past two fiscal years and not enrolled as a full-time student. This funding will be distributed to campuses based on the headcount number of students at the campus who are eligible to receive Pell Grant financial aid as well as AB 540 (Firebaugh), Chapter 814, Statutes of 2001 students who meet the income criteria applicable to the California Dream Act application. Low-income is defined as meeting requirements to receive Pell Grant or AB 540 students who meet income criteria applicable to the California Dream Act application.

Currently UC has about 82,300 students who meet these criteria, which would mean about \$182 per student. UC notes that if they were to restrict the funds to students who have a \$0 Expected Family Contribution (EFC) with their financial aid the number of eligible students would drop of about 48,800, which would mean \$307 per student

Mental Health and Technological Devices. The budget proposes \$15 million ongoing to support to enable all students to have necessary technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources.

In addition, the budget bill requires a report by March 1 each year regarding the use of funds for the Mental Health and Technological Devices. The report includes a description of the amount of funds distributed to campuses, a description of the programs the campuses invested in, a description of funds were spent, a description of how campuses leveraged other resources, and an analysis of how outcomes and impacts on student persistence and achievement.

Summer Financial Aid. The budget proposes to shift the suspension date for the UC financial aid program from December 31, 2021 to December 31, 2022. The suspension would be lifted if the Administration determines through the 2022 budget act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

Staff Comments

Mental Health and Technological Devices. The UC Regents requested \$16.5 million for additional student mental health services for 2021-22. Based on the Governor’s budget proposal to provide \$15 million ongoing for mental health and technological devices, UC intends to spend \$11 million of the proposed basic needs funding on student mental health. This will allow UC to complete the Regents five year plan for funding student mental health by hiring counselors on four campuses to bring the counselor-to-student ratios to recommended levels and begin work on conducting early intervention efforts for populations who are high risks for mental health challenges, as well as creating healthier learning environments, such as workshops and stress management support.

In February 2021, the UC Regents heard an item on student mental health. During the summer of 2020, UC experienced a 6.4 percent decrease in the number of unique clients for counseling visits with 9,381 compared to summer of 2019. However, UC experienced an increase in the number of visits for counseling by 17.5 percent with a total of 27,115 visits, compared to 23,070 in the summer of 2020. The charts below summarizes UC counselor and psychiatrists to student ratios at campuses.

Table 4: Fall 2020 Counselor-to-Student Ratios and Counseling FTE Levels

Counseling							
By Campus	Fall 2020 Population	Growth	Ratio 1:	Total FTE	Filled FTE	Vacant FTE	Needed to Reach Target 1:1000
UCB	42327	-1.99%	943	50.87	44.87	6	
UCD	39074	1.14%	1469	34.19	26.59	7.6	4.88
UCI	36303	1.64%	1390	31.28	26.1	5.18	5.02
UCM	9018	1.93%	1503	10	6	4	
UCR	26434	3.47%	1958	15.5	13.5	2	10.93
UCLA	44589	0.49%	829	58.75	53.75	5	
UCSB	26179	0.51%	911	31.18	27.26	3.92	
UCSC	19161	1.71%	977	23.36	19.6	3.76	
UCSD	39576	2.17%	1260	41.6	31.4	10.2	
UCSF	3201	0.66%	1641	1.95	1.95	0	1.25
Systemwide	285862	0.23%	1138	298.68	251.02	47.66	

Table 5: Fall 2020 Psychiatry Provider-to-Student Ratios and Psychiatry FTE Levels

Psychiatry							
By Campus	Fall 2020 Population	Growth	Ratio 1:	Total FTE	Filled FTE	Vacant FTE	Needed to Reach Target 1:6500
UCB	42327	-1.99%	5838	8.25	7.25	1	
UCD	39074	1.14%	26049	3.7	1.5	2.2	2.31
UCI	36303	1.64%	11170	8.35	3.25	5.1	
UCM	9018	1.93%	2254	1.75	1.75	0	
UCR	26434	3.47%	13217	2	2	0	2.07
UCLA	44589	0.49%	8257	5.4	5.4	0	1.46
UCSB	26179	0.51%	5605	4.67	4.67	0	
UCSC	19161	1.71%	5069	3.78	0	0	
UCSD	39576	2.17%	16490	2.4	2.4	0	3.69
UCSF	3201	0.66%	3201	2	1	1	
System	285862	1.72%	9783	42.3	29.22	9.3	9.53

Systemwide Average Provider-to-Student Ratios by Year

Ratio	Year	2015	2016	2017	2018
Counselor: Student	1:	1,208	1,111	1,035	1,071
Psychiatrist: Student	1:	9,464	7,322	8,238	7,350

Staff notes that compared to prior years, the counselor to student and psychiatrist to student ratio has increased.

The subcommittee may wish to ask:

1. Please provide a status update on the increased student to counselor ratio. What is the cause of this, and how will UC address this?
2. UC continues to have vacancies at for counselors and psychiatrist positions. What is the cause of this, and how will UC address this?

Staff Recommendation. Hold Open.

Issue 5: UC PRIME, Graduate Medical Education, and other UC Health Proposal**Panel:**

- Brian Rutledge, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

In 2020-21, UC is enrolling over 3,600 medical students across six medical schools. According to UC, these medical schools fund their operations primarily through a mix of core funding (state General Fund and student tuition revenue) and a portion of clinical revenues earned by medical school faculty. Historically, the state has not directly funded medical school operations or set medical school enrollment expectations in the annual budget act, instead leaving these decisions to campuses. In recent years, however, the state has allocated funds directly for certain medical education initiatives. Most notably, the state has supported the creation and development of the UC Riverside School of Medicine. The state also recently provided funding to expand the services of the UC San Francisco School of Medicine Fresno Branch Campus in partnership with UC Merced.

Pre-med students first complete their basic science preparatory work as undergraduate students. After being accepted into a medical school, medical students then complete four years of medical school, typically consisting of two years of basic science instruction and two years of clinical experience. After completing medical school, students then complete postgraduate training known as residency in a specific medical area, such as family medicine or surgery. State law only requires three years of residency to receive a license, however most medical residents complete additional years of training to receive industry-recognized certification in a specific medical area.

Programs in Medical Education (PRIME). UC Programs in Medical Education (PRIME) is a medical education training program that focuses on meeting the needs of the state's underserved populations. In 2020-21, 365 students (around 10 percent of all medical school students) enrolled in PRIME programs. PRIME students receive a minimum of four years of training, the same length as their other medical school peers. Both PRIME students and other medical school students generally are required to complete two years of classroom instruction, followed by two years of clinical experiences in hospitals and other medical settings. Some of the courses PRIME students are required to take, however, are focused on health equity matters, and PRIME students' clinical experiences tend to be focused on underserved populations and communities. Beyond the standard four-year training program, a portion of PRIME students (as well as a portion of other medical school students) take additional coursework by pursuing a joint master's degree requiring a fifth year of study (often in public health).

UC currently operates six PRIME programs:

- Rural PRIME (Rural California) at Davis, est. 2007 – Incorporates an award-winning model program in telemedicine with a commitment to rural health care.
- San Joaquin Valley PRIME, est. 2011 – Expands the San Joaquin Valley physician workforce by recruiting students who want to practice in the region.
- PRIME-LA (Leadership and Advocacy) at Los Angeles, est. 2008 – Trains future physicians to deliver culturally competent care and develops leadership skills.

- PRIME-US (Urban Underserved) at San Francisco, est. 2007 – Enables students to pursue interests in caring for homeless and other underserved populations in urban communities.
- PRIME-LC (Latino Community) at Irvine, est. 2004 – Emphasizes Latino health issues, including increased proficiency in medical Spanish and in Latino culture.
- PRIME-HEq (Health Equity) at San Diego, est. 2007 – Incorporates health disparities and minority health issues so graduates can contribute to equity in care delivery.

In 2005-06, the state began providing funds explicitly for PRIME programs and setting associated enrollment targets. Over the next five years, UC developed other PRIME programs, and the state provided additional funds for PRIME. Throughout these years, state funding for PRIME was linked to an underlying \$15,000 per-student funding rate. The rate was not tied to any particular formula and the basis for the amount was not specified in statute. It appears the rate was not intended to cover the full cost of the additional enrollment growth, with UC expected to fund the remaining costs using other sources, including general enrollment growth funds.

The state maintained and increased PRIME funding through 2010-11. Though the state stopped designating funds for PRIME in 2011-12, UC campuses continued to grow enrollment in these programs. The only additional funding the state has provided explicitly for PRIME since 2010-11 was in 2015-16, when it provided an ongoing augmentation for the San Joaquin Valley PRIME program. Specifically, the state provided \$1.9 million ongoing General Fund to support enrollment of 48 students in this program. The underlying per-student funding rate—\$38,646—was higher than the \$15,000 per-student rate provided in previous years, with the rate intending to cover the full state cost of the programs. UC notes that of the current enrollment, only 126 are supported by state funding, and 267 students are unfunded by the state.

Proposition 56. In November 2016, voters approved Proposition 56, which increased excise taxes on tobacco products by \$2. The measure also prescribes how to distribute the revenues. While the measure specifies that the bulk of the revenue be spent on health care for low-income Californians, the measure specifies \$40 million to UC for “the purpose and goal of increasing the number of primary care and emergency physicians trained in California. This goal shall be achieved by providing this funding to the UC to sustain, retain, and expand graduate medical education programs to achieve the goal of increasing the number of primary care and emergency physicians in the State of California based on demonstrated workforce needs.” Proposition 56 states funding must be prioritized for medically underserved areas and populations. Additionally, UC must annually review physician shortages by specialty across the state and by regions, and notes that funds may be used to address these shortages. Lastly, Proposition 56 noted that residency programs accredited by federally-recognized organizations and located in California are eligible to apply to receive funding.

Governor’s Budget Proposals

Governor Proposes Ongoing Augmentation for PRIME. The proposed augmentation in 2021-22—\$12.9 million—would fund enrollment growth in PRIME programs as well as enhancements among existing and new PRIME programs. Provisional language would require UC to spend one-third of this amount (\$4.3 million) on student financial aid.

- **Portion of Augmentation Would Support Enrollment Growth.** UC attributes \$4 million of the augmentation toward growing PRIME enrollment by 112 students over the next six years, of this, 96 students would be in two new PRIME programs focused on American Indian/Alaska

Native issues and Black health issues. The location of the two new PRIME programs has not been determined. The remaining 16 students would be across five of the existing PRIME programs. (UC plans to support an additional 12 students in the sixth program, San Joaquin Valley PRIME, using the funds it received in 2015-16). According to UC, one-third of the amount attributable to enrollment growth (\$1.3 million) would cover financial aid for the additional students and the remainder (\$2.7 million) would cover instructional costs (such as hiring new faculty). According to UC, the proposed per-student funding rate for enrollment growth (\$35,600) is the state rate provided to campuses for health science instruction under the university’s current allocation formula.

Figure 3
UC Would Grow PRIME Enrollment Over the Next Six Years
Student Headcount

PRIME Program	Actual 2020-21	UC Enrollment Plan						Change Over 2020-21	
		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Amount	Percent
Los Angeles	102	90	90	90	90	90	90	-12	-11.8%
San Francisco/Berkeley	75	75	75	75	75	75	75	—	—
Irvine	63	60	60	60	60	60	60	-3	-4.8
San Diego	53	51	53	55	56	58	60	7	13.2
Davis	36	33	36	40	44	48	60	24	66.7
San Francisco/Fresno	36	39	42	48	48	48	48	12 ^a	33.3
New (American Indian/ Alaska Native)	—	12	24	36	48	48	48	48	New
New (Black)	—	12	24	36	48	48	48	48	New
Totals	365	372	404	440	469	475	489	124	34.0%

^a UC plans to support this growth using funds the state provided in 2015-16.
 PRIME = Programs in Medical Education.

- Remainder Would Bolster PRIME Funding.** UC attributes the remaining \$8.9 million toward enhancing support for the existing PRIME programs. According to UC, these funds would support enrollment growth from previous years that did not receive earmarked support in the state budget. One-third of this amount (\$3 million) would enhance student financial aid packages, potentially reducing debt burdens for some students and enabling more students to pursue the five-year dual degree option. The remaining amount (\$5.9 million) would be available to cover any other PRIME priority. In discussions with the LAO’s office, UC suggested several uses of these remaining funds, including student and faculty recruitment, program administration, additional funds for financial aid, and additional funds for general medical school classes.

Proposition 56 Funds. The Governor’s budget proposes an increase of \$1 million General Fund to offset a like amount of declining Proposition 56 funding for graduate medical education.

Department of Public Health and UCSF Consortium. The Governor’s budget proposes \$1.25 million one-time General Fund to support a health modeling consortium partnership between University of California San Francisco and the California Department of Public Health, with funds being available until June 30, 2023. UC notes that this funding will support two FTE positions for two years, a new

information technology infrastructure to store information and support programming and analysis for specific questions.

Legislative Analyst's Office Comments and Recommendations on PRIME Proposal

Proposal Lacks Overall Medical School and Health Equity Plan. The Administration's proposal lacks key aspects vital to assessing its merit. First, neither the Administration nor UC have shared with the Legislature their plans for UC's overall medical student enrollment levels and how medical schools intend to cover the costs associated with any planned growth. Instead, the Legislature only has information for the fraction of UC's medical students enrolled in PRIME. Second, while the proposed new programs identify populations with longstanding health disparities, UC does not appear to have a broader long-term plan addressing the needs of other underserved regions and populations. Furthermore, the missions of UC's existing PRIME programs do not seem well coordinated, with some focused on general health equity matters and others more targeted to specific regions and populations. Without better information, the Legislature would have little understanding as to how UC's plans would meet state workforce needs and resolve longstanding inequities.

Proposed Budgetary Approach for Enrollment Growth Has Three Weaknesses. Though supporting some enrollment growth might be warranted, the Governor's budgetary approach has certain shortcomings, as discussed below.

- *Funding Would Be Provided Upfront.* The Governor proposes providing all enrollment growth funding in 2021-22, even though UC will not achieve full growth for several years. Providing all funds upfront weakens oversight and limits the Legislature's ability to adjust support levels as new information becomes available. In this regard, the state's experience with San Joaquin Valley PRIME serves as a cautionary lesson. Despite receiving upfront funds in 2015-16 for 48 students, as of 2020-21, the program enrolls 36 students and does not plan on attaining its target level of students until 2023-24.
- *Proposal Would Use Inconsistent Funding Rate.* UC did not derive its proposed per-student funding rate using a comparable methodology to its general enrollment growth formula. The general enrollment growth formula, known as the "marginal cost of instruction," (1) makes key assumptions about education costs (such as a faculty-student ratio), (2) explicitly excludes certain fixed costs that do not increase with enrollment, and (3) contains a method for attributing a share of the marginal cost to the state General Fund and student tuition revenue. Without a comparable formula for medical students, the Legislature has little basis to determine whether the proposed funding rate would appropriately align with programmatic costs.
- *State Would Not Set Enrollment Targets.* Despite UC having enrollment growth plans for PRIME, the Governor's proposal does not link any additional funding to specific enrollment expectations. Such an approach weakens accountability and potentially creates confusion over how many additional students are to be enrolled.

Greater Clarity Is Needed on Financial Aid Objectives. Similar to funding enrollment growth, the LAO thinks increasing student financial aid and reducing student debt could be reasonable objectives. As of this writing, however, neither the Administration nor UC had provided a clear and comprehensive plan for addressing medical students' debt levels. Such a plan would typically include a standard expectation of a manageable medical school debt level, the amount of available grant aid, and an estimate of the

remaining unmet financial need. In the absence of this type of plan, the Legislature has little basis to determine whether the proposed set aside for financial aid would fulfill its intended purpose.

Unclear if Existing Programs Warrant Additional Funding. The university to date has not provided a clear rationale to bolster support for existing PRIME programs. While program enhancement could be warranted were PRIME programs to have gaps in service levels or outcomes, UC has not clearly documented these gaps. Despite UC's claim that PRIME programs are underfunded by the state, virtually all students in PRIME graduate and are successfully placed in postgraduate residency programs.

State Lacks Consistent Reporting on PRIME Outcomes After Graduation. While UC reports high completion rates for its PRIME students, data on student postgraduate activities is incomplete. UC Irvine's PRIME program, which focuses on serving Latino communities, has the most complete information on its graduates' postgraduate activities. According to UC, 72 percent of practicing physicians from the UC Irvine program practice in county health facilities or federal qualified health centers, 66 percent work in practices that serve primarily low-income patients, and 53 percent work in practices where a majority of patients are Latino. UC also provided data on UC Davis' rural PRIME program, noting that 60 percent of its graduates practice in a rural area of the state. To date, however, the state does not have complete postgraduate data available for all of UC's PRIME programs. The Governor's proposal would maintain this information deficit, as it does not require any regular reporting on PRIME outcomes.

Direct UC to Develop Overall Medical School and PRIME Plan. The LAO recommends withholding funds for enrollment growth in PRIME programs or any new PRIME programs until the Administration and UC provide a plan for overall medical school enrollment, with a specific breakout for PRIME enrollment and detail on how the associated costs would be covered. The plan should also identify the remaining populations of Californians who are not adequately served by UC's existing medical school programs and the actions UC will take to address these health disparities.

Phase in Funds, Develop Marginal Cost Formula, and Set Enrollment Targets. If the Legislature were to decide to fund growth in medical school enrollment or PRIME enrollment over a multiyear period, the LAO recommends it develop an alternative budget approach. Under this alternative approach, the Legislature would phase in enrollment growth funding over multiple years. To assist medical schools in their planning, the Legislature could provide funds one year in advance of each cohort's planned growth. The state already takes this approach when funding general campus enrollment growth. To determine funding levels, the LAO recommends the Legislature direct UC to develop a marginal cost of instruction for medical education that is connected to anticipated education costs (excluding fixed costs) and devises a way to share these costs between state funding, student tuition, and faculty clinical revenue. Furthermore, any enrollment growth funds should be attached to explicit enrollment growth expectations to facilitate public accountability and legislative oversight.

Direct UC to Submit Plan on Addressing Unmet Student Financial Need. The LAO also recommends the Legislature withhold additional funding for financial aid until UC provides a more specific estimate of medical students' and PRIME students' unmet financial need. Such an analysis should include an estimated cost of attendance, assumed student contribution amount through borrowing, an estimate of existing grant aid provided to students, and the remaining financial need to be addressed through additional grant aid.

If UC Wants to Enrich Programs, Stronger Case Needs to Be Made. Before providing any remaining funding for program enhancement, the LAO recommends the Legislature direct UC to provide clearer documentation on its uses and projected improvements in outcomes resulting from these funds. If such documentation cannot adequately justify program enhancement funds, we recommend the Legislature redirect the remainder of the proposed funds toward other high budget priorities in 2021-22.

Require Periodic Reporting. To aid legislative oversight and accountability, the LAO recommends the Legislature require UC to report periodically (either annually or biennially) on PRIME activities and outcomes. At a minimum, the reports should include: (1) PRIME enrollment and student demographics in each program, (2) a summary of each program's current curriculum, (3) graduation and residency placement rates, and (4) postgraduate data on where PRIME graduates are practicing and the extent to which they are serving the target populations and communities of their respective programs. If feasible, the reports should contain outcomes data for all student cohorts since 2004-05.

The subcommittee may wish to ask:

1. UC: The LAO notes that there is not consistent reporting on PRIME outcomes, and recommends UC to report periodically on these outcomes. Can the UC describe to the committee what the outcomes are? Can the reporting requirement suggested by the LAO be provided to the Legislature?
2. UC: How does UC establish its enrollment growth target for medical school students and the PRIME program?
3. UC: What funding did UC use to support PRIME students that were not covered by state General Fund?
4. UC: When will UC establish the two new PRIME programs?

Staff Recommendation: Hold Open.

Issue 6: Deferred Maintenance

Panel:

- Brian Rutledge, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

Campuses Have Sizable Maintenance Backlogs. Like most state agencies, UC campuses are responsible for funding the maintenance and operations of their buildings from their support budgets. When campuses do not set aside enough funding from their support budgets to maintain their facilities or when they defer projects, they begin accumulating backlogs. These backlogs can build up over time, especially during recessions when campuses sometimes defer maintenance projects as a way to help them cope with state funding reductions. Both universities report having large backlogs. UC has not shared a precise estimate, but staff at the UC Office of the President report the total backlog is more than \$8 billion.

State Has Provided Funds to Address Backlogs. In the years following the Great Recession, the state provided one-time funding to help UC address their maintenance backlogs. The figure below shows the amounts appropriated by the state each year from 2015-16 through 2020-21. Funding over the period totaled \$678 million.

State Has Provided Funding to Address Deferred Maintenance at the Universities
General Fund, Unless Otherwise Noted (In Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
UC	25	35	—	70 ^b	179 ^{a,b}	\$35 ^b
Totals	\$50	\$70	—	\$105	\$418	\$35
^b In each of these years, \$35 million came from state-approved university bond funds.						

The 2020-21 budget package allowed UC to repurpose unspent 2019-20 deferred maintenance funds for other operational purposes. UC redirected \$25.2 million General Fund that was originally appropriated in the Budget Act of 2019 for deferred maintenance projects to help support core academic operations.

UC is Developing Long-Term Plans to Address Backlogs. To help guide future state funding decisions, the Legislature in the *Supplemental Report of the 2019-20 Budget Act* directed UC and CSU to develop long-term plans to quantify and address their maintenance backlogs. UC has not yet submitted its maintenance plan to the Legislature. According to staff at the UC Office of the President, the report will be submitted sometime between March and July of this year.

Governor's Budget Proposal

Governor Proposes Addressing Deferred Maintenance at the Universities. The Governor proposes to provide UC \$175 million in one-time General Fund support for this purpose. The proposal authorizes UC to use these funds for deferred maintenance or energy efficiency projects. The Administration indicates that the dual purposes of the funding for UC stemmed from UC's request to pursue energy efficiency projects.

UC submitted a list of projects that UC could potentially support with the proposed funding. The list totaled \$250 million. The UC is revisiting their list to determine which projects they would undertake within the proposed funding level. Under the Administration's proposal, UC final project list would be authorized by DOF after enactment of the budget. Budget bill language would direct the Administration to report to the Legislature on which projects were funded within 30 days after the funds are released to the universities.

Legislative Analyst's Office Comments

Deferred Maintenance Is a Prudent Use of One-Time Funding. In *The 2021-22 Budget: California's Fiscal Outlook*, the LAO advised the Legislature to direct any immediate surplus funding toward one-time actions that either strengthen the state's budget resiliency or help address the extraordinary public health and economic impacts of the pandemic. Addressing deferred maintenance could be viewed as strengthening the state's budget resiliency in that it pays for largely unavoidable costs that will grow if not addressed. Funding projects that help reduce UC's utility costs over time also could be beneficial, though these projects could be lower priority than those deferred maintenance projects that would have significant cost escalation were they to be left unaddressed.

Proposed Project Authorization Time Line Is Problematic. While the LAO thinks the Administration's focus on addressing deferred maintenance is reasonable, the LAO is concerned with the Administration's proposal to notify the Legislature of the approved projects *after* the funds are released. Such an approach would give the Legislature no ability to review the list of projects and ensure the projects are consistent with intended objectives and legislative priorities.

Provide Funding but Modify the Project Notification Process. Given the sizeable maintenance backlogs at each segment, the LAO recommends the Legislature provide UC at least the \$175 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 more one-time funding for this purpose. Regardless of the exact dollar amount provided, the LAO recommend modifying the proposed notification process so that the Legislature receives the list of projects 30 days *before* the funds are released to campuses. Requiring advance notification is consistent with the state's approach to authorizing projects for previous deferred maintenance funds and would allow for more meaningful legislative oversight in how the universities use state funds.

Staff Comments

Capital Outlay. Prior to 2013-14, the state funded construction of state-eligible projects by issuing general obligation and lease-revenue bonds and appropriated funding annually to service the associated debt. General obligation bonds are backed by the full faith and credit of the state and require voter approval. Lease-revenue bonds are backed by rental payments made by the segment occupying the facility and only require a majority vote of the Legislature. The debt service on both is repaid from the

General Fund. State-eligible projects are facilities that support the universities' core academic activities of instruction, and in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, revised this method by authorizing UC and CSU, respectively, to pledge its state support appropriations to issue bonds for state-eligible projects, and as a result, the state no longer issues bonds for university capital outlay projects. The authority provided in AB 94 is limited to the costs to design, construct, or equip academic facilities to address: (1) seismic and life safety needs, (2) enrollment growth, (3) modernization of out-of-date facilities, and (4) renewal or expansion of infrastructure to serve academic programs. Most recently, SB 85 (Committee on Budget), Chapter 23, Statutes of 2017, authorized UC to pledge its state support appropriations to issue bonds for deferred maintenance. Additionally, the state allows each university to pay the associated debt service of academic facilities using its state support appropriation. Moving forward, UC is expected to pay off all debt—for both previous state bonds and new university bonds—from its main General Fund appropriation.

In order to use its General Fund support for debt service payments, state law requires UC to receive approval from the DOF on each of the projects, following legislative review. Under the review process, DOF is to submit a preliminary list of approved projects to the Legislature by February 1, with the final list submitted no sooner than April 1 of that year.

The 2020-21 budget modified the capital outlay approval process. SB 820 (Committee on Budget and Fiscal Review), Chapter 110, Statutes of 2020, authorizes, starting on January 1, 2021, UC to proceed with General Fund capital expenditures upon signed certification that all cleaning, maintenance, grounds keeping, food service or other work traditionally performed are by UC employees at each facility, building or property. This excludes construction work and other types of work, including carpentry, electrical, plumbing, glazing, painting and other craft work designed to preserve, protect or keep facilities in a safe and usable condition. The bill also specifies that starting with the 2021-22 fiscal year, the Department of Finance shall approve each new and ongoing capital expenditure only after the UC has demonstrated compliance with the above. As of writing this agenda, UC has not submitted this certification to the Legislature, nor has it received the Department of Finances preliminary list of approved projects.

In the fall of 2020, the UC submitted two projects to DOF for approval: (1) UC Berkeley – Academic Seismic Replacement of Evans Hall (\$124 million total), and (2) UC Merced – new Health and Behavioral Science Building (\$210 million total).

The subcommittee may wish to ask:

1. UC: The Governor's proposal authorizes UC to use these funds for deferred maintenance or energy efficiency projects. Can the UC describe the work and type of projects that it has done to address energy efficiency?
2. DOF: What is the status of the February capital outlay preliminary letter? Why is was there a delay?
3. DOF/UC: Please provide a status update on the certification required under SB 820. How has UC and DOF implemented this?

Staff Recommendation. Hold Open

Issue 7: Various Governor's Budget Proposals**Panel:**

- Brian Rutledge, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Governor's Budget Proposals

In addition to the major proposals mentioned above, the Governor also proposes a variety of other budget proposals.

Learning Management System. The Governor's budget proposes \$1 million ongoing General Fund for the UC to adopt a common learning management platform for online courses that aligns with the platform used by the California Community College system by the 2023–24 academic year.

Professional Development. The Governor's budget proposes \$5 million one-time General Fund to provide culturally competent professional development for faculty, including leveraging 21st century technology to improve learning outcomes.

California Institutes for Science and Innovation. The Governor's budget proposes \$20 million one-time General Fund to support the California Institutes for Science and Innovation in providing student stipends over a five-year period to enable students to connect with industry employers, and for research teams to form industry partnerships to better align educational programs with workforce needs. The proposed language does not specify other key parameters for the funds, such as student eligibility and the size of the stipends. These matters would be left for UC to determine.

Based on information provided by UCOP staff, UC notes that under the proposal five institutes will be funded: (1) California Institute for Telecommunications and Technology (Calit2) – a joint partnership between UC San Diego and UC Irvine, (2) Center for Information Technology Research in Interest of Society (CITRIS) – a joint partnership with UC Berkeley, Davis, Merced and Santa Cruz, (3) UC Santa Barbara California Nano Systems Institute, (4) UCLA California Nano Systems Institute, and (5) California Institute for Quantitative Biosciences (QB3) – a joint partnership with UC Berkeley, Santa Cruz and San Francisco. These campuses have submitted plans with varying degrees of information. These plans vary considerably, targeting different student populations, activities, and sizes of stipends. The stipends range from a \$1,500 to \$70,000. Together the institutes plan to serve up to 540 students annually or 2,700 over a five-year period. Funding will also support research teams, administrative costs, lab training, and equipment. According to UC, the UC SB CNSI and UCLA CNSI will each receive \$2.5 million, while the other ISIs will receive \$5 million.

Immigrant Legal Services. The Governor's budget provides \$1.2 million ongoing General Fund to provide immigrant legal services.

Firearm Violence Research. The Governor's budget provides \$1 million ongoing to continue to support UC Davis Firearm Violence Research Center.

Background and Staff Comments

Learning Management Systems (LMS). Colleges use learning management systems for both online and in-person classes. A LMS allows faculty to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to access course materials, content, submit assignments, collaborate with classmates, communicate with instructors, and access help resources. Historically, each college has selected its own course management system from among several vendors. While the budget bill does not specify a specific LMS, it does state the platform must align to the platform used by CCCs. Currently, almost all CCCs utilize Canvas. UC does not have a systemwide agreement for a LMS. Currently eight UC campuses are using Canvas, with two campuses using other platforms. UC notes that they typical duration of an LMS contract is three years. UC is concerned with the state designating a single vendor as the LMS for the UC, and note that it is not clear that UC will be able to negotiate a systemwide agreement with one entity.

The Administration notes by moving to a single platform, the CCCs were able to leverage deals with contracts and licenses, and create savings via economies of scale. The Administration believes that moving UC towards the same platform as the CCCs will allow transfer students and other students taking courses across multiple campuses to have an easier time transitioning across institutions and from semester to semester.

Immigrant Legal Services. The 2018-19 budget provided \$4 million one-time General Fund to support immigrant legal services operated through UC Davis Immigrant Legal Services center. The program has been spending \$1.3 million annually of this amount. The 2020-21 budget provided \$345,000 General Fund ongoing from this program. With the additional \$1.2 million provided in the Governor's budget, the base General Fund support for the program would now be \$1.5 million. Founded in 2015, the UC initially supported the center with discretionary funds. In 2020, the center employed 11 staff with some attorneys located on UC campuses and others serving campuses remotely from UC Davis.

Firearm Violence Research. The 2016-17 budget provided \$5 million one-time for the UC Davis Firearm Violence Research Center. In 2019-20 the budget provided \$3.85 million for firearm injury and death prevention training. Currently, the federal government does not fund gun violence research.

Professional Development. Common types of faculty professional development include workshops, conferences, consultations, and online resources on topics such as course design, pedagogy, and student support. At both segments, these activities are commonly delivered by the campuses' centers for teaching and learning, as well as in other settings. Campuses support faculty professional development through a mix of fund sources, including core funds, federal funds, and private grants.

Since the onset of the pandemic, both segments have offered professional development to support faculty with the rapid transition to online instruction. At UC, centers for teaching and learning served 6,700 faculty in 2019-20—more than twice as many as in the previous year. Based on institutional reporting, at least 2 UC campuses had used some funds from the first round for faculty or staff training in online instruction as of December 31, 2020. UC staff has indicated that the Governor's proposal to provide \$5 million one-time General Fund for profession development will be allocated to the campus teaching centers.

The state provided \$10 million ongoing General Fund support in 2013-14 to UC to expand online education. UC has used the funds for the Innovative Learning Technology Initiative, which provides grants for faculty to develop online and hybrid courses that students at any campus may access. In

2019-20, the state also provided the Office of Planning and Research with \$10 million ongoing for the California Education Learning Laboratory, an intersegmental program that similarly aims to expand online and hybrid course offerings. In addition to these programs, the state has supported multiple one-time initiatives at the segments to develop and expand the use of open educational resources in online courses.

California Institutes for Science and Innovation. Originally established by AB 2883 (Villaraigosa), Chapter 79, Statutes of 2000, each of UC's four institutes is a multicampus endeavor focused on research in select science and engineering fields. Two of these institutes involve northern California campuses and two involve southern California campuses. All campuses except UC Riverside participate in at least one institute. Each institute oversees facilities across its participating campuses that contain specialized research laboratories. Much of the research that occurs at the institutes is conducted by collaborative teams of researchers from UC and private industry. The institutes also support many other initiatives intended to foster innovation and entrepreneurship and connect UC students to job experiences and opportunities.

When the state authorized UC to develop the institutes in 2000, it provided \$170 million in one-time General Fund over two years to support the construction of the institutes' facilities. Beginning in 2002-03, the state provided \$4.8 million General Fund to support the institutes' annual operations. Though the state has since eliminated this earmark and folded the associated funds into UC's main appropriation, UC continues to allocate this amount of General Fund to the institutes. Today, UC reports total core funding for the institutes of \$16.6 million, consisting of state funds and campus funds. On top of this core funding, the institutes receive additional funds from federal grants, private donations, and other external sources for specific research and other limited-term endeavors. State law requires UC to match two dollars from external and nonstate sources for each dollar of state funding appropriated to the institutes.

Legislative Analyst's Office Comments

Reconsider Professional Development Proposal After Receiving Online Education Report. The LAO recommends the Legislature reject the Governor's proposal to provide additional funding for faculty professional development in 2021-22, as federal relief funds and other institutional funds are available to address the immediate needs faculty have for improving online instruction. Though the LAO recommends not providing a state augmentation at this time, the Legislature could revisit this issue upon learning more about unmet faculty professional development needs. Specifically, the Legislature could direct the segments to include an assessment of the need for additional faculty support as part of the online education reports the LAO recommended previously. More information about faculty professional development needs could allow the Legislature to determine whether a one-time augmentation might be warranted in the future or existing ongoing professional development funding might be sufficient.

California Institutes for Science and Innovation.

The Administration's stated objectives of aligning education programs to workforce needs, better connecting students to job opportunities, and fostering economic innovation are laudable in concept. However, the proposal likely would have limited impact on California's students and economy, as it would support opportunities for a small number of students in a narrow set of fields. Additionally, each institute's plan appears to reflect local institutional priorities instead of a statewide assessment of which students and activities are of highest priority for workforce development. The LAO notes that the

Administration to date has not provided a statewide assessment of gaps in educational programs, gaps in workforce supply, or unmet industry demand. Without more strategic statewide planning, the Legislature can have little confidence that this proposal is targeting limited resources toward the state's highest priority workforce needs.

Unclear How Proposal Would Interact With Forthcoming Workforce Proposal. The *Governor's Budget Summary* indicates that the administration plans to submit a higher education and workforce proposal totaling \$250 million in one-time General Fund. According to the Governor, this forthcoming proposal will be focused on "workforce development, segment alignment, and improving linkages between higher education institutions and employers." These objectives are very similar to the Governor's objectives for funding the institutes. Without having the much larger proposal, the Legislature cannot compare the two initiatives and assess whether one might have stronger justification and be more cost-effective than the other.

Request Administration to Provide Stronger Justification for Proposal. Prior to taking action on this proposal, the Legislature could request the administration to respond to the key weaknesses identified above. Specifically, the Legislature could request that the administration (1) provide an analysis of education and workforce gaps in the state, (2) describe how funding the institutes would address these gaps and unmet industry demand, and (3) explain how this proposal is intended to interact with the larger, forthcoming \$250 million workforce proposal. Were the administration not able to provide the Legislature more compelling information in these areas over the next couple of months, the LAO recommend the Legislature reject the \$20 million in one-time funding for the institutes and redirect those funds toward higher one-time state budget priorities.

The subcommittee may wish to ask:

- DOF: The subcommittee has received a letter from a stakeholder with concerns about the LMS proposal being a no bid contract. What is the Administration's response to this?
- DOF: Will the California Science Institutes also be seeking industry and federal support and funding for this proposal? Do these programs currently receive industry support and federal research funding?

Staff Recommendation. Hold Open.