SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 12, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

Public Comment

6120 CALIFORNIA STATE LIBRARY

Issue 1: Library Support

Panel

- Jason Constantouros, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library
- Jennifer Louie, Department of Finance

The State Library's main functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, Internet services, and resource sharing, among other things.

In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. In 2018-19, 185 library jurisdictions with 1,119 library branches are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to information a core part of their mission. More than 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

Library Infrastructure and Technology Investments

On April 13th, the Senate released the Build Back Boldly budget package, which prioritizes funding for the state's public libraries. Specifically, the plan calls for $1 billion for public library infrastructure and technology investments, including facility upgrades and modernization projects, expand broadband development and public access to libraries through new fiber optics, and procure new technology and devises for library users, and for hotspot lending programs.

Background

The last state bond for public libraries was enacted and approved by voters in 2000. In 2000, the state approved Senate Bill 3 (Rainey, Burton, Alpert), Chapter 726, Statutes of 2000, which created the *California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000*, which provided $350 million in general obligation bonds for public library construction and renovation. The bill authorized the California Library Construction Board to provide grants to local governments provided that the local agency contributes 35 percent matching funds for the project, and specified that the state's share cannot exceed $20 million per project. The bill also established criteria and procedures for allocation of funds, including needs of urban and rural areas, age and condition of existing facilities, degree of which existing facility is responding to unmet needs of the library service area, among others. At the time, the Senate Floor analysis notes that, the State Library estimated a $2 billion need over six years, of which $1.2 billion in immediate needs.

Library Infrastructure Need. In 2016, the CLA conducted a voluntary needs assessment, which found that the state's public libraries had $4 billion in infrastructure needs. Of the survey respondents, 16 percent noted structural deficiencies, 14 percent noted electrical deficiencies, and six percent noted hazardous materials.

The California Research Bureau recently conducted a survey on April 19, 2021 of the state's public libraries facilities, the responses covered approximately 70 percent of public library facilities. The survey found that there is $3.8 billion in maintenance needs, of which $3.4 billion are for modernization needs and $364.8 million in deferred maintenance needs. For this survey, State Library staff notes library directors were allowed to determine their local needs. State Library staff notes that deferred maintenance includes routine repairs that have been postponed or cancelled, and modernization needs include American with Disabilities Act (ADA) compliance upgrades, heating ventilation and air conditioning (HVAC)/ energy efficiency upgrades, wiring and connectivity upgrades, and upgrades to meeting spaces for the community needs. Of survey respondents, 36 percent note that their facilities are functionally at least 20 years old and seven percent are at least 50 years old. Forty three percent of respondents reported that their libraries were in worse than good condition; nine percent reported poor conditions. The survey found 14 percent reported needing a wholesale replacement, 29 percent needing a remodel, and 21 percent needed expansion.

On February 24th, the subcommittee heard Governor's proposal regarding the Corporation for Education Network Initiatives in California (CENIC), which provides the state's public education agencies access to a high -speed internet network. Since 2014-15, the state has provided funding to the State Library to allow local libraries to use this network. The State Library pays its CENIC charges using General Fund and a special fund, the California Teleconnect Fund (CTF). Local library jurisdictions are responsible for covering the cost of annual internet service charges from the CENIC network to their local sites. Local libraries use their local funds and state and federal technology discounts to pay these costs.

Of the 1,132 public libraries in the state, 895 are connected or currently in the process of being connected via CENIC. For the 2020-2021 fiscal year, the CENIC is working to install 59 circuits with total five-year circuit fees of close to $6 million. This does not include network hardware or room readiness costs that libraries often incur when first installing broadband connections. Libraries in unserved and underserved areas of the state are the hardest to connect. That is, areas that lack broadband infrastructure, typically rural areas with low population density and poor urban areas with a high population density of low-income families, often face both fiscal and physical obstacles in delivery of broadband services.

Federal Funding. The American Rescue Plan (ARP) included $10 billion for states to cover the costs of capital projects that directly enable work, education and health monitoring, including remote options such as broadband infrastructure. It is estimated that the state could receive $550 million. In addition, the ARP also includes $7.1 billion to reimburse schools and libraries to purchase equipment such as hotspots, internet service, and computers on behalf of students and patrons. Furthermore, the proposed American Jobs Plan, proposes to provide $100 billion for high speed broadband infrastructure and to reduce cost of broadband internet service.

<u>Library Fees and Patron Debt</u>

In addition to the library infrastructure and technology investments, the Senate Build Back Boldly budget also calls for the elimination of patron library debt and to provide ongoing sustainable funding for public libraries.

The State Library staff notes that 117 library jurisdictions (664 branches) collect fines for overdue books, of which 18 jurisdictions (101 branches) do not charge fines for children's materials; and 57 jurisdictions (363 branches) do not charge late fines. Fines range from $0.05 to $0.50 per item per day, and most fines are approximately $0.25. Library jurisdictions that do not charge late fees include Alameda County Library, Contra Costa County, San Luis Obispo City-County Library, and San Diego Public Library. For example, in 2019, Contra Costa County library eliminated overdue fines on all library materials. Of the cardholders in Contra Costa County, 18 percent (118,450) previously had their cards blocked due to fines, and 43 percent (21,000) of youth accounts owed a balance.

In January 2019, the San Francisco Public Library and The Financial Justice Project issued a report, *Long Overdue: Eliminating Fines on Overdue Materials to Improve Access to San Francisco Public Library*, which found that 34.8 percent of patrons owed money for overdue fines or billed item fees. The average adult debt holder owed $23.40 to the library, and five percent of adult cardholders were blocked due to unpaid fine accumulation (not including people blocked due to lost or unreturned materials). The report found that while patrons across the city regardless of income, miss return deadlines, patrons in low-income areas face more difficulty paying the fines and fees associated with overdue items. The report noted that overdue fines disproportionately affect low-income communities, African American communities, and communities without college degrees. At the time, 11.2 percent of adult cardholders in the Bayview branch are blocked from using the library due exclusively to overdue fine accrual (and not because of lost or unreturned items), significantly more than in any other location and more than three times as many as in high-income areas of San Francisco.

In April 2021, the CLA conducted an informal survey of the fines and fees at public libraries. The survey found that the state's public libraries have a preliminary estimated total fines and fees balance of approximately $98 million across the state (some libraries included costs damaged or lost materials). Staff notes that respondents of this informal survey responded in different formats, and data has not been validated.

Library Support and Services

California Library Services Act (CLSA). The state facilitates resource sharing between libraries through the California Library Services Act (CSLA) program. The CLSA has a board that determines specific funding allocations for local libraries each year. To facilitate resource sharing, CLSA supports nine regional library cooperatives. The cooperative in turn support numerous initiatives among their member libraries, such as expanding digital resources. The program also historically funded the direct and interlibrary loan programs, which reimbursed libraries for loaning books to nonlocal patrons and other libraries. In 2010-11, the state provided $16 million (adjusted for 2021-22 dollars) to support CLSA. In the following year, however, state defunded CLSA in response to state's poor budget situation. The state has since resumed CLSA funding for the regional library cooperatives, but is no longer funding the direct and interlibrary loan programs. (Many libraries, however, continue to loan their resources to other libraries using their other operating funding.) In 2019-20, the cooperatives received $3.6 million in ongoing General Fund support. Due to the COVID-19 pandemic, the 2020-21 budget reduced this funding by $1.8 million, bringing cooperative funding to $1.8 million in 2020-21.

Public Library Foundation (PLF). The state established the Public Library Foundation in 1982 to help provide general operations support for local libraries in the wake of Proposition 13 (1978). This program provided operational assistance to local libraries and was used to support library staffing, maintain hours of operation, develop and expand library-based programs such as after-school reading programs and homework assistance centers, and purchase books and materials. To determine the amount of funding for the program, statute established an aspirational level of state and local support for libraries. This level was based on the number of people in each library's local service area and was adjusted each year for inflation. Of this aspirational amount, the state was expected to contribute 10 percent of the cost and local governments were expected to contribute the remaining 90 of funds. Statute specified that the state funding was to supplement local resources and required participating libraries to maintain the same level of local funding as was provided in the prior year. At its peak (in 2000-01), the state appropriated $94 million (adjusted for inflation) to the program, however, in subsequent years, funding was reduced, and the program was also ultimately defunded during the great recession in the 2011-12 budget act.

Staff Recommendation. None. This item is informational.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY

Issue 2: UC and CSU Student Enrollment

Panel

- Jason Constantorous, Legislative Analyst’s Office
- Seija Virtanen, University of California
- Ryan Storm, California State University
- Brian Rutledge, Department of Finance

Background

State Often Sets Enrollment Targets for the Universities. In most years, the state budget has established systemwide resident enrollment targets for CSU and UC. When these targets require enrollment growth, the state typically provides associated General Fund augmentations. Historically, the state has set targets for the upcoming academic year, but some recent budgets have set the targets for the following year (for example, setting a target in the 2019-20 budget for the 2020-21 academic year). Setting an out-year target allows the state to better influence admission decisions, as the universities typically have already made their decisions for the upcoming academic year before the enactment of the state budget in June. Since 2015-16, five of the last six budgets have set enrollment targets for the universities, with one of these budgets setting an out-year target for CSU and four of these budgets setting out-year targets for UC.

State Did Not Set Targets in the 2020-21 Budget. Deviating from the state’s recent practice, the 2020-21 budget did not include CSU or UC enrollment targets for either the 2020-21 or 2021-22 academic years. In the case of CSU, the Chancellor’s Office was left to determine the number of resident students to enroll in 2020-21. 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, as discussed further below.

Overall Resident Enrollment Increased in Fall 2020. As shown in the chart on the following page, the total resident enrollment increased from fall 2019 to fall 2020 at both CSU and UC. The trends in the underlying composition of enrollment, however, varied across the two university systems. At CSU, for undergraduates, new enrollment was virtually flat, but continuing enrollment grew. Graduate enrollment also grew, entirely due to growth in new students.

In contrast, at UC, new undergraduate enrollment grew and new graduate enrollment declined. While the universities’ overall resident enrollment increased in fall 2020, nonresident enrollment decreased. 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.

CSU's and UC's Trends in New and Continuing Resident Enrollment Differ
Fall Resident Headcount

				Change From 2019	
	2018	**2019**	**2020**	**Amount**	**Percent**
CSU					
Undergraduate					
New	115,450	119,018	119,194	176	0.1%
Continuing	291,673	290,939	294,616	3,677	1.3
Subtotals	**(407,123)**	**(409,957)**	**(413,810)**	**(3,853)**	**(0.9%)**
Graduate					
New	17,565	17,494	20,360	2,866	16.4%
Continuing	29,274	28,886	28,646	-240	-0.8
Subtotals	**(46,839)**	**(46,380)**	**(49,006)**	**(2,626)**	**(5.7%)**
Totals	**453,962**	**456,337**	**462,816**	**6,479**	**1.4%**
UC					
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.

UC 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 total nonresident enrollment at five UC campuses at 18 percent. At UC Berkeley (24.6%), UC Irvine (18.9%), UCLA (22.8%) and UC San Diego (22.7%), nonresident enrollment was capped at the proportion that each campus enrolled in 2017-18.

Of the approximately 285,100 undergraduate students UC served in fall 2019, 40,482 (17.9 percent) were nonresidents. New nonresident undergraduate enrollment in fall of 2020 dropped by 3.6 percent UC undergraduates at all campuses pay the same $12,570 in systemwide tuition and fees. Nonresident undergraduates pay an additional $28,992 in nonresident supplemental tuition. The UC estimates that the 2020 decline in nonresident enrollment will result in a decrease of $38 million in nonresident tuition revenue.

CSU Enrollment. The CSU notes that it enrolled its largest ever student body for the fall 2020 term. It also notes that despite the pandemic, the CSU noted earlier this year that it received more than 294,265 unduplicated undergraduate applications for the fall of 2021.

Most CSU campuses and academic programs receive more eligible applicants than available slots. These campuses and academic programs are considered "impacted." Historically, impacted CSU campuses have sought to prioritize admission for students from their regions, maintaining CSU's historic role of ensuring access for place bound students. In recent years, however, several campuses have designated all of their undergraduate academic programs as impacted. When this occurs, campuses can reject for admission eligible applicants, even those from its region. For 2021-22, there are seven campuses with all of their majors impacted (Fresno, Fullerton, Long Beach, Los Angeles, San Diego, San Jose and San Luis Obispo).

Historically, and in contrast to UC, CSU has not had a redirection policy. That is, when eligible applicants were denied admission at one campus, they were not redirected to another campus with space if they did not apply to that campus. The 2017-18 budget required CSU to adopt a policy to redirect all eligible CSU applicants for admission from impacted campuses to non-impacted campuses for admission. Nine campuses (Bakersfield, Channel Island, Dominguez Hills, East Bay, Humboldt, Maritime Academy, San Francisco, Sonoma and Stanislaus) initially participated in the redirection process for fall 2019, and 25,000 applicants were offered the opportunity to have their applications redirected. Of those, 5,500 selected one of the nine campuses, 3,400 did not wish to have their applications redirected, and the remaining 16,000 applicants were divided among participating campuses. Of these applicants identified for redirection, just under 20,000 were offered admission to another campus. Based on data for fall 2019, 892 redirected students enrolled in the fall term, which is a yield of 4.5 percent.

Governor's Budget Proposal. The Governor does not propose funding to support enrollment growth at UC or CSU in 2021-22 or 2022-23. In the absence of these targets, the universities would have flexibility to make their own enrollment decisions over the next couple of months for the 2021-22 academic year. The universities also likely would set their own targets to guide their fall 2022 admission decisions.

The LAO notes that it is important to set clear enrollment expectations to provide clarity on how many students the universities serve. 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 (approximately 2,000 FTE students), and at $34 million for CSU (approximately 3,600 FTE).

Segment Budget Proposal. UC and CSU does not have a budget request to increase enrollment, and plans to hold enrollment flat for the fall of 2021.

<u>Senate Build Back Boldly: Access to Higher Education</u>

In 2015, the Public Policy Institute of California (PPIC) noted that the state would need to produce 1.1 million more college graduates by 2030 in order to meet future workforce demands. The PPIC found that two in five jobs would require at least a bachelor's degree, while demographic data suggested that one in three Californians would attain this level of education. In February 2020, prior to the pandemic, PPIC announced that the state was on track to close these gaps due to various state efforts, including investments in increased enrollment at the segments and improved graduation rates.

The PPIC also notes that higher education could be one of California's most effective tools for combating economic and social inequities. College graduates experience large wage gains and their jobs offer more benefits than those of workers without bachelor's degrees. One of the goals of the Build Back Boldly Budget is to build a stronger middle class and expand access to higher education. In order to help achieve this goal, the plan seeks to increase resident enrollment at UC and CSU. The plan seeks to phase down non-resident student enrollment at UC to approximately 10 percent for incoming freshman by 2033-34, increase resident enrollment, and backfill the loss of out-of-state tuition revenues.

In 2020-21, UC enrolled 8,644 new nonresident students in its freshman class, this represents approximately 19 percent of incoming freshman (38,072). The plan seeks to reduce the share of nonresident freshman from 19 percent across the system in 2021-22 to 17 percent in 2022-23, while also increasing the number of resident students by a proportional amount. The chart below displays the proposed plan.

Build Back Boldly Plan: UC Nonresident Students

	2020-21 Current Year	2022-23 Year 1	2033-34 Final Year
Nonresident Share of Incoming Freshmen			
Campuses reducing their shares			
Berkeley	26%	24%	10%
San Diego	26%	24%	10%
Los Angeles	25%	23%	10%
Davis	21%	20%	10%
Irvine	21%	20%	10%
Santa Barbara	17%	16%	10%
Campuses increasing their shares			
Santa Cruz	7%	7%	10%
Riverside	4%	5%	10%
Merced	1%	2%	10%
UC average	**19%**	**17%**	**10%**
Number of Incoming Freshmen			
Resident	38,072	38,645	42,656
Nonresident	8,644	8,151	4,740
Totals	**46,716**	**46,796**	**47,396**
Cost of Plan			
Increase resident enrollment		$30	$412
Reduce nonresident enrollment		26	363
Totals		**$56**	**$775**

As shown on the chart above, the preliminary cost estimate of this plan is $56 million General Fund ongoing, which includes $30 million to increase resident freshman enrollment, and $26 million to replace the revenue that the UC would have received from nonresident students.

In addition, as noted above, 25,000 qualified CSU applicants were redirected from their campus of choice to other campuses, and yielded 4.5 percent enrollment. In order to address student demand and increase access to the CSU, and to meet the state's future workforce need, the Build Back Boldly plan also seeks to increase enrollment at the CSU.

Staff Recommendation. None, this item is informational.

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 3: Debt Free College

Panel

- Lisa Qing, Legislative Analyst's Office
- Laura Szabo-Kubitz, The Institute for College Access and Success
- Jake Brymner, California Student Aid Commission
- Gabriela Chavez, Department of Finance

Cal Grant Awards Background

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

- Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of $9,084 for tuition at private non-profit universities, $8,056 at WASC-accredited for-profit schools, and $4,000 at other for-profit schools.
- Cal Grant B starting in the second year covers the amount of tuition coverage as Cal Grant A, while also providing an "access award" for nontuition expenses such as food and housing.
- Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award amounts for tuition ($2,462 for private schools) and nontuition expenses ($1,094 for Community College students, and $547 for private school students).

Across all three Cal Grant award types, students with dependent children qualify for a supplemental award that provides additional nontuition coverage of $4,000 or $6,000 depending award type. A student may receive a Cal Grant A or B award for up to four years of full-time study or the equivalent, whereas a Cal Grant C award is available for up to two calendar years. In 2020-21, the state provided $2.48 billion to support the Cal Grant Program.

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

Tuition Coverage	**Amount**
Cal Grant A and B[a]	
UC	$12,570
Nonprofit schools	9,084
WASC-accredited for-profit schools	8,056
CSU	5,742
Other for-profit schools	4,000
Cal Grant C	
Private schools	$2,462
Nontuition Coverage[b]	
Cal Grant B	
All segments	$1,648[c]

Cal Grant C	
CCC	$1,094
Private schools	547
[a]Cal Grant B recipients generally do not receive tuition coverage in their first year. [b]Award amounts shown apply to students without dependent children. Students with dependent children qualify for a supplemental award that brings nontuition coverage to a maximum of $6,000 for Cal Grant A and B recipients and $4,000 for Cal Grant C recipients. [c]Cal Grant B recipients also receive a supplemental award (up to $8) funded by the College Access Tax Credit. WASC = Western Association of Schools and Colleges.	

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

Cal Grant Eligibility Criteria

Financial Criteria[a]

Cal Grant A and C

- Family income ceiling: $99,200 to $127,700, depending on family size.
- Asset ceiling: $85,500.

Cal Grant B

- Family income ceiling: $46,300 to $70,100, depending on family size.
- Asset ceiling: same as A and C.

Other Major Criteria

High School Entitlement (A and B)

- High school senior or graduated from high school within the last year.
- Minimum high school GPA of 3.0 for A award and 2.0 for B award.

Transfer Entitlement (A and B)

- CCC student under age 28 transferring to a four-year school.
- Minimum community college GPA of 2.4.

Competitive (A and B)

- An individual ineligible for one of the entitlement awards, typically due to age or time out of high school.
- Minimum GPA requirements same as for entitlement awards.

Competitive (C)

- Must be enrolled in career technical education program at least four months long.
- No minimum GPA.

[a]Reflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24).
GPA = grade point average.

For the 2020-21 Cal Grant award year, the average income of a:

- Cal Grant A high school and transfer entitlement awardee is $59,141 and $76,262, respectively,
- Cal Grant B high school and transfer entitlement awardee is $25,623 and $21,175, respectively,
- Competitive Cal Grant A awardee is $14,728,
- Competitive Cal Grant B awardee is $8,985,
- Eligible competitive Cal Grant A and B non-offered students is $32,642, and
- Cal Grant C awardee is $26,383.

Competitive Cal Grant. As discussed in the February 24th subcommittee hearing, the state currently authorizes 41,000 new competitive awards annually for students who do not qualify for an entitlement award. CSAC uses a scoring matrix to prioritize among eligible applicants. The scoring matrix places greatest weight on measures relating to an applicant's financial need, including their EFC. Applicants also receive points for certain socioeconomic factors and their GPA. Each year, half of the competitive awards are available to students at any segment who apply by March 2, and the other half is reserved for students attending the California Community Colleges (CCC) who apply by September 2.

In 2019-20, over 293,000 students were eligible for a new Cal Grant competitive award. Of these students, only 51,000 (17 percent) were offered an award. (The number of offered awards exceeds the 41,000 authorized awards because not every student offered an award eventually receives it.) Students offered awards had an average annual income of about $8,100. The remaining 242,000 students, who were not offered awards, had an average income of $30,000.

2020-21 Cal Grant New and Renewal Offered Awardees

Segment	Entitlement Cal Grant A	Entitlement Cal Grant B	Cal Grant C	Competitive Cal Grant A	Competitive Cal Grant B	Total Awards Offered
CCC	30,305	125,653	11,210	640	72,308	240,116
UC	73,931	11,334	479	68	3,116	88,928
CSU	40,907	117,662	1	183	14,825	173,578
Private Non-Profit	24,749	7,065	104	190	2,425	34,533

Private For Profit (WASC)	820	807	429	143	723	2,922
Private For Profit (non-WASC)	266	1,774	7	199	1,227	3,473

Middle Class Scholarship Background

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, established the Middle-Class Scholarship Program to eligible UC and CSU students. The MCS provides an award of 10 percent to 40 percent of the mandatory systemwide tuition and fees for UC and CSU, depending the student's income and is offset by the students other federal, state, or institutional aid. In order to qualify for the MCS, students must have a household income and assets equal to or less than $184,000. The budget provides $117 million to support the MCS.

For 2018-19, 62,596 students were offered MCS awards which included 12,279 at the UC and 50,317 at the CSU. Of the 62,596 offered awardees, 84.5 percent actually used their awards and became Paid Recipients. Of the 52,883, 18 percent were UC students and 82 percent were CSU students. In 2018-19, the average UC and CSU MCS award was $2,975, and $1,756, respectively. CSAC notes that the typical MCS paid recipient's family income at UC and CSU was $126,336, and $98,834 respectively.

Community College Student Success and Completion Grant (SSCG) Background

AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018, established the Student Success and Completion Grant (SSCG). The SSCG provides eligible community college students with a $649 per semester grant for Cal Grant B or C students enrolled in full-time with 12, 13, or 14 units, and $2,000 for students enrolled in 15 or more units. The Governor's budget includes $135.45 million Proposition 98 General Fund to support the SSCG.

AB 1809 required the Chancellor's Office to report by April 1, 2020 on 2018-19 SSCG data, specifically on the number of grant recipients, disaggregated by units and education goals, grade point average, and number of awardees considered on track to complete their education program, among other outcome and demographic data. The Chancellor's Office submitted the report in January 2021. The report notes that in 2018-19, 81,000 students received a SSCG award, of which 63 percent sought an associate degree for transfer, 11 percent sought an associate degree with no plans to transfer, 10 percent sought to transfer without an associate degree and three percent sought career technical education certificates. The report notes that 25 percent of students receiving an SSCG completed 30 units or more an academic year, compared to nine percent of students receiving federal aid only, and four percent of students that received no aid. Additionally, 60.2 percent of SSCG recipients were Latino, 16.4 percent were white and 12.6 percent were Asian.

Governor's Budget Proposals

As discussed in the subcommittee's February 24th hearing, the Administration proposes $35 million to increase the number of competitive Cal Grant Awards from 41,000 each year to 50,000. The subcommittee also heard the Administration's proposal to provide $20 million in 2021-22 to create an increase to the Cal Grant Access Award for foster youth. Specifically, the maximum access award would increase from $0 to $6,000 for Cal Grant A recipients, from $1,648 to $6,000 for Cal Grant B recipients, and from $1,094 to $4,000 for Cal Grant C recipients.

Senate's Build Back Boldly Budget: Debt Free College

On April 13, 2021, the Senate Democrats released their budget priorities for 2021-22, *Build Back Boldly*, which seeks to increase affordability and access to higher education. In order to achieve this, the Build Back Boldly budget calls to implement a Debt Free College package, which includes filling in the gaps of the Cal Grant Program, and to transform the Middle-Class Scholarship program to help address the total cost of attendance for low income and middle-income students at the UC and CSU. The descriptions below highlight various options to achieve these goals.

Cal Grant Eligibility

- Grade Point Average. Currently, the Cal Grant A and B has three GPA eligibility requirements depending on the award type as described above. According to The Institute for College Access and Success (TICAS), *Charting the Course for Redesigning Financial Aid in California,* the GPA eligibility requirement is duplicative of college admissions requirements, such as at the CSU and UC which already require minimum GPAs for admission. Additionally, the GPA requirement also poses a barrier for older students whose high school transcripts are difficult to obtain or no longer representative of their academic performance.

- Age and Time Out of High School. Eligible recent high school graduates, as well as transfer students under the age of 28, are guaranteed a Cal Grant through the entitlement program. For students not meeting the entitlement program criteria, such as age or time out of high school, the state offers a competitive Cal Grant, which was summarized earlier, and heard at the February 24th subcommittee hearing. As stated, only 17 percent of eligible applicants were offered a Cal Grant Competitive Award. These eligibility rules create barriers for older nontraditional students from accessing the Cal Grant program.

  The subcommittee could consider removing these eligibility requirements: age cap and "one year out of high school," and GPA requirements in order to allow for over 300,000 more students, particularly non-traditional and older students, to be eligible for the Cal Grant. This would also remove the need for the competitive Cal Grant program.

Total Cost of Attendance

In addition to tuition costs, living expenses such as books, housing, transportation make up the total cost of attendance. The cost of attendance varies across campuses within each system because some expenses, such as housing, vary by location. The cost also varies depending on whether a student lives on campus, off campus not with family, or off campus with family. For example, the total cost of attendance for a student living on campus is approximately $38,000 at UC Santa Cruz and $24,000 at CSU Monterey Bay, while the total cost of attendance for a student living off campus is $27,000 at Cabrillo College.

- Cal Grant B Access Award. Currently, the Cal Grant B Access Award is $1,648. TICAS notes that in 2000-01, the Cal Grant B Access Award was $1,548, and if the award had kept pace with inflation, the maximum award would be $2,525. The subcommittee could consider increasing the Cal Access Award to help address total cost of attendance for students.

- Student Success and Completion Grant. As noted earlier, the SSCG is only available for Cal Grant B and C students enrolled full time, and provides additional financial aid to students to help cover non-tuition expenses at the community college. The subcommittee could consider increasing the award amount and providing it on a prorated basis to part time students.

- Middle Class Scholarship Program 2.0. As noted earlier, currently the Middle Class Scholarship only covers a portion of tuition for specified incomes. In order to address the total cost of attendance, the Senate's Debt Free College plan recasts and transforms the Middle Class Scholarship to Middle Class Scholarship 2.0. Under the MCS 2.0, a UC or CSU student will receive an additional award to address the total cost of attendance after taking into account all sources of funding, including financial aid, student work and family contribution. Under this model, the award will be calculated as follows:

  Start with Full Cost of Education (tuition, living expenses)
  (-) Subtract awarded financial aid grants (Federal, state, others)
  (-) Subtract modified "family contribution" for families with over $100,000 income
  (-) Subtract expected earnings from 15 hours per week job
  = Middle Class Scholarship 2.0 makes up the difference

  The subcommittee may wish to consider this option, as well as explore what the appropriate family contribution will be for families with incomes of over $100,000.

Taking into account all of the options described above: Cal Grant eligibility requirements as well as expanding financial aid to help cover the total cost of attendance, the preliminary estimates of the total cost to implement are approximately $5 billion.

Student Loan Debt

According to a 2019 TICAS report, *Student Debt and the Class of 2019*, 47 percent of California college graduates in 2019 had some student debt, with an average debt amount of $21,485. Nationally, 62 percent of college graduates had student debt, with an average debt of $28,950. At UC and CSU, the average student debt is lower than the state and national averages, with $18,360 at UC and $18,173 at CSU. According to the LAO, it is estimated that there is a total of $140 billion in outstanding federal student loan debt for Californians.

TICAS also released a report in March 2019, *Unequal Debt Burdens Among University of California Undergraduates,* which found that lower income graduates were also more likely to borrow than their wealthier peers. While overall 50 percent of dependent UC graduates borrowed, 65 percent of those from families making no more than $29,000 annually did compared to 22 percent of those with annual family incomes more than $173,000. Additionally, at the UCs, dependent African American and Chicano/Latino graduates are disproportionately more likely to have debt than their White peers, with dependent African American graduates from the lowest income bracket (no more than $29,000) the most likely to borrow at 78 percent.

Existing state law authorizes an above-the-line tax deduction for interest due and paid on qualified education loans up to a maximum of $2,500. The deduction is subject to gradual phase-outs for individuals with modified adjusted gross income (AGI) of $60,000 or more ($120,000 for joint filers), with complete phase-outs for individual with modified AGI of $75,000 or more ($150,000 for joint filers).

In an effort to address student loan debt, as outlined in the Senate's Build Back Boldly budget plan, the subcommittee may wish to consider expanding the current annual deduction cap above the current $2,500 as well as increase the current income eligibility for the deduction. For example, the maximum deduction cap could increase from $2,500 to $12,000, and increase the eligible income level from $65,000 ($130,000 for joint filers) to $100,000 ($200,000 for joint filers). The preliminary cost estimate for this example is approximately $44 million.

Staff Recommendation. None, this is an informational item.