Senate Budget and Fiscal Review

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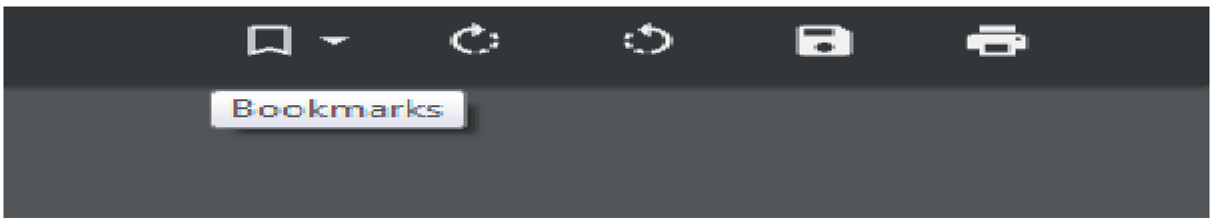

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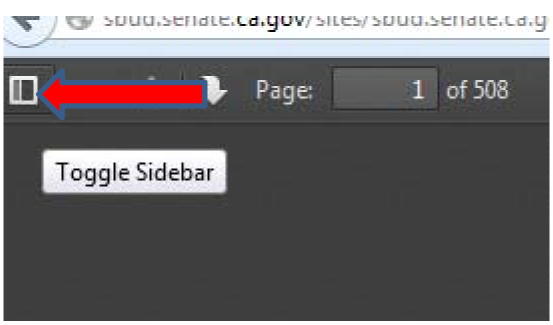

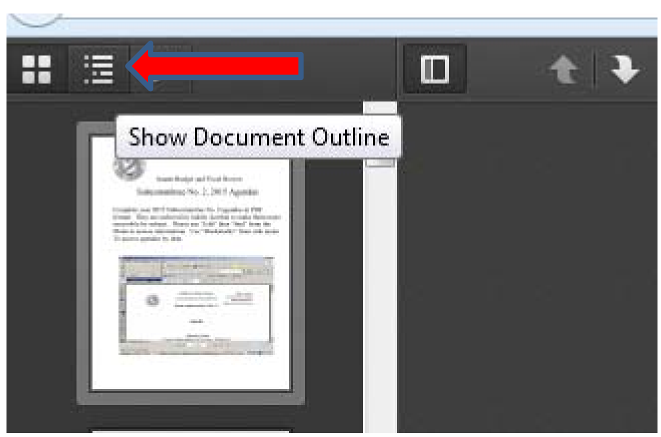

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

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

Consultant: Christopher Francis, Ph.D.

Items for Discussion

Public Comment

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6980 California Student Aid Commission (CSAC)

The California Student Aid Commission (CSAC). CSAC was created in 1955, and is the state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of CSAC is to promote educational equity by making postsecondary education affordable for all Californians by administering financial aid and outreach programs. The Commission consists of 15 members; 11 members are appointed by the Governor and confirmed by the Senate, 2 members are appointed by the Senate Rules Committee, and 2 members are appointed by the Speaker of the Assembly. In general, members serve four-year terms; the two student members, appointed by the Governor, serve two-year terms.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5755	Financial Aid Grants Program	115.6	139.7	144.7	$2,428,504	$3,596,181	$3,878,176
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**115.6**	**139.7**	**144.7**	**$2,428,504**	**$3,596,181**	**$3,878,176**

FUNDING		**2020-21***	**2021-22***	**2022-23***
0001	General Fund	$2,000,015	$2,689,352	$3,457,282
0784	Student Loan Operating Fund	-	100	-
0995	Reimbursements	427,707	433,790	420,509
3263	College Access Tax Credit Fund	782	439	385
8506	Coronavirus Fiscal Recovery Fund of 2021	-	472,500	-
TOTALS, EXPENDITURES, ALL FUNDS		**$2,428,504**	**$3,596,181**	**$3,878,176**

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

Panel

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

Background

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

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

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

- Cal Grant/2 was proposed to expand grant aid to California community college students by guaranteeing access grants of up to $6,000 for low-income students who meet the specified requirements. Access grants would help defray non-tuition costs, such as housing, food, transportation and other educational expenses. The proposed Cal Grant/2 also included access for returning adults and students with dependents.

- Cal Grant/4 was proposed to guarantee financial aid to cover tuition and fees for low to middle-income students who meet specified requirements and attend a qualifying four-year college or university (UC, CSU, or Cal Grant eligible private institution). Cal Grant/4 was proposed to increase access to baccalaureate pathways for returning adults. Cal Grant/4 provides awards regardless of year in school and urges colleges and universities to target institutional financial aid resources to fund non-tuition access awards for the highest need students.

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

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

Governor's Budget Proposals for 2022-23

Relevant financial aid proposals include the following:

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

Middle Class Scholarships

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

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

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

Cal Grants

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

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

Staff Comments

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

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

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

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

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

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

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

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

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

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

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

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

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

4. **Time out of high school requirement for incoming students who go directly to UC, CSU, and private institutions.** Students must still apply for aid within one year of high school graduation to qualify for a Cal Grant entitlement if they enroll at a four-year institution. The LAO previously estimated, prior to adoption of CCC Entitlement Awards, that offering awards to these students would result in about 49,000 additional paid recipients at a cost of about $332 million.

5. **Age cap on transfer student access to Cal Grants. S**tudents that do not receive a Cal Grant while at CCC or that transfer to a private institution are only eligible for a Cal Grant entitlement if they are under age 28 by Dec. 31 of the award year. This creates a barrier to financial aid access for adult learners or students that are advised to retain their Cal Grant eligibility until they enroll at a four-year institution.

6. **Supplemental Cal Grant support for foster youth and students with dependent children lacking for those attending an independent nonprofit college or university.** Over the past two years, the state has created $6,000 supplemental Cal Grant awards for these students; however, that eligibility is currently limited to such students attending a University of California, California State University, or California Community College. The Legislature may wish to extend this support to these students who choose to attend a nonprofit higher education institution as it will further simplify Cal Grant eligibility and promote greater equity in access to this financial support for students.

7. **Transfer entitlement portability for community college transfer students to cover students transferring to an independent nonprofit college or university.** The elimination of age and time out of high school restrictions for community college students to access a Cal Grant award led to the expansion of access for these awards. If a CCC student transfers to a private university, then they are unable to bring their CCC Expanded Entitlement award with them however. The portability of their remaining eligibility upon transfer to a four-year university was limited to a UC or CSU. Students transferring to privates are essentially still subject to age requirements**—** they can switch award types to Transfer Entitlement if they're under age 28, but if they're over age 28 then they would need to compete for a Competitive award. As a result, those community college students who transfer to an ICCU will not be guaranteed a Cal Grant. The Legislature may wish to address this to ensure that community college students with the Expanded Entitlement who transfer are guaranteed a Cal Grant at an ICCU.

Student Debt in CA as of 2020. Students that attend California public colleges and universities have some of the lowest debt in the nation upon graduation. According to the Project on Student Debt, by The Institute on College Access and Success (TICAS), average student debt at graduation in 2020 ranged from $18,350 in Utah to $39,950 in New Hampshire, and new graduates' likelihood of having debt varied from 39 percent in Utah to 73 percent in South Dakota. In nineteen states, average debt was more than $30,000, and it was over $35,000 in six states.

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

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

Suggested Questions:

- CSAC, Cal Grant Reform: What does CSAC see as the biggest barriers and most urgent issues to Cal Grant accessibility that remain and why? How many people are prevented from accessing Cal Grants because of these barriers? Does CSAC have an associated cost estimate to address these issues?

- CSAC, On implementation of CCC Entitlement Program:
    - To date, what steps have CSAC taken to implement the CCC Entitlement Program?
    - Please provide the subcommittee with an update on the number of new award offers, as well as what is known to date about paid rates.
    - Has CSAC encountered any challenges with implementation?

- CSAC, On implementation of MCS 2.0:
    - To date, what steps have CSAC taken to implement the revamped MCS?
    - What data, if any, has CSAC collected about it?
    - Assuming no changes to the proposed amounts in the final budget for 2022-23, what challenges, if any, does CSAC envision as it implements this revamped program?

- What are the overall differences in implementation activities between the previous and new versions of the MCS?

- Can you explain how these challenges could impact a student's decision timeline? In other words, are there impacts from the student perspective that would need to be addressed?

- Does CSAC believe that any statutory changes are needed to improve program implementation?

Staff Recommendation. Hold Open Governor's proposals.

Issue 2: State Operations: Workload resources and infrastructure support

Panel

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

Governor's Budget Proposals

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

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

Background

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

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

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

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

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

1) The Customer Assistance and Processing Unit (CAPU) is the Commission's call center for all student, parent, and general public inquiries, including questions about all types of financial aid. CAPU's responsibility is to provide timely, accurate and consistent financial aid information to students, parents, schools, and other stakeholders. Staff duties include, but are not limited to, answering customer calls, responding to customer emails, keying customer forms, updating student accounts, updating the California Dream Act Application (CADAA) information, responding to other inquiries, sending ad hoc customer notifications, and maintaining unit statistics. CAPU staff will be able to serve more student calls and maintain or decrease the abandon rate from this year.

2) ISU receives all of the high school and college inquiries, from questions that take less than a minute to more complex calls that can last up to an hour. Not considered to be a call center, the ISU staff provides guidance for all LEAs and Cal Grant participating institutions. The changes to the Cal Grant program from the Budget Act, the financial aid completion requirement, and the FAFSA Simplification Act will create more work for ISU. CSAC expects high school counselors will call ISU even more for assistance with WebGrants reports to ensure all of their seniors have completed their FAFSA/CADAA. ISU can provide additional support to LEAs, higher education institutions, Community Based Organizations and other educational entities to ensure compliance with the financial aid application requirement, changes from the 2021 Budget Act and the FAFSA Simplification Act.

3) Additional Regional Coordinating Organizations can be established statewide to assist high school students and families to complete the FAFSA/CADAA requirement.

Legislative Analyst's Office Comments and Recommendations

Positions to address workload

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

Cash for College

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

Suggested Questions

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

Staff Recommendation. Hold Open.

6610 CALIFORNIA STATE UNIVERSITY

Overview

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

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

The CSU's goals include:

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

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

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5560 Support	47,708.3	48,600.9	48,600.9	$10,850,637	$12,003,756	$11,561,533
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	**47,708.3**	**48,600.9**	**48,600.9**	**$10,850,637**	**$12,003,756**	**$11,561,533**

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

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

Panel

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

Governor's Budget Proposals

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

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

CSU Budget Request

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

Background

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

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

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

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

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

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

Drops in 2021-22 Enrollment Likely Linked to Pandemic

Resident Undergraduate Full-Time Equivalent (FTE) Students

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

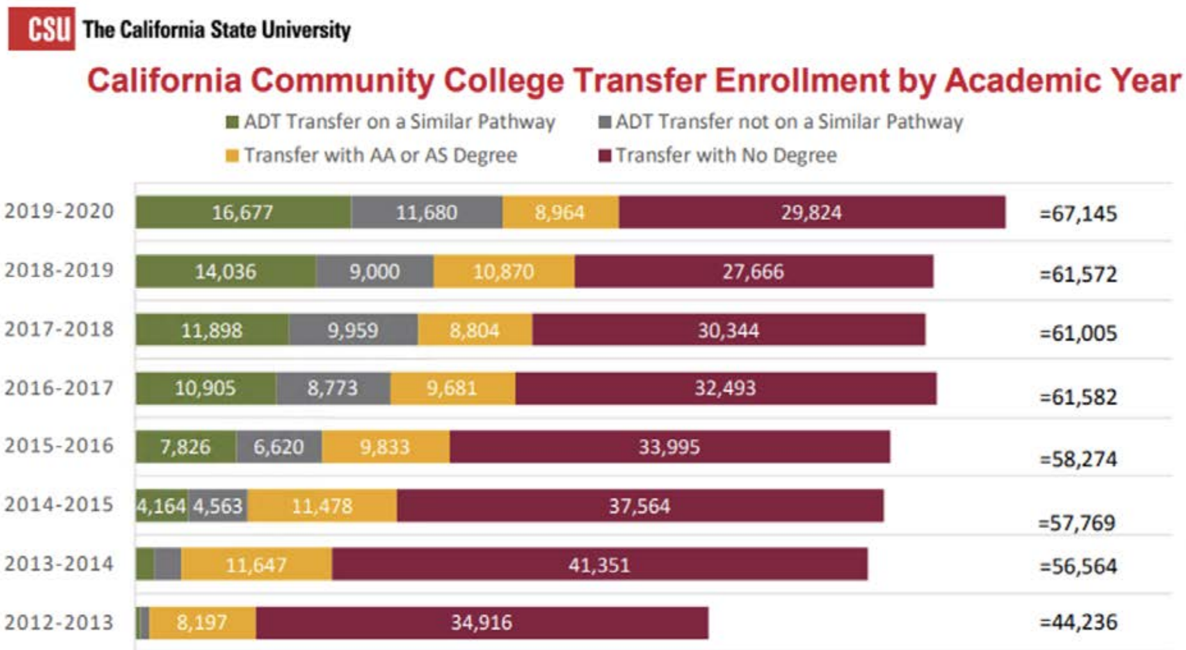
CSU Tuition. Since 2011-12, tuition rates have remained relatively constant with an increase of $270 in 2017-18 to support the first year of funding dedicated to Graduation Initiative 2025. The CSU systemwide tuition is $5,742 per year for a resident undergraduate student. In addition to the systemwide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

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

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

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

On January 26, 2021, the CSU Board of Trustees Committee on Education heard an update on the ADT. The Board agenda item notes that there are currently 40 ADT pathways and all community colleges (except Calbright College) offers an ADT program. CSU notes that when reviewing the major preferences of students transferring from a CCC to a CSU, these pathways account for 90 percent of their preferred majors. The CSU notes that the top CSU majors of ADT transfer students are psychology with almost 3,000 students, followed by business administration, sociology and criminal justice. As shown on the display below, in 2019-20, more than 28,000 new transfer students enrolled at the CSU having first earned an ADT, this is about five percentage points over the prior academic year. Since 2012, students transferring with an ADT grew from three percent to about 42 percent. While the number of ADTs and transfer students have grown over the last several years, about 41.2 percent of new ADT transfers were enrolled in a pathway not similar to their ADT.



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

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

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

Graduation Initiative 2025. Historically, CSU's four-year graduation rate for incoming freshmen was below 20 percent and the two-year graduation rate for transfer students was below 30 percent. To address its low graduation rates, CSU launched the Graduation Initiative 2025 and set a systemwide goal to increase the four-year graduation for first time freshman at 40 percent, and the two-year transfer graduation rate at 45 percent by 2025. Currently, the systemwide four-year graduation rate is 33 percent and the two-year graduation rate is 44 percent.

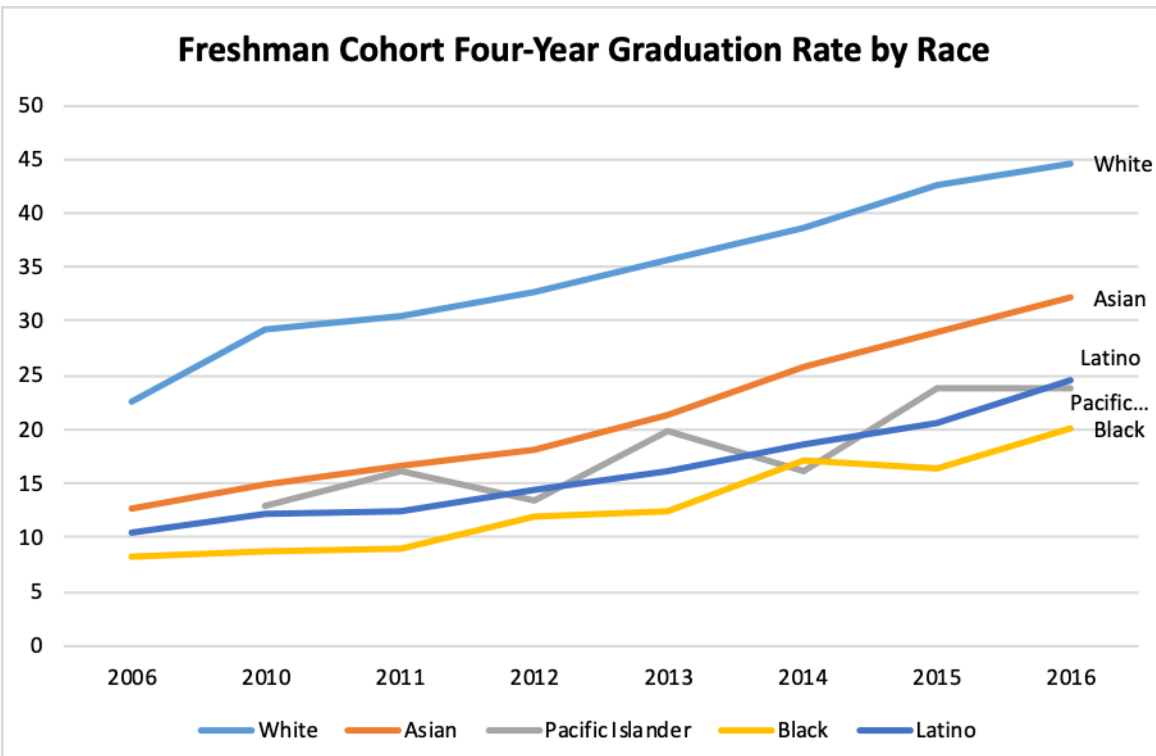
Over the five years, the state has made significant investments in the CSU Graduation Initiative 2025. The 2019-20 budget provided $45 million ongoing General Fund and $30 million one-time General Fund for the Graduation Initiative 2025, the 2018-19 budget provided $75 million ongoing, the 2017 budget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

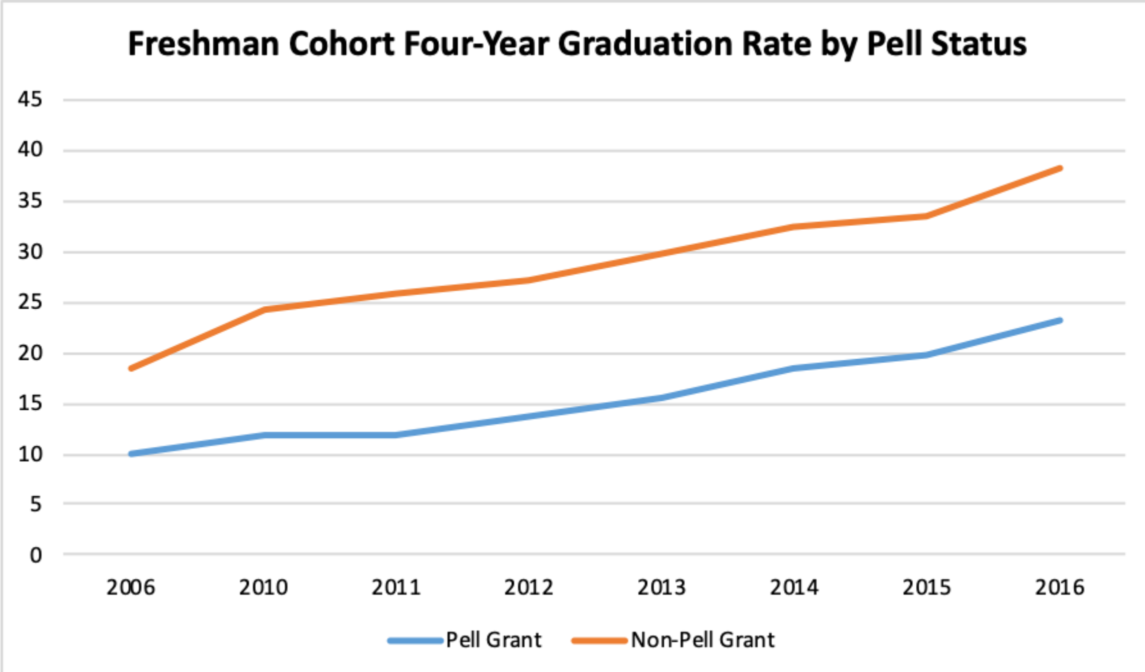
On January 15, 2021, the CSU report to the Legislature and notes that in 2019-20, CSU awarded nearly 110,000 bachelor's degrees, which is the highest number in its history and an increase of more than 23,000 compared to 2015. Additionally, CSU achieved their highest retention rate with 85.5 percent of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

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

TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

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





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

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

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

Legislative Analyst's Office Comments and Recommendations

Base Increase

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

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

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

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

Enrollment

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

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

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

Suggested Questions

- The Governor's budget proposal is smaller than the CSU's budget request and CSU's stated need. Within the $211 million proposed in the Governor's budget, what are your priorities that would be covered? Overall, what will CSU fund with the $211 million if this base amount is not increased in the final budget agreement?

- Please discuss the differences in enrollment for fall 2021 as compared to 2019 and 2020. Why has enrollment declined in 2021 compared to the previous two years?

- The Governor's budget provides enrollment growth funding for 2022-23. What are the implications of the fall 2021 decline for 2022-23 enrollment levels?

- The 2021 budget included $15 million General Fund ongoing to expand the Basic Needs Initiative, a component of CSU's Graduation Initiative 2025. How were the funds allocated and used by campuses for basic needs? The 2021 budget also provided another $15 million specifically for mental health. How were these funds for mental health allocated and used by campuses for basic needs?

- Please provide a status update on GI 2025. What recommendations have the Graduation Initiative 2025 Advisory Committee developed to date and which of these recommendations are prioritized by CSU going forward? How does CSU plan to implement these recommendations?

- Please provide an update on the Swanton Pacific Ranch rebuild. Does CSU believe that any further assistance is needed to continue the rebuild efforts?

Staff Recommendation. Hold Open.

Issue 4: Deferred Maintenance and Energy Efficiency at CSU

Panel

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

Governor's Budget Proposal

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

CSU Budget Request

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

Background

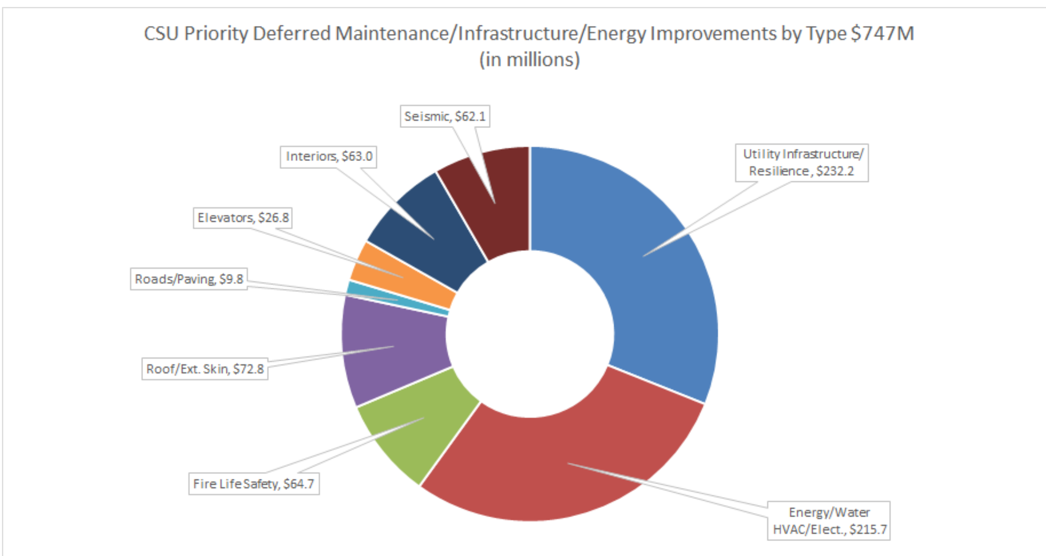
Prior to 2014-15, the state sold bonds to support CSU's academic facilities and paid the associated debt service. Beginning in 2014-15, the state altered this approach by authorizing CSU to use its operating funds to finance deferred maintenance, facility renewal and renovations, building replacements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

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

Over the last several years, the state has provided CSU with one-time funding for deferred maintenance. The 2015-16, 2016-17 and 2018-19 budgets provided $25 million, $35 million, and $35 million in one-time General Fund, respectively, for deferred maintenance. The 2019-20 budget provided $239 million one-time General Fund to support deferred maintenance and child care center projects. The budget required the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds. In response to the COVID-19 economic downturn, the 2020-21 budget authorized CSU to redirect up to $146 million General Fund in unspent deferred maintenance funds from 2019-20 to be used in 2020-21 to support core operations, including enrollment and student support services. CSU did not opt to use this authority.

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

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



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

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

Legislative Analyst's Office Comments and Recommendations

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

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

Suggested Questions

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

Staff Recommendation. Hold Open

Issue 5: Student Housing Updates

Panel

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

Governor's Budget

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

Background

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

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

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

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

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

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

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

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

Suggested Questions

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

Staff Recommendation. No action needed at this time.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 2, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Yong Salas

Public Comment

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

6100 Department of Education

Issue 1: State of Education

Panel.

- Superintendent of Public Instruction, Tony Thurmond

Background.

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

Issue 2: Independent Study

Panel.

- Dr. Hilda Maldonado, Superintendent, Santa Barbara Unified School District
- Cassondra Anderson-Maerklen, 3rd Grade Independent Study Teacher, San Juan Unified School District
- Colette Hetland, Instructional Aide, Arcata Unified School District
- Aaron Heredia, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Mary Nicely, Department of Education

Background.

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

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

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

AB 130 (Chapter 44, Statutes of 2021) allowed independent study for students whose parent or guardian determined that in-person instruction would put the student's health at risk, and to allow for the tracking of ADA. Some of the significant changes in AB 130 required a local educational agency to adopt and implement policies to: (1) require a level of satisfactory educational progress that would allow a student to remain in an independent study program, including pupil achievement and engagement, completion of assignments, learning required concepts, progressing toward completion of the course of study or specific course; (2) provide content aligned to grade level standards and equivalent to in-person instruction, including access to courses for graduation and meeting college going requirements, teacher qualifications, and ratios; (3) procedures for tiered re-engagement for students who are not generating attendance for three or more school days, or 60 percent, of instructional days in a school week, or are violating the independent study agreement; (4) a plan for specified synchronous instruction requirements by grade level, and (5) a plan to transition pupils when families wish to return to in-person instruction. It also required a plan for independent study under existing laws around school closures for unanticipated events or natural disasters.

AB 130 further defined "live interaction" and "synchronous instruction" – while "live interaction" refers to interactions between students and teachers that does not necessarily involve instruction, "synchronous instruction" refers to instruction that is provided through a two-way interaction between a student and teachers, either in-person or through remote communications.

The current COVID-19 omicron variant that has caused the recent spikes in infections has resulted in severe staffing shortages and student absences, causing some school districts to temporarily close schools, and others to offer families independent study program contracts, increasing subscription for these programs, or offer other creative solutions for students to learn safely.[1] According to a January 21, 2022 Capital Public Radio news article[2], omicron cases and subsequent hospitalizations are expected to peak in late January. The state has not yet exited the omicron surge at the time of writing this agenda, and it is unknown whether other variants may emerge.

Governor's Proposal.

The proposed budget includes trailer bill language that allows synchronous instruction to count for instructional time in traditional independent study, in addition to student work product, and provide flexibility on the timeline for a local educational agency to collect a signed independent study plan.

Suggested Questions.

- DOF: In addition to the changes proposed by the Administration, will the independent study framework that is currently in place continue into the 2022-23 school year?

- Local panelists: What improvements, if any, would you like to see in the independent study framework? What do you wish would remain?

Staff Recommendation. Hold open.

[1] Nieves, Alexander. "California school officials revise comments on remote learning options." Pulled January 23, 2022. https://www.politico.com/states/california/whiteboard/2022/01/13/california-school-officials-revise-comments-on-remote-learning-options-1405659
[2] White, Randol. "Experts say omicron cases are falling in California but hospitalizations have yet to peak." Pulled January 23, 2022. https://www.capradio.org/articles/2022/01/21/experts-say-omicron-cases-are-falling-in-california-but-hospitalizations-have-yet-to-peak/

Issue 3: Proposition 98 Overview and Structure

Panel.

- Aaron Heredia, Department of Finance
- Ken Kapphahn, Legislative Analyst's Office

Proposition 98.

California provides academic instruction and support services to more than six million public school students in kindergarten through twelfth grades (K-12) and 1.8 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and more than 1,300 charter schools throughout the state. Of the K-12 students, approximately 3.7 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.06 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

For 2022-23, the proposed budget includes $102 billion in Proposition 98 funding. The Governor's budget also proposes to provide total Proposition 98 funding for 2020-21 of $95.9 billion, an increase of $2.5 billion over the 2021 final budget act level. For 2021-22, the Governor estimates an increase in the total Proposition 98 minimum guarantee of $5.3 billion for a total of $99.1 billion. These adjustments are primarily also the result of higher than anticipated General Fund revenues than projected at the 2021 final budget act. Additional Proposition 98 funds across the three year period are proposed to be used for a variety of expenditures, including the expansion of the Expanded Learning Opportunities program, changes to the Local Control Funding Formula (LCFF) calculations and provide a cost-of-living-adjustment (COLA) to LCFF, to increase the base rate for special education-related services, and for various targeted one-time programs.

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

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges since 2007-08, or just prior to the beginning of the Great Recession. 2011-12 marks the low point for the guarantee, with steady increases since then. The Great Recession impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change in the past few years—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although Local Educational Agencies (LEAs) received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

The Governor's 2022-23 proposed budget includes significant increases in comparison to the 2021 Budget Act, as revenues during the pandemic have come in significantly higher than anticipated.

Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)

	Pre-Recession **2007-08**	Low Point **2011-12**	Revised **2020-21**	Revised **2021-22**	Proposed **2022-23**
Sources					
General Fund	42,015	33,136	70,035	71,845	73,134
Property taxes	14,563	14,132	25,901	27,219	28,846
Total	**56,577**	**47,268**	**95,936**	**99,064**	**101,980**
Distribution					
K-12	50,344	41,901	82,089	84,407	87,326
CCC	6,112	5,285	10,766	11,075	11,593
PSSSA	N/A	N/A	3,081	3,582	3,061

Source: Legislative Analyst's Office and Department of Finance

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

Proposition 98 Tests
Calculating the Level of Education Funding
(Including the 2022-23 Governor's Budget Estimate)

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38 percent).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	9
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is ≤ growth in General Fund revenues plus 0.5 percent.	16
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth > growth in General Fund revenues plus 0.5 percent.	8

Source: Legislative Analyst's Office

The Governor's proposal assumes that in 2020-21, 2021-22, and 2022-23 the Proposition 98 minimum guarantee is calculated under Test 1.

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

The Test 1 percentage is historically-based, but is adjusted, or "rebenched," to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the redevelopment agencies (RDAs), and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In 2022-23, the Governor's Budget adjusts the Test 1 percentage for the expansion of transitional kindergarten, which was included in the 2021 Budget. The 2022-23 Proposition 98 guarantee is likely to remain a Test 1 even with some changes in factors at the May Revision.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice; in 2004-05 and 2010-11. While the suspension of

Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

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

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

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.

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

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

Average Daily Attendance. One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to decline slightly in coming years and the hold harmless will no longer apply for the guarantee calculation, contributing to a dampening effect on Proposition 98 guarantee growth in future years.

Settle-Up. Every year, the Legislature and the Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known.

If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee, Proposition 98 requires the state to make a "settle-up” payment, or series of payments, in order to meet the final guarantee for that year. The Governor’s budget proposal for 2022-23 increases expenditures substantially to meet the higher guarantee levels calculated for 2020-21 and 2021-22 as a result of the Governor’s budget estimates.

Proposition 98 Certification. The 2018 budget package included a new process for certifying the Proposition 98 guarantee and the 2019 budget package made additional changes to this process. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education and the Chancellor’s Office of the Community Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Adjustments will be made to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year, but makes no changes in the event of a decrease in a prior year. Prior to this new process, the guarantee was last certified for 2008-09. In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The total settleup obligation associated with those five years was calculated at $687 million and was fully paid off in the 2019-20 budget.

Public School System Stabilization Account (PSSSA). The state’s Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. The 2022-23 proposed budget requires deposits for 2020-21, 2021-22, and 2022-23 payments of $3.1 billion, $3.6 billion, and $3.1 billion, respectively, for a total balance of approximately $9.7 billion.

Additionally, this level of PSSSA reserves triggers a statutory requirement that LEAs may not have local reserves in excess of 10 percent of their total annual expenditures, in the year after the state reserve balance is equal to or greater than 3 percent of the total TK-12 share of the annual Proposition 98 guarantee level. The balance of $6.7 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

Proposition 98 K-12 Proposals:

Proposition 98 K-12 Education Changes. The proposed budget includes a Proposition 98 funding level of $87.3 billion for K-12 programs. This includes a year-to-year increase of $2.9 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2021-22. Under the Governor’s proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from $14,778 provided in 2021-22 (revised) to $15,278 in 2022-23, an increase of 3.4 percent.

Governor's Budget Contains $17.7 Billion in Proposition 98 Spending Proposals
In Millions

K-12 Education	
Ongoing	
Expanded Learning Opportunities Program (ELOP)	$3,400
LCFF attendance (-2.19 percent) and COLA (5.33 percent) adjustments	2,106
New LCFF adjustment for declining enrollment	1,200
Transitional Kindergarten expansion	639
Universal school meals implementation	596
Special Education base rates	500
Transitional Kindergarten lower staffing ratios	383
COLA for select categorical programs (5.33 percent)[a]	352
State Preschool adjustment factor for students with disabilities	198
Annualization of State Preschool rate increases	166
After school program rates[b]	149
Charter school facilities upgrades	30
California College Guidance Initiative	9
Personnel Management Assistance Teams (PMATs)	5
Agricultural vocational education	2
Subtotal	$9,735
One Time	
Career pathways development	$1,500
Green school bus grants	1,500
ELOP arts and music infrastructure	937
Literacy coaches and reading specialists	500
Inclusive Early Education Expansion Program	500
Dual enrollment access	500
School kitchen upgrades	450
Multilingual classroom libraries	200
Training on early identification of learning disabilities	60
Model curricula development	14
California College Guidance Initiative	4
School breakfast start-up grants	3
Subtotal	$6,169
Total K-12 Education	$15,904

[a] Applies to Adults in Correctional Facilities, American Indian programs, Charter School Facility Grant Program, Child Nutrition, Foster Youth Program, K-12 Mandates Block Grant, Preschool, and Special Education.

[b] Backfills rate increases provided in 2021-22 with one-time federal funds for the After School Education and Safety Program and 21st Century Community Learning Centers.

Source: Legislative Analyst's Office

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The budget proposes to amend the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' average daily attendance (ADA). The proposed budget additionally provides a COLA of 5.33 percent. These changes will lead to costs of approximately $3.3 billion, for the 2022-23 fiscal year, bringing total LCFF funding to $70.5 billion.

K-12 Special Education. The proposed budget includes $500 million ongoing Proposition 98 General Fund for the special education funding formula, paired with changes to special education, including: (1) changes to the special education funding formula to calculate special education base funding allocations at the local educational agency level rather than the SELPA level, (2) consolidation of two special education extraordinary cost pools into a single cost pool to simplify the current funding formula, (3) allocation of Educationally-Related Mental Health Services funding directly to local educational agencies rather than to SELPAs, among others.

Expanded Learning Opportunities Program. The 2021-22 Budget Act established the Expanded Learning Opportunities Program to provide students access to after-school and intersessional expanded learning opportunities, and provided $1 billion ongoing funds and $754 million one-time Proposition 98 General Fund for the program, which by 2025-26 will provide all students in low-income communities with no-cost access to nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. Additionally, all local educational agencies, regardless of community demographics, are encouraged to offer subsidized services to all students, using a fee schedule that considers family income and ability to pay. The proposed budget includes an additional $3.4 billion ongoing Proposition 98 General Fund for the Expanded Learning Opportunities Program, increasing per pupil funding for the program and expanding the number of local educational agencies offering no-cost services. The Budget also proposes $937 million one-time Proposition 98 General Fund to support Expanded Learning Opportunities Program infrastructure, with a focus on integrating arts and music programming into the enrichment options for students. Finally, the Budget continues one-time reimbursement rate increases (at a cost of $148.7 million ongoing Proposition 98 General Fund) from the 2021 Budget Act for the After School Education and Safety and 21st Century Community Learning Centers programs.

Educator Workforce. The proposed budget includes a total of $54.4 million in a mix of Proposition 98 General Fund and General Fund to hire qualified teachers and substitutes by (1) waiving certain teacher examination fees, (2) extending the waiver of select credential fees, (3) re-establish the Personnel Management Assistance Teams to assist local educational agencies in improving hiring and recruitment practices, (4) extending statute authorizing any holder of a credential or permit issued by the Commission on Teacher Credentialing (CTC) to serve in a substitute teaching assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days for any one assignment, among other proposals under the CTC.

Child Nutrition. Beginning in 2022-23, all public schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility. The proposed budget includes $596 million Proposition 98 General Fund, to fund universal access to subsidized school meals. Additionally, the proposed budget includes $450 million in one-time Proposition 98 General Fund, available over three years, to upgrade school kitchen infrastructure and equipment. Lastly, the proposed budget includes $3 million one-time Proposition 98 General Fund to support School Breakfast and Summer Meal Start-Up and Expansion Grant Program.

Green Transportation. The proposed budget includes $1.5 billion in one-time Proposition 98 General Fund, available over three years, to support school transportation programs, with a focus on green school bus fleets. Specifically, grants of at least $500,000 would be available with priority for local educational agencies with high concentrations of low-income students, youth in foster care, and English language learners, as well as small and rural local educational agencies.

Career Pathways Development. The proposed budget includes $1.5 billion one-time Proposition 98 General Fund over four years to support the development of pathway programs focused on technology, heath care, education, and climate-related fields. These programs are predicated on developing local partnerships that bring together school systems, higher education institutions, employers, and other relevant community stakeholders.

Dual Enrollment Opportunities. The proposed budget includes $500 million one-time Proposition 98 General Fund, available over four years, to expand dual enrollment opportunities coupled with student advising and support services. This is in conjunction with $45 million in proposed higher education funding for curricular pathways software and public-private partnerships for STEM, education, and healthcare career preparation.

Cost-of-Living Adjustments. The proposed budget provides $295 million Proposition 98 General Fund to support a 5.33 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

County Offices of Education. The proposed budget also includes $11.5 million ongoing Proposition 98 General Fund to reflect the 5.33 percent COLA and ADA changes applicable to the LCFF.

Local Property Tax Adjustments. The proposed budget includes a decrease of $127.8 million in ongoing Proposition 98 General Fund in 2021-22, and a decrease of $1.4 billion in Proposition 98 General Fund in 2022-23 for school districts and county offices of education related changes to offsetting local property taxes.

Model Curricula. The proposed budget includes $14 million in one-time Proposition 98 General Fund to support county offices of education in developing model curricula related to the Vietnamese American refugee experience, the Cambodian genocide, Hmong history and cultural studies, and Native American studies.

Agricultural Career Technical Education Incentive Grant. The proposed budget includes $2 million ongoing Proposition 98 General Fund to support an augmentation to the Agricultural Career Technical Education Incentive Grant program.

K-12 Pension Contributions. For 2022-23, the Administration does not anticipate that the Teachers' Retirement Board will exercise its authority to increase state contributions by 0.5 percent of teacher payroll, as allowed in statute, due to the higher than expected investment return in 2020-21 and CalSTRS' current projections that the state's share of unfunded actuarial obligation will be eliminated by 2024-25. The CalSTRS employer contribution rate for 2022-23 is 19.1 percent, which includes costs of approximately $7.1 billion. For CalPERS, the employer contribution rate in 2022-23 is 25.4 percent.

Legislative Analyst's Office.

The LAO's recent publication, *The 2022-23 Budget: Overview of the Governor's Budget*, included an analysis of the Governor's Proposition 98 Proposals. The LAO notes that due to increases in the minimum guarantee over the 2020-21 through 2022-23 period, the state has $17.7 billion available for new spending on K-14 programs. Of this amount, nearly $10.6 billion is for ongoing augmentations and nearly $7.2 billion is for one-time activities. The budget contains a one-time cushion of more than $4 billion in 2022-23, which consists of the one-time spending and reserve deposit specifically attributable to 2022-23. This cushion helps protect ongoing programs from volatility in the minimum guarantee. Specifically, to the extent the guarantee drops or grows more slowly in the future, the expiration of these one-time allocations allows the state to accommodate the lower guarantee without relying on program cuts or payment deferrals. The LAO notes that the state likely could weather a relatively mild recession without resorting to significant cuts or payment deferrals for school and community college programs.

The LAO recommends that the Legislature (1) fund fewer of the one-time proposals, and (2) prioritize proposals that address clearly defined problems. The LAO notes that districts face ongoing cost pressures related to higher inflation and pension rate increases, challenges maintaining continuity of operations due to the effects of the pandemic on students and staff, and elevated uncertainty over future enrollment trends and program participation levels. As districts are navigating these issues, they are also in the midst of implementing many new programs and requirements included in the June 2021 budget plan, and the LAO believes that districts would have a relatively limited capacity to implement additional programs in 2022-23. The LAO expressed concern that the Governor's budget contains so many proposals that districts will be unable to implement them all effectively, and recommends the Legislature fund fewer new activities than the Governor proposes.

Suggested Questions.

- LAO: Given the historical levels of Proposition 98 funding and the availability of nearly $10 billion in ongoing funds, and in light of the LAO's recommendation to limit new programs, what would be some strategies to support districts as they face declining enrollment?

- DOF: Assuming that the COVID-19 pandemic continues, what resources and/or funding will be available to schools in the 2022-23 school year for continued pandemic response, such as PPE, testing, and vaccines?

Staff Recommendation. Hold open.

Issue 4: Local Control Funding Formula (LCFF)

Panel.

- Michael Fine, Fiscal Crisis and Management Assistance Team
- Lina Grant, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Mary Nicely, Department of Education

Background.

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

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

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

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

- **Base Grants** are calculated on a per-student basis (measured by student ADA) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools. For school districts, funded ADA is equal to the greater of current or prior year ADA.

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.

- **Concentration Grants** provide an additional 50 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.

- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.

- **LCFF Economic Recovery Target** add-on ensured that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.

- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level under the old system.

Budget Appropriations. The LCFF established new "target" LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLA and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional $18 billion, with completion by 2020-21. However, Proposition 98 growth exceeded expectations and LCFF was fully funded in the 2018-19 fiscal year for school districts and charter schools. COEs reached their target funding levels in 2014-15, which adjusts each year for COLAs and ADA growth. The 2018-19 budget also provided an additional amount above the required COLA to provide a $670 million increase to LCFF grants. With full-funding of the formula, LEAs and stakeholders can see how much funding is received through base, supplemental, and concentration grants on the CDE website and reported through each LEA's local control and accountability plan (LCAP). The 2021-22 Budget provided a 4.05 percent cost-of-living adjustment, which cost approximately $225 million.

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

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

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

<u>Governor's Budget Proposal.</u>

The proposed budget includes a COLA of 5.33 percent, as well as an adjustment to the funding formula that would consider the current year, prior year, or the average of three prior years' ADA. The changes to the funding formula, with the 5.33 percent COLA, costs approximately $3.3 billion, bringing total LCFF funding to $70.5 billion. While the Governor's proposal does not include changes for charter schools, the Administration has indicated that it will engage with interested parties throughout the spring to explore options for providing declining enrollment protections for charter schools.

<u>Fiscal Health of School Districts</u>

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

Legislative Analyst's Office.

The LAO recommends the Legislature approve the Governor's proposal to credit districts with the higher of their current year, prior year, or average of three prior years for purposes of their LCFF allocations. The proposal would address short-term drops in funding due to the pandemic, as well as provide declining districts more time to adjust educational programming for their remaining students. In addition, districts that are growing will continue to be receive increases in their LCFF funding.

Additionally, the LAO recommends considering a temporary adjustment for charter schools. Unlike school districts, however, charter schools face the prospect of immediate funding reductions based on attendance declines they experience in 2021-22. One option the LAO provides would be to allow charter schools to receive funding based on their pre-pandemic attendance for another year, and provide the Legislature and the administration more time to examine longer-term alternatives.

The LAO also estimates that the COLA may increase to 6.17 percent by the May Revision. Covering this higher COLA rate for LCFF would cost approximately $2.6 billion, an increase of $500 million compared with the estimate in the Governor's budget.

Suggested Questions.

- FCMAT: What are the common themes that are emerging as the root cause or causes of fiscal distress in the school districts you are working with currently?

- FCMAT: Of the school districts that are currently experiencing fiscal distress, would there be any school districts that would still be in fiscal distress even with the funding formula changes?

- LAO: Are there other proposals the Legislature should consider that would help stabilize district funding while districts are facing declining enrollment?

- DOF: With regard to declining enrollment protections for charter schools, would the Administration be able to provide an update on the progress of these conversations, and if available, what this proposal may look like?

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Tuesday, February 8, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Yong Salas

Public Comment

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

6100 DEPARTMENT OF EDUCATION

Issue 1: Expanded Learning Opportunities Program

Panel.

- Álvaro Meza, Assistant Superintendent/Chief Business Official, Gilroy Unified School District
- Amanda Reedy, Program Administrator, Gilroy Unified School District
- Lina Grant, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Michael Funk, California Department of Education

Background.

After School Education and Safety Program. Proposition 49 of 2002 established the After School Education and Safety (ASES) Program, and supported local after school education and enrichment programs with a continuous appropriation of up to $550 million each year for ASES, which would depend on the growth in the General Fund outside of Proposition 98. No more than 1.5 percent of these funds is available to the Department of Education for technical assistance, evaluation, and training services. These programs are created through partnerships between schools and the local community to provide resources to support literacy, academic enrichment, and activities for students in kindergarten through ninth grade. ASES programs must include an educational and literacy element that provides tutoring or homework assistance, as well as an educational enrichment element.

The ASES program supports over 4,000 elementary and middle schools offering afterschool and summer programs to more than 400,000 students daily. The ASES program had a guaranteed funding level of $550 million annually through Proposition 49. The 2017-18 budget included an additional $50 million in ongoing funding for the ASES program, bringing total guaranteed ongoing funding levels to $600 million which is then distributed on a per-pupil basis to schools with at least 50 percent of elementary, middle, or junior high school students who are eligible for free or reduced cost meals.

21st Century Community Learning Centers (CCLC). The 21st CCLC is a federal program that supports community learning centers providing academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools.

The No Child Left Behind Act of 2001 was signed into law in January 2002, authorizing the California Department of Education to administer California's 21st CCLC Program. This state-administered, federally funded program provides five-year grant funding to establish or expand before-and after-school programs that provide transitional kindergarten through twelfth-grade students with academic enrichment opportunities and supportive services to help the students meet state and local standards in core content areas.

Community learning centers must offer families of these students literacy and related educational development. Centers – which can be located in elementary or secondary schools or other similarly accessible facilities – provide a range of services to support student learning and development, including tutoring and mentoring, homework help, academic enrichment, and community service opportunities, as well as music, arts, sports and cultural activities.

In California, this funding is broken into two: 21st CCLC serves students in transitional kindergarten through ninth grade. After School Safety and Enrichment for Teens (ASSETs) serves students in high school.

Expanded Learning Opportunities Grant. The 2021 Budget included $4.6 billion in Expanded Learning Opportunities Grants that was provided to local educational agencies proportionate to each agency's share of the Local Control Funding Formula allocation. These funds are for local educational agencies to provide supplemental instruction and support to students. Specified uses included extended instructional learning time, accelerated learning strategies, summer school, tutoring or one-on-one support, professional development, and social-emotional wellbeing supports, among others.

Expanded Learning Opportunities Program. In addition to the Expanded Learning Opportunities Grant, the 2021 Budget established the Expanded Learning Opportunities Program to provide students access to after school and intersessional expanded learning opportunities for nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. Classroom-based local educational agencies are allocated funds based on their enrollment of unduplicated pupils (low-income, foster youth, and English learners) in grades TK through sixth grade.

For the 2021-22 fiscal year, local educational agencies with unduplicated enrollment at 80 percent or more of total enrollment receive a higher rate. The budget provided $754 million in one-time Proposition 98 funding and, combined with funds allocated in the budget act, a total of $1.75 billion was provided for this program in the 2021-22 fiscal year. Subject to future appropriations, the program is intended to grow to provide funding of $2,500 per unduplicated pupil, and reach a total scale of $5 billion in annual funding. In the 2021- 22 school year, local educational agencies must offer specified expanded learning to all pupils in grades TK through sixth on school days and for at least 30 non-school days during intersessional periods, and provide access to these services to at least fifty percent of unduplicated enrollment in the specified grade span.

Beginning with the 2022-23 fiscal year, local educational agencies with an unduplicated pupil percentage of 80 percent or above must offer expanded learning opportunity program services to all of its students and provide access to services to any student in kindergarten through sixth grade whose parent or guardian requests it. Local educational agencies with an unduplicated pupil percentage below 80 percent are required to offer it to all of its K-6 unduplicated students and provide program access to at least 50 percent of its unduplicated population. Funds provided to local educational agencies for the Expanded Learning Opportunities Program in the 2021-22 fiscal year must be used to develop an expanded learning opportunity program or provide services in accordance with program requirements, and may also be used in the 2022-23 fiscal year.

Local educational agencies are allowed to incorporate all three programs and funding streams – ASES, 21st CCLCs, and the Expanded Learning Opportunities Program – into one comprehensive program for its communities. For example, unduplicated students who are counted towards ASES program funding are allowed to be counted towards the expanded learning program requirements, and funds provided through the expanded learning opportunities program are allowed to be used for the local match in ASES. However, ASES and 21st CCLC are funded at the school site level, while the expanded learning opportunity program funds are allocated to local educational agencies.

However, participation in ASES or 21st CCLC is contingent upon eligibility and available funding – according to the California Department of Education, 4,231 schools participate in ASES, 399 schools participate in 21st Century Elementary/Middle program, and 322 schools participate in 21st CCLC ASSETs. 374 sites are dual-funded, and receive both ASES and 21st CCLC funding.

Governor's Budget Proposal.

The proposed budget includes an additional $3.4 billion ongoing Proposition 98 General Fund for the Expanded Learning Opportunities Program, increasing per pupil funding for the program to $2,500 for local educational agencies with an unduplicated pupil percentage equal to or greater than 75 percent, and an estimated $2,027 for those that are below 75 percent. Additionally, it would extend the grace period for which local educational agencies would be required to implement the program from 2022-23 to 2023-24. The proposal also defines prorated penalties for local educational agencies that fail to offer or provide access to expanded learning opportunity programs ~~by~~ based on the number of students not offered or provided access, or failure to maintain the required number of days or hours.

The Budget also proposes $937 million one-time Proposition 98 General Fund to support Expanded Learning Opportunities Program infrastructure, with a focus on integrating arts and music programming into the enrichment options for students.

Finally, the Budget continues one-time reimbursement rate increases (at a cost of $148.7 million ongoing Proposition 98 General Fund) from the 2021 Budget Act for the After School Education and Safety and 21st Century Community Learning Centers programs.

Suggested Questions.

- DOF: How did the Administration determine that the threshold for local educational agencies to offer expanded learning opportunity programs to all of its pupils be expanded to a 75 percent unduplicated pupil percentage, and not another percentage?

- DOF/LAO/CDE: Do we know how many school districts do not currently have any ASES or 21st Century CLC programs? What kind of resources or support are provided for those districts who do not have ASES/21st Century CLC in place?

- DOF/CDE: Could you please describe the alignment between the three programs?

- Gilroy Unified: What types of systemic improvements to the expanded learning framework would you recommend to help you and other school districts be successful?

Staff Recommendation. Hold open.

Issue 2: Special Education Funding Proposals

Panel.

- Liz Mai, Department of Finance
- Amy Li, Legislative Analyst's Office
- Heather Calomese, California Department of Education

Background.

Children with developmental delays or physical impairments may need intervention or supports of some form and are eligible to receive supportive services through a variety of programs. Once a child enters the public school system, typically at age five, the school district of residence provides both education services and eligible special education supports and services for identified disabilities that would otherwise hinder a child from receiving a "free and appropriate public education." For infants, toddlers, and preschool aged children (generally ages zero to five), families may need to navigate a variety of programs to meet the educational and developmental needs of their children. Once a child enters the public school system, the child is eligible to receive services through age 21.

"Special education" describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal special education laws originally enacted in 1975 and reauthorized as IDEA in 2004, require states to provide early intervention services for infants and toddlers and schools to provide "specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability." The law requires the provision of these special supports and services to students with exceptional needs from age 0 to age 22, or until they graduate from high school with a diploma.

Children with disabilities who are younger than age five and are not yet in school settings receive supports and services in different ways. For infants and toddlers (ages zero to three years old), an individualized family service plan is created and services are generally provided by regional centers. These centers are non-profit agencies overseen by the Department of Developmental Services. However, a small percentage of infants and toddlers with special needs are served by school districts. A small number of school districts that had historically served these children were grandfathered into the current system and currently serve approximately 5,000 children. In addition, schools serve a small number of infants and toddlers (approximately 1,000) who have only a hearing, visual, or orthopedic (HVO) impairment. The state's federal IDEA plan required HVO-related services to be provided by the schools if an HVO impairment is the child's only disability. Once a child reaches age three, the responsibility for serving children with disabilities is transferred to the school district of residence and regional centers are required to work with school districts during this transition.[1] Through regional centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility.

To determine a child's eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student's IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Educationally-Related Mental Health Services are specific mental health services provided to students who qualify for special education services, present with social-emotional needs that have not responded to lower levels of intervention, and impact their ability to learn or benefit from their special education program.

Federal law also dictates that students must receive a Free Appropriate Public Education in the Least Restrictive Environment. This means that to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. WestEd, and funded by the California Department of Education, released a report in November 2021 titled *California Special Education Governance and Accountability Study.* The report found that California has among the country's lowest rates for including students with an IEP in general education for at least 80 percent of the school day and had among the highest rates for including these students less than 40 percent of the school day. The lowest levels of inclusion are for Black and Latino students, regardless of disability category.

In 2018-19, 795,047 children, ages 0-22 received special education under the provisions of IDEA in California. This represents approximately 12.5 percent of the total state student population. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. In recent years, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising nearly 14 percent of the students with disabilities student population. Different types of disabilities are more prevalent at different ages. For example, speech impairments are most common in earlier grades, while learning disorders are generally identified later in a child's educational career. Schools integrate services and supports into the regular school day for transitional kindergarten through grade 12 students. For children ages 3-5 years old not yet attending school or who are served in an early care setting, preschool, or at home, the school district of residence provides services that may occur at the child's education or care setting, or at a facility designated by the school district. These services are in addition to

[1] Legislative Analyst's Office, *Evaluating California's System for Serving Infants and Toddlers with Special Needs,* January 4, 2018.

the early education and child care services children may be receiving if they are enrolled in one of the state or federally-funded programs or in some other early education or care setting.

Special Education Local Plan Areas (SELPAs) and Fund Distribution. State and Federal special education funding is distributed regionally through 134 Special Education Local Plan Areas (SELPAs) to school districts and charter schools in the state. Most SELPAs are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPAs, while five SELPAs consist of only charter schools.

California relies primarily on a "census–based" funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students' disability status. This funding model, often referred to as the AB 602 formula, after the implementing legislation (AB 602 [Davis and Poochigian], Chapter 854, Statutes of 1997), implicitly assumes that students with disabilities and associated special education costs are relatively equally distributed among the general student population and across the state. The amount of per–pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities. The ADA used to calculate the AB 602 formula is based on enrollment in grades kindergarten through grade 12 (including transitional kindergarten). Although SELPAs are serving 3-5 year olds, they do not receive any additional funding under the AB 602 formula for these children, with the exception of funds provided in 2019-20. Federal funds are available for regional center services and a small amount (about $100 million) is available for preschool services.

State and federal special education categorical funding totals over $6 billion annually. California's model for serving special education services reflects that school districts first use their general purpose, LCFF funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a report by the Legislative Analyst's Office, state and federal funding cover approximately one-third of the additional cost of special education, with school districts covering the remaining costs from other fund sources.[2] In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

Recent Budget Actions

2019 Budget. The 2019-20 budget included a total increase of $645 million in ongoing Proposition 98 General Fund for special education. Of this, $152.6 million was provided to increase base special education funding rates to ensure that all SELPAs receive at least the statewide target rate (approximately $557 per ADA in 2019-20) under the existing AB 602 funding formula.

[2] Legislative Analyst's Office, *Overview of Special Education Funding Models*, December 2021

The remaining $492.7 million created the Special Education Early Intervention Preschool grant, provided to school districts based on the number of three through five-year olds with exceptional needs. This provided approximately $9,010 per child. These funds were unrestricted. Therefore school districts could use these for any special education purpose. LEAs, school districts, county offices of education, and charter schools could use these to fund special education services that were previously paid for with their general operations funding (including services provided to 3-5 year olds), freeing up funds for other school district needs.

The 2019-20 budget also included language to specify that the increase in the statewide funding rate and early interventions be allocated in a one-time manner and future allocation methodologies would be contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students.

2020 Budget. The 2020-21 budget created a new special education funding formula, commencing with the 2020-21 fiscal year, that provides Special Education Local Plan Areas (SELPAs) with the greater of $625 per average daily attendance or the per ADA rate the SELPA received in 2019-20, and applies a cost-of-living-adjustment (COLA) in future years to the statewide base rate. A COLA was not provided in the 2020-21 fiscal year. The budget provided an additional $645 million in ongoing Proposition 98 funds for special education. Of this, $545 million increased the statewide base rate for special education funding and $100 million was provided to increase per pupil rates to support students with low incidence disabilities.

2021 Budget. The 2021-22 budget included several investments for special education, including: $397 million to increase base special education funding rates for all Special Education Local Plan Areas (SELPAs), $450 million in one-time Proposition 98 funds to SELPAs for purposes of providing learning recovery support pupils, and $100 million one-time Proposition 98 funds for alternative dispute resolution. The budget also includes language to specify that the ongoing appropriation of funds for Special Education programs, in the 2022-23 fiscal year, is contingent upon notice from the Director of Finance to the Joint Legislative Budget Committee that trailer bill legislation for the Budget Act of 2022 makes statutory changes designed to improve the academic outcomes of individuals with exceptional needs, that may include changes to special education funding formulas, expansions of early intervention and inclusive practices, and other changes as a result of ongoing studies.

Governor's Budget Proposal.

The proposed budget includes $500 million ongoing Proposition 98 General Fund for the special education funding formula, paired with the following changes to special education:

- Changes to the special education funding formula to calculate special education base funding allocations at the local educational agency level rather than the SELPA level.

- Consolidate two special education extraordinary cost pools into a single cost pool to simplify the current funding formula.

- Allocate Educationally-Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.

- Develop a Special Education Addendum to the Local Control and Accountability Plan that will support inclusive planning and linking special education and general education planning, so parents of students with disabilities have a defined role in the Local Control and Accountability Plan development process.

- Focusing a special education resource lead on Individualized Education Programs (IEPs) best practices, and establishing an expert panel to continue the work of creating a model IEP template.

- Establish an alternate diploma and a workgroup to explore alternative coursework options for students with disabilities to demonstrate completion of state graduation requirements.

Legislative Analyst's Office.

The Legislative Analyst's Office provides the following recommendations on the Administration's proposals on special education:

Recommend Adopting Proposed Base Rate Increase. Given historical statewide increases in special education costs, we think using growth in Proposition 98 funding to provide special education base rate increases is a prudent way to address local cost pressures. This approach would reduce the need for LEAs to rely on local general purpose funding to cover growing costs. Furthermore, the base rate augmentation helps to offset reductions in special education funding that are driven by decreases in overall attendance. (The base rate formula is tied to overall student attendance, which has been declining for several years.)

Formula Modification Provides Additional Funding Buffer for Some SELPAs. The proposed formula modification would benefit SELPAs that include a mix of growing and declining member LEAs. (The proposed change would have no effect on SELPAs where all members are declining or growing, or on single LEA SELPAs.) Under current law—where attendance is calculated at the SELPA level—a member district with growing attendance could have their gains offset by another member district with declining attendance. By contrast, the Governor's proposed approach would provide additional funding to reflect growth within a specific district, even if overall attendance in a SELPA is declining. We think this is a reasonable approach, as it provides additional cushion for SELPAs with some member LEAs experiencing declining enrollment. Depending on how funds are allocated within the SELPA, this cushion could allow growing districts to receive more special education funding without requiring reductions to districts experiencing attendance declines.

Recommend Setting Clear Expectations and Time Lines for Activities Related to Previous Work Groups. The proposed activities to continue work from previous work groups lack specific time lines. For instance, the Governor's proposal does not specify a date by which the alternative coursework and activities for an alternate pathway to a diploma must be finalized or made available to teachers. In the report submitted this past October, the alternate pathway work group suggested that districts be allowed to pilot the new alternate pathways as soon as possible, with statewide implementation by 2023-24. It is unclear how the proposed activities would affect this time line.

Similarly, the administration has no deadline for when stakeholders must convene and refine the statewide IEP template and no expectations for next steps after the template has been refined. Should the Legislature be interested in funding additional activities to implement the recommendations of these work groups, we recommend it specify clear deadlines and reporting requirements to monitor the outcomes of these activities. To ensure these activities result in statewide policy changes, the Legislature may also want to consider setting explicit deadlines for the state to adopt these items. For example, by setting a date by which the State Board of Education must adopt alternate pathways to a diploma.

Consider the Effects of Mental Health Proposal on Regional Programs and Partnerships. Before adopting the Governor's proposal, the Legislature may want to better understand how the mental health proposal might impact regionally coordinated programs and partnerships. Although many SELPAs allocate mental health funding directly to their member LEAs, some SELPAs—especially those with smaller member LEAs—retain this funding and operate regional mental health programs on behalf of their members. In some cases, the member LEAs would not receive sufficient funding from the program under the Governor's proposal to hire mental health staff and, hence, likely would still need to combine funds across the SELPA to ensure access to mental health services when required by a student's IEP. Allocating funding directly to LEAs could also affect partnerships with county mental health programs. The state has provided $235 million one-time and $10 million ongoing funding for school-county mental health partnerships since 2019-20. Under such a partnership, a SELPA could direct mental health funds to its county mental health department, which then provides widespread student services in schools throughout the county. Allocating funds directly to LEAs could pose challenges for maintaining the existing levels of funding for regional mental health services, or could make managing these programs more administratively burdensome (by requiring counties to develop agreements with each LEA). The Legislature may want to further explore the potential benefits of this proposal and determine whether these benefits outweigh the impact on regional programs or partnerships.

Impact of Consolidating Extraordinary Cost Pools Unclear. We are uncertain whether the proposal to consolidate the two existing extraordinary costs pools would have any practical impact. Our understanding is that the administration intends to fund mental health services requests from small SELPAs first, and then make any remaining funding available for high-cost nonpublic school placements. In practice, this is consistent with how the extraordinary cost pools currently operate, because the mental health services funding is rarely exhausted.

No Concerns With Developing Special Education Addendum or Establishing an IEP Best Practices Resource Lead. A special education addendum to the LCAP could increase transparency regarding how LEAs spend special education funding and facilitate more local input on actions to support special education students. Designating a resource lead for IEP best practices within the system of support could assist with the implementation a statewide IEP template. The Legislature may want to require the new resource lead be involved in the development of the IEP template, to ensure that statewide technical assistance on IEPs is consistent with the final statewide IEP template.

Suggested Questions.

- DOF: Under the Administration's proposal, will be there be notable differences in the role that SELPAs play compared to their role today?

- DOF/CDE: For students in special education whose families have elected to keep them home during the pandemic or had to quarantine due to COVID-19 exposure or infection, what types of supports are available to help address the learning loss? Will any of the additional funding proposed be targeted towards these types of interventions?

Staff Recommendation. Hold open.

Issue 3: Funding for County Offices of Education and Excess Property Tax

Panel

- Edgar Cabral, Legislative Analyst's Office
- Aaron Heredia, Department of Finance

Background

Historical Use of Excess Tax for County Offices of Education (COEs). Proposition 13 of 1978 capped property taxes and provided the Legislature with full discretion on how the property taxes and excess amounts are spent. The allocation of property taxes was determined in AB 8 (Chapter 282, Statutes of 1979).

Prior to the last recession, COE excess property tax revenue was restricted and used by the state the following fiscal year in the calculation of Proposition 98 minimum guarantee and to offset the cost of apportionments. While these funds remained in county accounts, which allowed them to earn interest on the balance, the funding has always been used by the state to pay for some program or apportionment.

In 2011-12 (AB 114, Statutes of 2011), a one-time change was made that redirected excess property taxes from restricted accounts to help offset the state General Fund cost of trial courts within each county. This change was made permanent effective January 2013.

Currently, excess tax has grown to over $115 million for 11 COEs (as of 2020-21, most recently available data), and the Department of Finance estimates that this number will grow to $128 million in 2022-23, all of which go towards offsetting the state General Fund cost of trial courts within each county.

COE Funding. Under the Local Control Funding Formula (LCFF), COE funding was calculated differently than it been in the past. The COE LCFF allocates funding for COEs as follows:

- A COE operations grant based on the number of school districts within the county and the average daily attendance within the county attributable to school districts and charter schools; and

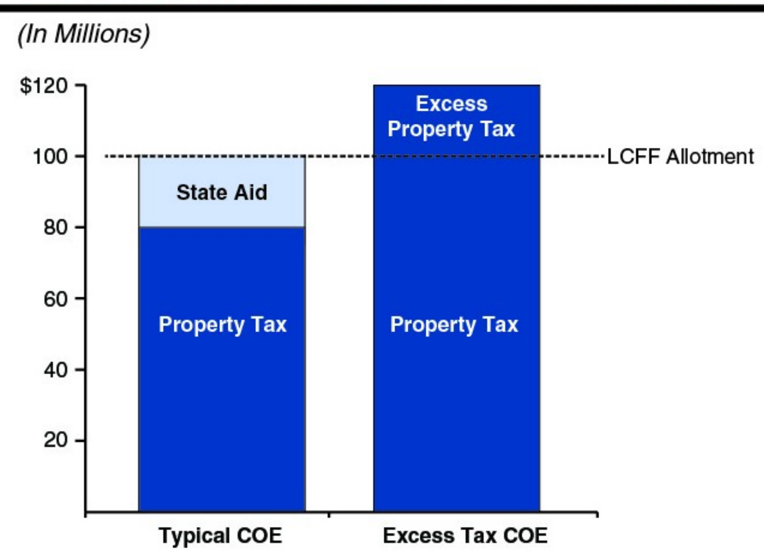
- A COE alternative education grant for instructional services based on the number of students directly served by the COE (students in juvenile court schools, on probation, probation referred, or expelled).

In order to transition to the new LCFF allocation, COEs were provided a hold harmless for their 2012-13 level of funding (including all categorical funds for programs they operated at the time). COEs were no longer required to provide the same services that they had provided in 2012-13, and those COEs whose property taxes do not meet their LCFF targets are provided with state funding.

Some COEs do not receive state LCFF funding because they collect enough property tax revenue in a given year to cover their entire LCFF allotment. In virtually all of these cases, the COEs collect *more* in property tax revenue than their LCFF allotment, otherwise known as a COE's "excess property tax." The figure below illustrates this concept for two COEs with the same annual LCFF allotment of $100 million. The first COE receives a combination of property tax revenue and state aid to meet its LCFF allotment. In contrast, the second COE receives $20 million in property tax revenue in excess of what it needs to meet its LCFF allotment. Because the amount of property tax revenue collected can change from year to year, a COE's excess property tax status also can change from year to year.

Figure 1

Comparing Typical COE With "Excess Tax" COE



COE = county office of education and LCFF = Local Control Funding Formula.

Source: Legislative Analyst's Office

As of 2020-21, 25 COEs are funded at their LCFF target and 33 COEs are funded at their 2012-13 hold harmless amount. Of the 11 COEs with excess tax in 2018-19, 8 are funded at a hold harmless amount.

In recent years, COEs have received additional funding outside of their LCFF allocation for additional workload associated with assisting school districts identified for technical assistance and interventions.

Staff Recommendation. This item is informational only.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

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

Consultant: Christopher Francis, Ph.D.

Items for Discussion

Public Comment

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

6440 UNIVERSITY OF CALIFORNIA (UC)

Overview

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 academic medical centers 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 †

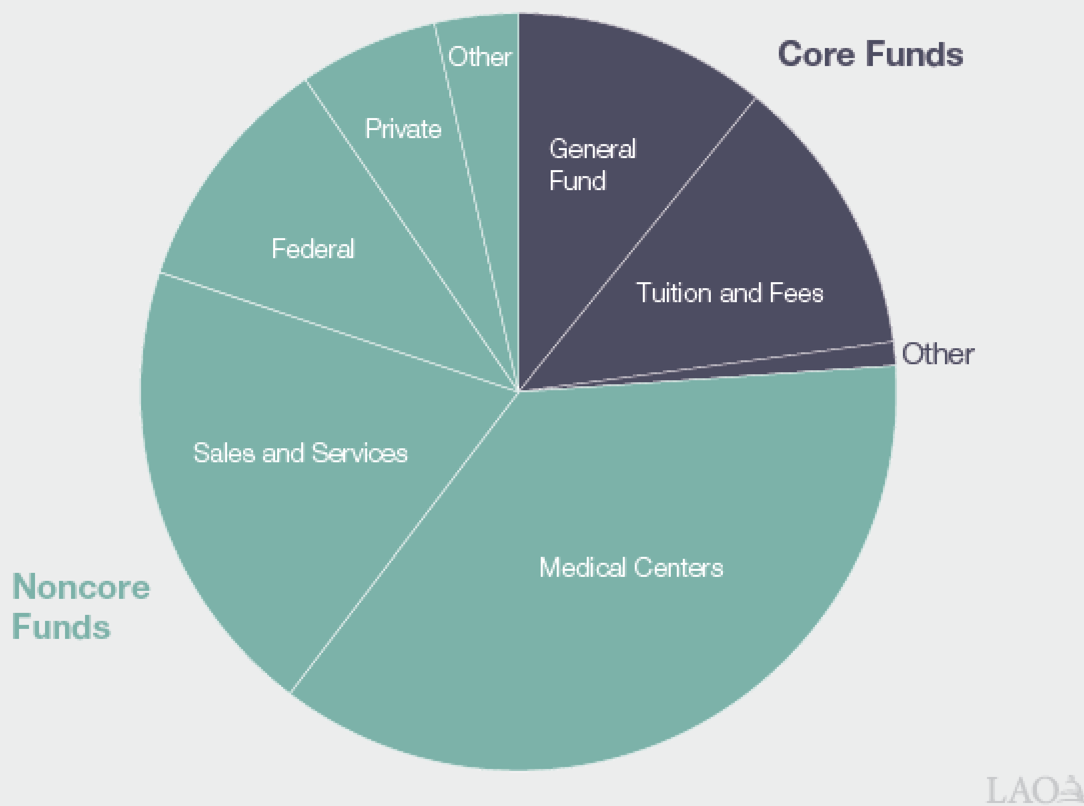
		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5440	Support	113,939.7	117,282.6	117,282.8	$40,317,245	$43,916,798	$45,992,347
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**113,939.7**	**117,282.6**	**117,282.8**	**$40,317,245**	**$43,916,798**	**$45,992,347**

Core Funding. As Figure 1 shows below, UC's budget is comprised of variety of funds, such as state General Fund, student tuition, medical center revenue from its five medical centers, sales and services such as housing, bookstore and extended education, federal government funds for research and student financial aid, private donations, among others. Core funding consists of state General Fund, student tuition revenue, and several other smaller fund sources—with State General Fund and state financial aid combined comprising the largest amounts. Core funding supports the universities' academic functions, including undergraduate and graduate instruction, academic support services (such as tutoring), and related administrative costs. Core funding also supports various research and outreach initiatives.

Figure 1

UC Receives Funding From Many Sources

$44 Billion in 2021-22



The largest portion of UC core fund increase comes from General Fund. Ongoing General Fund would increase from $4 billion in 2021-22 to $4.3 billion in 2022-23, reflecting an increase of $308 million (7.7 percent). In July 2021 the UC Regents estimated that cohort-based tuition would generate an additional $71 million in 2022-23 compared to 2021-22.

Governor's Proposed Budget for UC in 2022-23. The Governor's budget increases ongoing General Fund for UC by $307.3 million and provides a total of $295 million for one-time initiatives. Base increases and enrollment growth account for nearly all new proposed ongoing spending for UC and deferred maintenance accounting for about one-third of proposed one-time spending. Most of these proposals are covered in Issues 1-4.

UC Budget Request for 2022-23. UC requested an increase of $422.1 million General Fund ongoing. Specifically, UC requested an additional: (1) $251.5 million ongoing General Fund to sustain core operations such as address retirement and health benefit increases, faculty merit increases, contractually committed compensation, salary increases, and capital outlay debt service, (2) $ 129.1 million for funding the UC 2030 Framework: Student Access and Success. This includes funding to close equity gaps in graduation, offset lost nonresident tuition revenue, and cover 2022-23 enrollment growth, and (3) $41.5 million to cover high-priority initiatives such as converting one-time Student Academic Preparation and Educational Partnerships funds to ongoing, support programming for Foster/Undocumented /Carceral system-impacted students, and the UC Cancer Consortium.

Issue 1: Base Budget and Tuition

Panel

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

Governor's Budget

- **Base Growth**. The Governor's budget proposes an unrestricted increase of $200.5 million ongoing General Fund for operating costs. (As part of his multiyear compact, the Governor proposes to provide five percent base increases annually through 2026 27, with future increases contingent on UC meeting certain expectations.)

- **UC Also Anticipates Receiving More Tuition Revenue.** UC estimates it will receive roughly $45 million in new student tuition revenue available to cover operating costs. Of this amount, $41 million will come from tuition increases on resident and nonresident students. The remainder will be generated from growing nonresident undergraduate enrollment. The exact amount of tuition revenue UC raises will depend on the number of students it enrolls in 2022 23.

Background

Proposal: Base Growth

UC Has Several Core Operating Costs. As with most state agencies, UC spends the majority of its ongoing core funds (about 70 percent in 2020-21) on employee compensation, including salaries, employee health benefits, retiree health benefits, and pensions. Beyond employee compensation, UC spends its core funds on other annual costs, such as paying debt service on its systemwide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E). Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. Though operational spending grows in most years, UC has pursued certain actions to contain this growth. For example, UC has pursued new procurement practices and energy efficiency projects with the aim of slowing associated cost increases.

UC Has Considerable Flexibility to Manage Its Operating Costs. In contrast to most state agencies, UC directly manages its employee compensation programs. That is, it sets salaries for its employees, manages its own employee and retiree benefit programs, and sets its own pension contribution rates. Moreover, about two-thirds of UC's core-funded employees are not represented by a union, giving the university considerable year-to-year flexibility to determine salary increases. That said, UC faces certain limitations each year. For example, UC generally must pay debt service on the bonds it issues. UC also must ensure that its pension system has sufficient funds to pay for pension benefits.

State Has Primarily Supported UC Operations Through Unrestricted Base Increases. In recent years, the state and UC have used three main means to cover its operational cost increases: (1) state General Fund augmentations, (2) additional revenue from tuition increases, and (3) increased nonresident undergraduate enrollment. (Because nonresident undergraduate students pay a supplemental charge that covers more than the cost of their education, the net revenue generated from these students is available to support cost increases.) Figure 2 tracks the use of these budget tools over the past several years. In all but one of the years shown, the state provided UC with base General Fund increases. Notably, in only one of these years (2019-20) was the base increase linked to specific UC operating cost increases. In the other years of the period, the base increases appeared to be set arbitrarily, without a direct link to UC's operating costs. In addition to the base General Fund augmentations, UC campuses regularly increased revenue generated from nonresident students by increasing both their supplemental tuition charge and enrollment levels. In most recent years, UC did not increase the base tuition charge (which is applied to both resident and nonresident students).

Figure 2-UC Has Used Several Means to Cover Operating Cost Increases

Annual Change

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Base General Fund support	5%[a]	5%[a]	4%	4%	4%[b]	3%	3%[c]	-8%[d]	5%
Tuition charges									
Base tuition	—	—	—	—	3	-1[e]	—	—	—
Nonresident supplemental tuition	—	—	8	8	5	3	3	—	—
Student Services Fee	—	—	5	5	5	—	—	—	—
Nonresident undergraduate enrollment	29	22	17	12	6	6	2	-5	7

[a]Small portion of increases were designated for specified purposes, such as online course development and UC labor center operations.
[b]Portion of augmentation was covered with Proposition 56 funds.
[c]Increase connected to specific UC operating cost estimates.
[d]State restored this reduction in 2021-22, on top of the base increase it provided UC that year.
[e]Decrease due to end of special $60 surcharge adopted in 2007-08.

Tuition

Governor Makes Different Tuition Assumptions for UC than other segments in 2022-23. The Governor's compact with UC assumes the university implements the Board of Regents-approved tuition plan. This plan increases tuition each year but only for the incoming cohort of first-time students - entering freshman and transfer students, regardless of residency status. During the remainder of their time at UC, tuition for students in that cohort remains flat. The tuition plan also pegs annual tuition increases to inflation and applies annual increases to all academic graduate students.

Legislative Analyst's Office Comments and Recommendations

Base Increases

Base Increases Are Poor Approach to Budgeting for Operating Costs. As the LAO has said in many previous publications, base increases are a poor approach for two reasons. First, in the LAO's view, they lack transparency. The Governor does not identify how UC is to use its base increase. Moreover, UC itself does not adopt a corresponding spending plan until after final budget enactment in June. Second, given the purpose of the funding is unspecified, the amount of proposed augmentations are arbitrary, lacking clear justification based on documented cost increases.

Legislature Could Begin by Considering Nonsalary Cost Increases. Among UC's operating costs, the LAO thinks that the Legislature may wish to first consider how much to provide for employee benefits, debt service, and Operating Expenses and Equipment. Costs in these areas are driven by UC policy and contractual arrangements that, absent a change in policy, are set to increase. In 2022-23, UC estimates that total core costs in these areas will increase by $78 million.

Legislature Then Could Consider Salary Increases. After covering nonsalary cost increases, the Legislature could consider how much funding to provide for salary increases. Generally speaking, the goal of providing salary increases is to ensure the university is able to attract and retain faculty and staff. Though recent evidence of the competitiveness of UC salaries is limited, there is little evidence that the university experiences difficulty with attracting most of its faculty and staff. For example, UC faculty salaries on average are higher than most public universities engaging in a similar level of research. Moreover, faculty separations have remained about the same over the last ten years. That said, campuses have reported to our office that they have difficulty recruiting and retaining certain types of staff, such as mental health counselors. Additionally, inflation is anticipated to be higher in 2022-23 than in past decades, likely generating pressure for larger-than-typical salary increases. The Legislature likely will want to weigh these competing factors when deciding how much funding to provide for salary increases in 2022-23. To help with the Legislature's planning, the LAO estimates each one percent increase in UC's total salary pool in 2022-23 would be approximately $45 million.

LAO Recommends Building Base Increase Around Identified Operating Cost Increases. The LAO recommends that the Legislature decides the level of base increase to provide UC by considering the operating cost increases it wants to support in 2022-23. The Legislature could start with UC's nonsalary cost increases ($78 million). From this point, the Legislature could consider providing funds for salary increases (around $45 million for each one percent increase). For illustration, at the Governor's proposed funding augmentation ($246 million, consisting of $201 million in new General Fund and $45 million in new tuition and fee revenue), the Legislature could cover UC's non-salary cost increases as well as a nearly 4 percent increase in UC's salary pool.

Tuition

UC's Tuition Plan Reflects More Rational Policy Than State's Past Tuition Practices. According to the LAO, implementing UC's new tuition policy would be a notable departure from previous tuition practices. The state's experience to date has been to have steep tuition increases during economic recessions (in the early 1990s, early 2000s, and Great Recession period) while leaving tuition flat throughout most years of economic recoveries. Such practices tend to work counter to families' fiscal situations, with household income tending to weaken during recessions and improve during recoveries. As a result of such practices, student cohorts enrolling in college during recessions tend to pay a higher share of their education costs than student cohorts enrolling during recoveries. By raising charges more gradually and predictability, UC's new tuition policy has the potential to overcome the main weaknesses of these previous state tuition practices.

Suggested Questions

On base growth,

- The Governor's budget proposal is smaller than the UC's budget request. Within the $200.5 million proposed in the Governor's budget, what are your priorities that would be covered? Overall, what will UC fund with the $200.5 million if this base amount is not increased in the final budget agreement?

- We ask UC and DOF to provide a response to the LAO's recommendations.

On compacts,

- DOF/UC: Looking ahead in the outyears, what costs would the proposed five percent increases support? What percentage of their base allocation does DOF expect UC to use to pay for more students? How does this affect its ability to hire staff to offer more course offerings to meet the needs of additional students – particularly reducing time to degree?

- UC: What would be the fiscal impact of the Governor's proposed compact expectations?

- How does UC contemplate implementing the compact the Governor recommended in exchange for the recommended increases over the next five years?

On tuition,

- DOF: Explain the rationale behind the different tuition assumptions for UC compared to CCC and CSU.

- UC: How is UC's recently adopted cohort-based tuition model is different from previous models. How will it work? How does this factor into their budget request?

Staff Recommendation. Hold Open.

Issue 2: Resident and Nonresident Enrollment

Panel

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

Governor's Budget

Resident Undergraduate Enrollment Growth in 2022-23. The Governor's budget proposes a combined $99 million to grow resident undergraduate enrollment in 2022-23 by 7,132 students. This amount includes funding for base growth of 6,230 students ($67.8 million) and additional funding to reduce nonresident enrollment by 902 students and replacing those students with resident students ($31 million).

Proposes Multiyear Enrollment Plan. The Governor's compact includes a multiyear plan to expand undergraduate and graduate student enrollment. Specifically, the administration proposes that UC grow resident undergraduate enrollment by around 1 percent each year from 2023-24 through 2026-27. (Though proposed as part of the compact, the Governor does not specify the 1 percent growth expectation for 2023-24 in the budget bill.) According to the administration, this annual growth would represent more than 8,000 additional students across the four-year period. The administration also proposes that UC grow graduate student enrollment by roughly 2,500 students over the same time period. Under the Governor's compact, UC would not receive additional funds for enrollment growth over the period, but instead it would need to accommodate the higher costs from within its base increases.

Background

Recent changes in state approach to enrollment. Since the 2015-16 Budget Act, the state has made three key changes to its enrollment approach for UC, described below.

1. ***Setting an Outyear Target.*** Since the 2015 Budget Act, the state has set resident undergraduate enrollment growth targets at UC in most years. Generally, the state established growth targets for the following year over a baseline year. For example, the 2019 Budget Act set a target growth of 4,860 students in 2020-21 over the level of enrollment in 2018-19. Setting an outyear target allows the state to better influence admission decisions, as campuses typically have already made their decisions for the upcoming year before the enactment of the state budget in June. Along with setting growth targets, the state in most years provided UC funding augmentations supporting the higher level of enrollment. Augmentations have been determined using an agreed-upon per-student funding rate derived from the "marginal cost" formula. This formula estimates the cost to enroll each additional student and shares the cost between anticipated tuition revenue and state General Fund.

2. ***Setting a Growth Target Only.*** In the past, the state commonly specified both the overall level of enrollment it expected and the associated growth over the previous year. (For example, the state might set the total enrollment level at 200,000 students, with associated growth from the

prior year set at 1,000 students.) Since the 2015-16 Budget Act, the state has stopped setting the overall enrollment level and specified only the expected amount of growth over a baseline year.

3. ***Setting Targets for Undergraduate Students Only.*** The state commonly has set targets for overall resident enrollment, giving UC flexibility to determine the mix of undergraduate and graduate students. Most recent budgets, however, have set a target for UC resident undergraduate growth only.

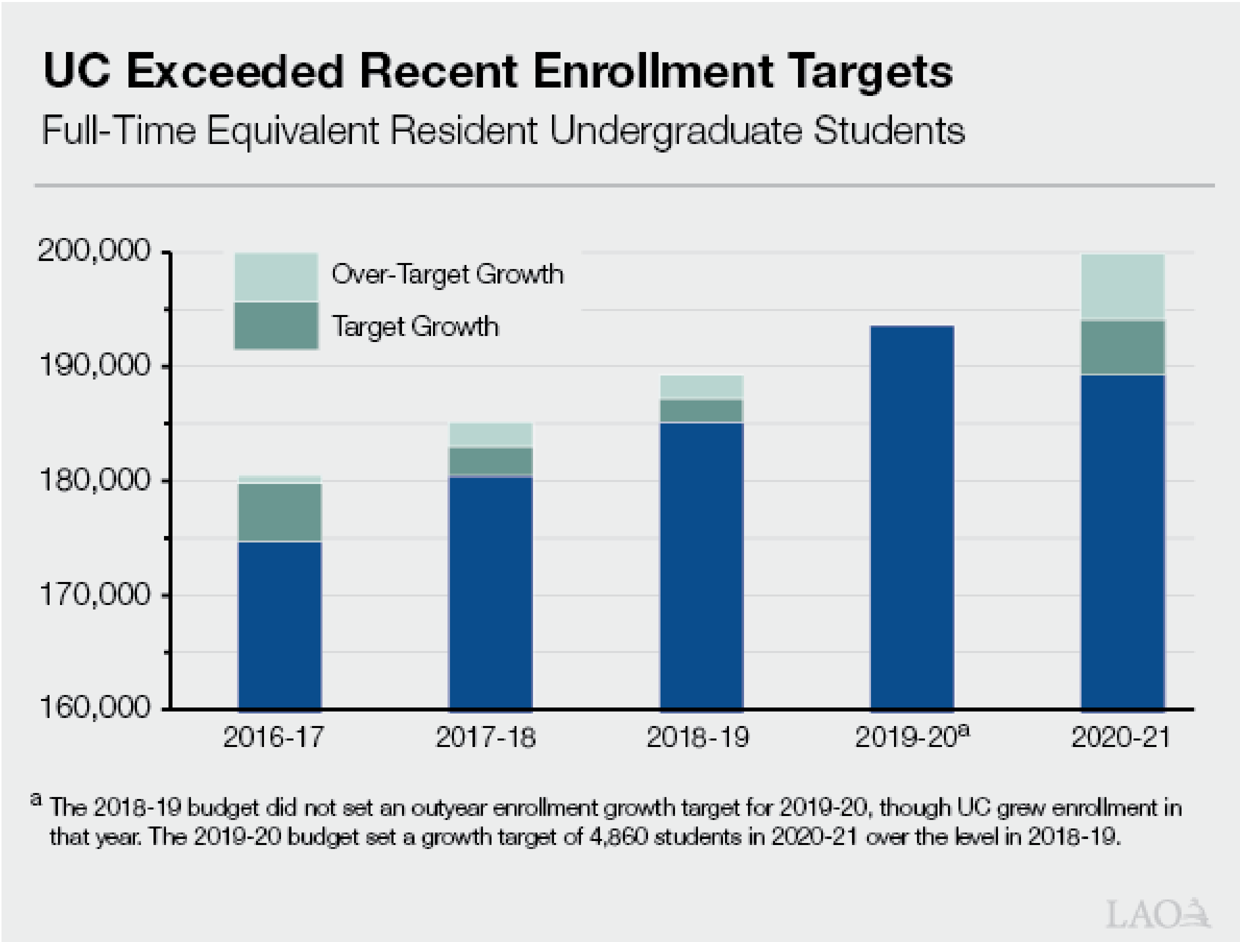
State Set Resident Undergraduate Enrollment Target for 2022-23. In the midst of the pandemic, the Legislature opted not to set enrollment growth targets in the 2020 Budget Act for 2021-22. Such an approach gave UC flexibility to manage funding reductions and uncertain enrollment demand that year. When state revenues recovered the following year, the state resumed setting targets.

Most recently, the 2021 Budget Act specified a target growth of 6,230 resident undergraduate students in 2022-23. The act further stated the intent of the Legislature to provide resources in 2022-23 to support enrollment this growth.

State Also Adopted Multiyear Plan to Reduce Nonresident Undergraduate Enrollment at UC. Additionally, the 2021-22 budget agreement adopted a multiyear plan to reduce nonresident undergraduate enrollment at the Berkeley, Los Angeles, and San Diego campuses. Under the plan, the three campuses would gradually reduce the share of their undergraduate enrollment that is nonresident from their current shares of over 21 percent to 18 percent by 2026-27. The plan is to start in 2022-23, with the state providing funding for the lost tuition revenue associated with the reduction in nonresident students. At the time of adopting this plan, it was estimated UC would have to reduce nonresident enrollment by 902 students annually.

UC Exceeded Targets From 2016-17 Through 2020-21. As Figure 3 from the LAO shows, each year the state established an enrollment growth target, UC exceeded its growth expectation. To date, the state has not provided UC additional General Fund support specifically designated for this over-target enrollment. Instead, the state has built this over-target enrollment into the new baseline it sets for UC. For example, in 2017-18, UC resident undergraduate enrollment grew by around 4,700 students over the level in 2016-17, exceeding the 2,500 student growth budgeted by the state. When the state set the growth target for 2018-19, it set the new baseline at the higher 2017-18 level, thus effectively absorbing the over-target enrollment. Since 2016-17, UC has enrolled around 10,700 students more than the state growth targets, with more than half of the over-target growth occurring in 2020-21 alone.

Figure 3



Resident Undergraduate Total Enrollment. Though the 2021-22 academic year has not yet finished, UC has made initial estimates based on enrollment levels in the summer and fall of 2021. UC estimates 2021-22 resident undergraduate enrollment to be 199,358 students—717 students (0.4 percent) below the level in 2020-21. As Figure 4 shows, UC experienced a drop in summer 2021 enrollment. Summer enrollment spiked in 2020 in the midst of the pandemic, likely because students had more opportunities to study online and fewer summer employment opportunities. The subsequent drop in summer 2021 could reflect fewer online course offerings or improved summer employment opportunities for students. Though UC saw a drop in summer 2021 enrollment, fall 2021 enrollment increased, which likely will translate into a corresponding increase in the spring 2022 term.

Figure 4- UC Enrollment Drop in 2021-22 Attributable to Decline in Summer Enrollment

Resident Undergraduate Full-Time Equivalent Students

	2019-20 Actual	2020-21 Actual	2021-22 Estimated	Change From 2020-21	
				Amount	Percent
Fall through spring	176,984	177,643	180,113	2,470	1.4%
Summer[a]	16,808	22,432	19,245	-3,187	-14.2

Totals	**193,792**	**200,075**	**199,358**	**-717**	**-0.4%**

[a]Summer term is treated as the first term of a fiscal year. For example, summer 2019 is counted toward 2019-20.

UC Is Planning for Lower Growth in 2022-23 Than Directed in Budget. In its 2022-23 budget request to the state, the UC Board of Regents adopted a plan to grow resident undergraduate enrollment by 2,000 students over the level in 2021-22, thus enrolling around 202,000 students in 2022-23. Of the growth of 2,000 students in 2022-23, 900 would be allocated to the Berkeley, Los Angeles, and San Diego campuses (combined) to replace reductions in nonresident students. The remaining 1,100 students would be concentrated at the remaining six undergraduate-serving campuses. According to UC, it does not intend to grow by 6,230 students in 2022-23-the target set in the 2021 Budget Act-- because of having enrollment over its target in previous years. Specifically, UC would like to count over-target growth in 2020-21 toward the state's growth expectation.

Legislative Analyst's Office Comments and Recommendations

Assessment

Disconnect Between Governor's Proposal and UC Plan Raises Issues for Legislature to Consider. The Administration describes its 2022-23 enrollment growth proposal as intended to implement the state budget agreement adopted last year. UC has indicated, however, that it is not planning to meet the administration's target enrollment level of 207,207 students. The Legislature could respond to this disconnect by reducing UC's associated enrollment growth funding—providing funding only for the additional students UC plans to enroll in 2022-23 over the set baseline year. This approach keeps the tightest connection between new state funding and new students enrolled. Alternatively, the Legislature could consider providing UC the full amount proposed by the Governor—effectively funding some over-target enrollment from 2020-21 and raising UC's per-student funding level. In recent years, the state has not funded over-target enrollment. Such a practice could create incentives for UC to disregard state enrollment growth targets with resulting fiscal impacts that could run counter to legislative intent. UC, however, is in a somewhat unusual situation due to the pandemic. Given the unusual times, the Legislature may want to consider making an exception for UC this year.

Setting Funded Enrollment Level Could Clarify Intent Moving Forward. The purpose of setting enrollment targets is to make clear expectations regarding the number students the universities are to enroll. The state's recent practice of setting growth targets has worked well when the Legislature, administration, and segments shared a common understanding of the baseline level of students. Recent experience, however, suggests that there may be different interpretations as to the existing baseline level of funded enrollment at UC. Without a shared understanding, the Legislature runs the risk of UC and the administration implementing future enrollment expectations in ways that do not align with its intent.

Three Undergraduate Enrollment Trends to Consider. The recent pandemic has made it increasingly complicated for the state and UC to project enrollment demand. Nonetheless, three key trends, described below, could shape the Legislature's considerations for UC resident undergraduate enrollment in 2023-24.

- ***High School Graduates.*** The Department of Finance projects the number of high school graduates in California to increase by 0.3 percent in 2021-22 (affecting fall 2022 demand) and by 0.6 percent in 2022-23 (affecting fall 2023 demand). All else equal, a rise in high school graduates increases UC freshman enrollment demand.

- ***Community College Students.*** Transfer student enrollment rose at UC from fall 2016 through fall 2020, corresponding with growth in CCC enrollment over the same time period. CCC enrollment declined in 2020-21, however, and a further drop is expected in 2021-22. Whether this drop results in a corresponding decline in UC transfer enrollment is uncertain. UC has enrollment management tools, such as reducing transfer referrals to less selective campuses, that could allow it to increase its transfer yield rates and maintain its transfer enrollment levels.
- ***Referral Pools.*** UC refers students who are not admitted to their campuses of choice to less selective campuses. UC Merced is UC's sole referral campus for freshman applicants, and UC Merced and UC Riverside are UC's referral campuses for transfer students. Providing funding for more enrollment can potentially reduce the number of students referred to less selective campuses. In fall 2020 (the most recent year of data publicly available), UC referred 9,110 freshman applicants (10 percent). UC does not regularly report the number of transfer students referred.

Eligibility and Admission Policies Remain a Consideration. Historically, the state has expected UC to draw its freshman admits from the top 12.5 percent of the state's high school graduates. As the LAO has noted in previous analyses, UC has been found to be drawing from beyond these pools in recent years and likely will continue to do so. In past periods, the state has expected UC to tighten freshman admission policies when it was found to be drawing from beyond these pools. When the UC tightens its admission policies, it effectively redirects a portion of its enrollment to CSU and CCC.

Outyear Resident Enrollment Target Likely Will Affect Future Nonresident Plans. As the Legislature increases systemwide resident undergraduate enrollment (and thus, overall undergraduate enrollment), it reduces the number of nonresident students UC must reduce to attain the 18 percent goal at the Berkeley, Los Angeles, and San Diego campuses. If the Legislature desires to grow resident enrollment in future years, it will want to receive updated nonresident enrollment and cost information from UC. UC currently is required to submit an annual report with this information to the Legislature by January 31, with the first report due by the time of this published agenda.

Different Set of Considerations for Graduate Enrollment. In contrast to undergraduate enrollment, access has not been a primary focus of the state when deciding whether to support graduate student enrollment growth. Rather, the primary focus in past years has been on state workforce needs for graduate students. Existing workforce demand likely varies for academic doctoral, academic master's, and professional graduate students. For example, there is little evidence that the state is facing overall shortages of doctoral students to fill higher education faculty positions. On the other hand, there is some evidence of regional shortages for certain professions (such as for primary care physicians). Beyond workforce considerations, UC campuses also often seek to grow graduate enrollment proportionate to undergraduate enrollment. This practice ensures campuses have an adequate number of teaching and research assistants to accommodate the higher level of undergraduate courses and faculty workload.

Recommendations

Use UC's Planned Growth as a Starting Point for Resident Undergraduate Enrollment in 2022-23. As UC indicates it will enroll only 1,100 rather than 6,230 additional resident undergraduate students in 2022-23 (excluding the approximately 900 new students from the nonresident reduction plan), the LAO recommends that the Legislature consider that planned growth as a starting point for funding (costing $12 million, using the 2022-23 marginal cost of instruction of $11,200 per student). Though the

Legislature could consider providing more than the $12 million, such action would differ from recent state practice. The Legislature likely would want to consider providing more funding only if it were concerned about UC having over-target enrollment in 2020-21 and its resulting per-student funding being too low.

Adopt Nonresident Reduction Funds. Consistent with last year's budget agreement, the LAO recommends adopting funds for planned reductions in nonresident enrollment (and associated growth in resident students) in 2022-23. The LAO thinks the Governor's proposed level of funding ($31 million for the 900 student replacement) likely is justified. That said, the LAO recommends that the Legislature review UC's forthcoming report, due January 31, to ensure UC intends to reduce nonresident enrollment at the affected campuses by a combined 900 students.

Set Resident Undergraduate Enrollment Target in 2023-24. After making decisions for 2022-23, the LAO recommends that the Legislature set a resident undergraduate enrollment target for budget-year-plus-one. Depending on the factors discussed earlier, the Legislature could consider any number of options. For example, the Legislature could set the target in 2023-24 at 207,207 students, thus giving UC more time to meet the administration's proposed enrollment level. Alternatively, the Legislature could adjust its expectations based on more recent trends, funding more or less growth as it deems warranted. Regardless of the Legislature's desired level of enrollment, the LAO recommends setting the target enrollment level, rather than just a growth target, for 2023-24 in the 2022 Budget Act. Such an approach would better clarify legislative intent and enhance accountability. Moreover, the LAO recommends scheduling any funds for growth in 2023-24 to be appropriated in the 2023-24 budget. This approach allows the state more easily to align funding with updated enrollment estimates for that year.

Consider Expectations for Graduate Enrollment. If the Legislature has specific workforce priorities that entail graduate student growth, it could set a target for 2023-24. That said, the Legislature could continue its current approach of not setting a graduate enrollment target if it has no specific graduate student-related priorities.

Suggested Questions

- UC: Please discuss the differences in enrollment for Fall 2021 as compared to 2018, 2019, and 2020.

- The Governor's budget provides enrollment growth funding for 2022-23. UC however anticipates 2021-22 to be slightly down from 2020-21 due to reductions in summer enrollment. What are the implications of the 2021-22 estimates on expected 2022-23 enrollment?

- DOF: What is the Administration's position on UC's enrollment plans for 2022-23?

- UC: What factors should the state consider when setting targets for the 2023-24 year? How can the state account for uncertainty with enrollment planning at campuses while still setting clear enrollment targets?

- UC: How does UC intend to physically have space for the growth over the next decade?

- We ask UC and DOF to provide a response to the LAO's recommendations. What would be the impact of LAO's recommendations on UC going forward?

On non-resident enrollment targets,

- UC: Can you provide an update on the nonresident buyout at the three campuses? Has UC made progress in setting up the system to implement that agreement? Are all three on track to begin that change in Fall 22? What are the targeted nonresident reductions/resident increases at each campus?

Staff Recommendation. Hold Open.

Issue 3: Deferred Maintenance and Energy Efficiency at UC

Panel

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

Governor's Budget

- **Deferred Maintenance and Energy Efficiency.** The Governor's budget proposes an increase of $100 million one-time General Fund for deferred maintenance and energy efficiency projects at UC campuses. Budget bill language would direct the Administration to report to the Legislature on the specific projects selected within 30 days after the funds are released to UC.

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 Been Developing a Better Estimate of Its Maintenance Backlog. For the past several years, UC has indicated that its maintenance backlog totals billions of dollars. Until very recently, it lacked a more precise estimate. This is because campuses historically maintained their own lists of deferred maintenance projects. According to staff at the UC Office of the President, these lists were not reliable because campuses used different approaches to estimate their backlogs and generally had not undertaken comprehensive condition assessments of their buildings. To obtain a better estimate, UC began undertaking a multiyear project known as the Integrated Capital Asset Management Program (ICAMP). Under ICAMP, UC is conducting facility condition assessments of all its academic facilities and infrastructure. In conjunction with this effort, the Legislature in the *Supplemental Report of the 2019 Budget Act* directed UC to submit a report quantifying its long-term maintenance and renewal needs.

UC Recently Released Updated Estimates. In December 2021, UC released its long-term maintenance and renewal report to the Legislature. In the report, UC estimates having a total ten-year capital renewal need of $12.3 billion, on top of an existing $7.3 billion maintenance backlog. (According to UC, its capital renewal need likely is higher than $12.3 billion, as the university has not yet completed its systemwide infrastructure assessments.) The UC estimates it would need to spend an average of $1.2 billion annually over the next ten years to address its capital renewal needs, as well as an additional $728 million annually to eliminate its existing backlog. The combined amount is $1.7 billion more than the best available estimate of UC's current annual spending on these types of projects ($291 million in 2019-20).

State Has Provided Funds to Address Backlogs. In the years following the Great Recession, the state provided one-time funding to help the universities address their maintenance backlogs. Figure 5 below shows the amounts appropriated by the state each year from 2015-16 through 2021-22. Most recently, the 2021 Budget Act provided $325 million General Fund one-time to address UC deferred maintenance and energy efficiency projects.

Figure 5: State funds for UC DM projects

General Fund, Unless Otherwise Noted (In Millions)

2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
25	35	50	70[b]	179[a,b]	$35[b]	$325

$350 [a]The 2020-21 budget package allowed CSU and UC to repurpose unspent 2019-20 deferred maintenance funds for other operational purposes.

[b]In each of these years, $35 million came from state-approved university bond funds.

Proposed Use of Funds to Address Deferred Maintenance. Though UC has not submitted a list of specific projects that would receive funding, UC indicates that it likely would draw from a list of projects totaling $788 million deemed by ICAMP to be "highest risk." (Upon request, UC submitted this list of projects to staff in January 2022.) According to UC, projects in the highest risk category should be addressed within the next few years to avoid disruptions to campus operations.

Legislative Analyst's Office Comments and Recommendations

Proposal Reflects a Prudent Use of One-Time Funding. Providing funds for deferred maintenance projects would address an existing need that is growing. Addressing this need can help avoid more expensive facilities projects, including emergency repairs, in the long run. Funding energy efficiency projects also could be beneficial, as these projects are intended to reduce campuses' utility costs over time.

One-Time Funding Does Not Address Underlying Cause of Backlog. Deferred maintenance backlogs tend to emerge when campuses do not consistently maintain their facilities and infrastructure on an ongoing basis. Based on its estimates, UC would need to increase its ongoing spending on maintenance and capital renewal by around $1 billion just to keep the backlog from growing. (This reflects the gap between UC's average annual capital renewal costs of $1.2 billion and its existing annual spending of $291 million.) Although one-time funding can help reduce the backlog in the short term, it does not address the underlying ongoing problem of underfunding in this area.

Recommendations

Consider Governor's Proposal as a Starting Point. To address UC's maintenance backlog, the LAO recommends that the Legislature provide at least the $100 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information in May, the Legislature could consider providing UC with more one-time funding for this purpose.

Consider Developing Strategy to Address Ongoing Maintenance and Capital Renewal Needs. In addition to providing one-time funding for deferred maintenance, the LAO encourages the Legislature to begin developing a long-term strategy around UC maintenance and capital renewal needs. Potential issues to consider include timing, fund sources, ongoing versus one-time funds, and reporting. Given the magnitude of the ongoing maintenance and capital renewal needs at UC, developing such a strategy would likely require significant planning beyond the 2022-23 budget cycle.

Suggested Questions

- UC: What are the up-to-date projections for the estimates to address the backlog?
- UC: Of this backlog amount, how much would be considered shovel ready or can be started within the next year?
- Moving forward, how can the state and UC address UC's backlog and prevent a new one from growing?

Staff Recommendation. Hold Open.

Issue 4: Various Governor's Proposals

Panel

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

Governor's Budget

- **Dyslexia Research.** The Governor's budget proposes an increase of $10 million one-time General Fund to support the University of California San Francisco Dyslexia Center.

- **Firearm Research**. The Governor's budget proposes an increase of $2 million ongoing General Fund to support research conducted by the University of California Firearm Violence Research Center.

- **Technical Adjustment-Graduate Medical Education**. The Governor's budget proposes a decrease of $582,000 ongoing General Fund to maintain a total of $40 million annually for a statewide grant program to increase the number of available graduate medical residency slots, based on updated Proposition 56 revenue projections.

Background

Proposal: California Firearm Violence Research Center at UC Davis.

Firearm violence is a significant health and social problem in California and across the United States. The lack of basic information on the epidemiology of firearm violence and its prevention has led to widespread misunderstanding of the problem and has impeded prevention efforts. Evidence of the effects of state policies and programs for reducing firearm violence as well as basic information on benefits, risks, and prevalence of firearm ownership in California are also lacking.

The California Firearm Violence Research Center at UC Davis, initially named the University of California Firearm Violence Research Center, is the first state-funded center for firearm violence research, founded to address these gaps in knowledge on firearm violence and its prevention in July 2017.

Activities and mission. The research center, according to Section 14231 of the California Penal Code, will conduct interdisciplinary work to address:

- The nature of firearm violence, including individual and societal determinants of risk for involvement in firearm violence, whether as a victim or a perpetrator.
- The individual, community, and societal consequences of firearm violence.
- Prevention and treatment of firearm violence at the individual, community, and societal levels.

In addition to rigorous research on firearm violence, the research center is dedicated to its role in policy development, public dissemination of research findings, training of new investigators in the field of firearm violence, and supporting non-research center investigators conducting firearm violence research through its small grants program.

The research center is located at UC Davis, with Dr. Garen Wintemute as its director. The UC Davis Violence Prevention Research Program, which for more than thirty years has conducted firearm research and policy development, will closely work with the research center and provide unique opportunities; VPRP core investigators come have a variety of backgrounds related to firearms and firearm policy, including medicine, epidemiology, statistics and biostatistics, criminology, the law, economics, and policy studies.

In 2020, the research center accepted proposals for grants to support research that explores the causes of firearm violence and evaluates strategies and interventions for reducing firearm-related harm.

State Budget and the Research Center. The Center's state funding appropriations and related actions are as follows:

- An initial $5M appropriation (2016) to establish the California Firearm Violence Research Center (CA FVRC).
- One-time appropriation to CA FVRC in 2019 to establish the BulletPoints Project to educate clinicians about how to prevent firearm injury and death.
- The 2021 Budget Act included AB 173, which changed the name of the center to "the California Firearm Violence Research Center at UC Davis". The 2021 budget act also approved the Governor's Budget proposal to provide $1 million ongoing General Fund to support the center. The budget specified that UC Davis shall not assess administrative costs or charges against these funds.

Use of Funds in Governor's Budget proposal. UC indicates that the augmentation will support an expansion of the Center's work in all the aforementioned activities. Personnel capacity will be increased through the recruitment and retention of additional faculty researchers and staff representing the broad array of disciplines appropriate to the study and prevention of violence. With the increased capacity made possible by the augmentation, we plan to design and execute controlled trials of violence prevention and violence recovery programs and policies.

Proposal: Dyslexia Research

Dyslexia is considered a type of "specific learning disability," which is defined in California's regulations pertaining to students who qualify for special education services. The International Dyslexia Association defines dyslexia as: "a specific learning disability that is neurobiological in origin. It is characterized by difficulties with accurate and/or fluent word recognition and by poor spelling and decoding abilities. These difficulties typically result from a deficit in the phonological component of language that is often unexpected in relation to other cognitive abilities and the provision of effective classroom instruction. Secondary consequences may include problems in reading comprehension and reduced reading experience that can impede growth of vocabulary and background knowledge."

UCSF Dyslexia Center Mission. The mission of the UCSF Dyslexia Center is to eliminate the debilitating effects of developmental dyslexia while preserving and even enhancing the relative strengths of each individual. In addition, the center aims to develop best practice protocols to implement individually catered interventions in classrooms throughout the country.

To accomplish their mission, they have:

- Assembled an interdisciplinary team of preeminent scientists to contribute to their multifaceted approach in characterizing the strengths and weaknesses associated with developmental dyslexia,
- Enlisted the talents of renowned neuroscientists, geneticists and clinicians across language, reading, cognition, aging, visuospatial, aging and social domains to help the center excel in examining the whole person throughout the lifespan, and
- Utilized the newest neuroimaging and genetic techniques in individuals and families to evaluate neurobiology as it relates to cognitive and biological phenotypes.

Finally, the center works closely with schools and educators to apply the knowledge gained from this unique program to develop early interventions and educational strategies to help children with dyslexia thrive.

State Budget and Dyslexia Research. The state funding appropriations for UCSF Dyslexia Center is as follows:

- The 2019 Budget Act provided $3.5 million one-time General Fund, to be expended over three years, to the UCSF Dyslexia Center Pilot Program, now called now “Multitudes,” to support a dyslexia screening and early intervention pilot program.
- Received $1 million in Proposition 98 funds for its involvement in the California Dyslexia Initiative.
- The 2021 Budget Act included $10.2 million for the UCSF Dyslexia Center and added $5 million that will be used to expand pilot sites at local educational agencies to use dyslexia screening tools and assessments and research-based interventions to prevent reading failure, as proposed in the Governor’s May Revision.

Support from the General Fund of the State of California has made possible the development of an emerging system now called UC Multitudes, previously known as “California Universal Readiness for School” tool.

UC Multitudes. This screening tool helped flag certain learning challenges. The first screening tool the center created a few years ago was an iPad application designed to identify literacy challenges among kindergarten and first-grade students. To date, the center has piloted this literacy tool with nearly 2,000 students at 30 schools across the state. More recently, the center has replaced its iPad application with a web-based platform called “Multitudes.” Multitudes screens for literacy challenges as well as a broader array of academic and socio-emotional challenges. Like the original iPad application, Multitudes is intended to identify learning challenges, allowing for targeted early interventions. (Early interventions, for example, could include using hand gestures to support memory association or building words with letter tiles.) According to center staff, these early interventions are intended to prevent students from being referred for special education.

Use of Funds in Governor's Budget proposal. According to the center, with continuing support, Multitudes can be used to screen all public school attending Kindergarten and 1st graders in California. The Multitudes system includes a translational research stream, an implementation stream, and an ongoing basic research and development stream. With $10 million allocated in 2022-23 to spend over the following three years, they anticipate achieving the following goals by the end of the 2024-2025 fiscal year:

UC San Francisco Dyslexia Center Plans to Spend Proposed Funds on Several Activities

(In Millions)	
Validate and update literacy screening tool	$2.5
Explore refining screening tool to accommodate English learners	2.0
Pilot studies of professional development and early interventions	2.0[a]
Support basic science research	2.0
Develop and pilot executive functioning, socio-emotional, and mathematical cognition screening tools	1.0
Validate screening tool for visual-spatial awareness and develop associated interventions	0.5
Total	**$10.0**

[a] Item also will be supported by $300,000 in Proposition 98 General Fund from the California Dyslexia Initiative.

Proposal: Graduate Medical Education Adjustment

Graduate Medical Education Account, CA Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund. Proposition 56 – California Healthcare, Research and Prevention Tobacco Tax Act of 2016 – was passed by voters on the November 8, 2016 ballot and implemented a surcharge on tobacco tax products.

Among the numerous programs supported with Proposition 56 funds, the measure requires $40 million annually to go to UC for primary care physician post-graduate training programs (known as "graduate medical education"). UC uses the funds to support the CalMedForce program, which provides competitive grants to primary care graduate medical education programs throughout California. Under a memorandum of understanding with UC, Physicians for a Health California administers the grants.

The measure also directs the state to reduce the amount of Proposition 56 funds going for UC graduate medical education in response to declining tobacco tax revenues. The objective of this provision is to prevent any one Proposition 56-funded program to be disproportionately impacted from declining revenues. The state has backfilled Proposition 56 funding reductions to CalMedForce with state General Fund, maintaining the program's total level of support at $40 million.

Previous Budget Actions. The 2021 Budget Act approved the May Revision proposal to decrease the Graduate Medical Education grant program by $1.6 million to maintain a total of $40 million for the program based on the most recent Proposition 56 revenue estimates. The budget also gives the Department of Finance the ability to adjust this fund each year to ensure it provides $40 million for this program.

Legislative Analyst's Office Comments and Recommendations

Assessment of Dyslexia Research Proposal

In Concept, Proposal Could Have Benefits. In concept, developing online screening tools and early interventions could help students across the state identify and address learning challenges sooner and improve their learning outcomes. To the extent new screening tools and early interventions prevent the need for students to enter into special education, schools also might see a reduction in their special education costs.

Two Concerns with Specific Proposal. Despite these potential benefits, the LAO has two concerns with the proposal. First, the funding is not linked with clear statutory objectives or outcomes. The proposed budget bill language indicates only that the funds are "to support dyslexia research." Though the center's spending plan includes some research, its scope appears to be broadening—covering new screening tools, early interventions, and professional development. Without clear statutory goals, the center might continue broadening its scope, putting pressure on the Legislature to provide additional funding in future years. Second, the Administration has not submitted to the Legislature a multiyear plan outlining development, outreach, and ongoing funding for the new tools it proposes. Without a plan, the Legislature has little information as to the initiative's outyear costs and whether the benefits of the initiative are likely to be sustained over time.

Recommendation for Dyslexia Research Proposal

Establish Goals and Reporting. Were the Legislature interested in continuing to support this project, the LAO recommends it provide clear statutory direction. At a minimum, the LAO recommends statute define the scope of the project and specify project outcomes (such as having an increasing number of students use the screening tools each year through 2024-25, improving reading test scores in the early grades, and reducing special education referrals). Additionally, the LAO recommends that the Legislature require the program to report by November 1 of each year from 2022 through 2025 on the initiative's activities, outcomes, and long-term plans. This report could help inform future budget decisions.

Suggested Questions

- UC: What priorities are in the UC Regents' budget but are not in the Governor's budget? If the amount of General Fund in the Gov's budget is not increased, which of these priorities would not be funded? Which would you have to forego? Which would be sought by other fund sources?

Staff Recommendation. Hold open all proposals.

Issue 5: UC Agriculture and Natural Resources (Oversight)

Panel

- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California
- Glenda Humiston, University of California Vice President for Agriculture and Natural Resources
- Brian Rutledge, Department of Finance

Background

The University of California (UC) Operates Two Main Agricultural and Natural Resource Programs. One program—Agricultural Experiment Stations—supports basic and applied research at the Berkeley, Davis, and Riverside campuses. The other program—Cooperative Extension—conducts applied research and provides outreach to stakeholders across the state. Both programs were established by the federal government more than 100 years ago. Over the years, they have broadened their scope to include research and outreach in areas such as drought and wildfire mitigation.

UC Agriculture and Natural Resources (ANR) Division Administers Programs. A division of the UC Office of the President (located in Oakland), UC ANR is responsible for administering these programs. In practice, UC ANR focuses the bulk of its efforts on Cooperative Extension—overseeing the activities of Cooperative Extension researchers and practitioners working at UC campuses as well as at county-based extension offices and Research and Extension Centers. Campus deans and UC ANR jointly oversee the experiment stations.

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.

State Is a Major Fund Source for Both Programs, but State Now Budgets for Programs Differently. Though receiving funds from several sources, both Agricultural Experiment Stations and Cooperative Extension receive more than half of their ongoing operating support from the state General Fund.

State Recently Began Line-Item Budgeting UC ANR. Historically, the state granted UC significant discretion to determine how much of UC's state funding to provide to the experiment stations and Cooperative Extension. As the below figure from the LAO shows, the state began changing its approach a few years ago, becoming more proactive in setting Cooperative Extension funding levels. As of 2021-22, the state budget contains a line item specifically for UC ANR. This line item provides greater transparency over ANR budgeting and gives the Legislature easier control over making annual Cooperative Extension funding adjustments. The line item solely contains state funding for Cooperative Extension, with state funding for the experiment stations still embedded within UC's main budget appropriation (meaning UC still effectively decides how much to provide for the stations each year).

State Has Adjusted UC ANR Funding Approach Over the Years

Through
2016-17
The state annually adjusted UC's budget, and UC determined level of state funding to provide UC ANR.

2017-18
In the annual budget act, the state specified a certain amount of funding for the UC Office of the President (UCOP), with ANR funding embedded within this amount.

2018-19
In annual budget act, the state retained the UCOP line item and added budget bill language specifying $73 million General Fund for UC ANR.

2019-20
General Fund support for UC ANR remained at $73 million.

2020-21
In response to the COVID-19 pandemic, the state reduced General Fund support for UC ANR—providing $63 million, reflecting a $9.2 million (13 percent) reduction.

2021-22
The state eliminated the UCOP line item but created a line item solely for UC ANR. The state provided UC ANR with $108 million ongoing General Fund, reflecting a $45 million (70 percent) increase over the 2020-21 level. This amount fully restored reductions from the previous year and provided an augmentation for operating cost increases and more specialists and advisors.

ANR = Agriculture and Natural Resources and COVID-19 = coronavirus disease 2019.

LAO

Cooperative Extension Received Significant Augmentation in 2021-22. The 2021 Budget Act implemented the February 2021 early action agreement to provide UCANR $9.2 million to restore funding that was cut in the 2020-21 Budget Act. The budget also provided $32.1 million ongoing General Fund for UCANR Division, and maintains it as a separate budget line item. Moreover, the state provided $3 million one-time funding to UC ANR for limited-term fire advisor positions and one-time activities at the Nutrition Policy Institute.

Legislative Analyst's Office Comments and Recommendations

Three Concerns With State Oversight of Programs. First, the state has considerably less information, budgetary control, and oversight of Agricultural Experiment Stations than it does of Cooperative Extension despite the two programs being intended to work in concert to address pressing agricultural and natural resource issues. Second, the Legislature lacks sufficient budgetary information from UC to adjust funding for these programs on an annual basis. Third, the state does not receive regular performance reporting on both programs despite comprising the largest source of ongoing funding.

Three Recommendations for Enhancing Legislative Oversight. First, the LAO recommends that the Legislature include state General Fund for Agricultural Experiment Stations in the existing UC ANR budget item, thereby budgeting for both programs directly. Second, the LAO recommends that the Legislature require UC to submit a budget report in late fall each year providing key information on anticipated operational cost increases. Third, the LAO recommends requiring UC to report periodically to the Legislature on the activities and outcomes of Agricultural Experiment Stations and Cooperative Extension. Together, these actions would improve budget transparency, provide the information needed to make informed budget decisions moving forward, and enhance legislative oversight of the programs.

Suggested Questions:

- DOF: While last year's augmentation was provided to make up for years of no COLA for Cooperative extension, the proposed budget does not include a COLA. Why is there no COLA proposed for 2022-23?

- UC/UC ANR/LAO: Moving forward, what factors should the Legislature consider when adjusting Cooperative Extension's budget?

- LAO: Given that campus deans and UC ANR jointly oversee the experiment stations, but that UC ANR focuses the bulk of its operations on Cooperative Extension, can you expand a bit more on your recommendation to include the experiment stations under UC ANR?

- UC/UC ANR: What are your responses to the LAO's specific recommendation to include state General Fund for Agricultural Experiment Stations in the existing UC ANR budget item?

- We ask UC and DOF to provide a response to the LAO's other recommendations.

Staff Recommendation. No action needed at this time.

Issue 6: Implementation of Previous Budget Act Agreements (Oversight)

Panel

- Seija Virtanen, University of California

The Budget Act of 2021 included several agreements and investments such as the following:

- **Line Item for UCOP and UCPath Is Removed in 2021-22.**

  Campus Assessment. In 2012, UC undertook a series of changes to the way it allocated funds to its campuses and divisions. 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. In 2017-18, the state altered this funding arrangement by directly budgeting General Fund for UC's central services 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.)

2021 Budget Act Agreement. The 2021 Budget Act modified this line item. Specifically, it transferred funds for UCOP and UCPath out of the separate budget line item and back into UC's main appropriation. The ANR division alone remains in the separate line item. To ensure legislative oversight of UCOP continues, provisional budget language requires UCOP to annually report on its budget, beginning September 2022. (The budget also maintains an existing reporting requirement for UCPath.) Specifically, the budget requires UC to annually report to the Legislature and the Department of Finance UCOP's budget starting on September 30, 2022 (as well as UCPath's budget each November 1). The budget agreement notes that this action will be for one year, and will be reviewed prior to the enactment of 2022 Budget Act.

Implementation Update Since 2021 Budget Act. Since the 2021 Budget Act agreement, UCOP moved back to a campus assessment. The campuses once again get to choose which funding sources they will use to pay the assessment. UCOP is reporting quarterly to the Board of Regents on the UCOP budget. The UCOP budget, excluding UC Path and UC ANR, for 2021-22 was the same as for the 2019-20 year. This reflected a restoration of the cut provided in 2020-21. This 2021-22 budgeted amount is the same as in 2017-18.

Separately, UC Path was moved to a fee-for-service model that charges campuses based on the number of W-2s issued.

- **UC Program in Medical Education (PRIME).** The 2021 Budget Act increased funding for the UC PRIME program by $12.9 million ongoing General Fund. The budget required UC to establish a new UC PRIME focused on Native American communities, and other programs that are focused on state priorities. UC was encouraged to use these funds to support programs that serve underrepresented areas in the state. The law also requires UC to report by March 1, 2022 and annually thereafter until March 1, 2027, to the Legislature and the Department of Finance on how this funding was used and the outcomes it achieved.

- **Emergency Financial Aid.** The 2021 Budget Act included $15 million one-time General Fund to support emergency financial aid for students. The budget approved the May Revision proposal to align emergency student financial aid eligibility criteria for funding available to UC students with criteria established by AB 85 (Committee on Budget), Chapter 4, Statutes of 2021 for similar funding available to California Community College students.

- **Dual Admission Pathways.** AB 132 modified the Governor's Budget proposal to create a new Dual Admissions transfer program. The trailer bill specified that the program will be available from 2023-24 through the 2025-26 academic year. The dual admissions agreement guarantees that a student will: (1) be admitted to the campus of their choice if the student completes an associates degree or an established course of study for transfer within two academic years at a CCC, and (2) have access to library, counseling and other services from the UC campus nearest to their primary residence. The bill requires UC to report by April 1, 2026 on the program, including college participants, description of services and information on program applicants and student outcomes.

- **California Institutes for Science and Innovation.** The 2021 Budget Act included the Governor's Budget proposal to provide $20 million one-time General Fund to support student stipends at the California Institutes for Science and Innovation. This funding is to support stipends over a five year period to better enable student workers to connect with industry employers, and for research teams to form industry partnerships to better align educational programs with workforce needs.

Additionally, previous Budget Act agreements that are of relevance are:

- **UC Employment and Capital Outlay.** The Budget Act of 2020, through Senate Bill 820 authorized, starting on January 1, 2021 the 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 excluded 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 law also specified 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.

- **Program Extension.** Existing law requests the University of California to establish and administer the Umbilical Cord Blood Collection Program for the purpose of collecting units of umbilical cord blood for public use, as defined, in transplantation and providing nonclinical units for specified research. The 2017 Budget Act extended the sunset date of the Umbilical Cord Blood Collection Program from January 1, 2018 to January 1, 2023, and required UC to report to the Legislature one year before the sunset date regarding (1) key data on cord blood units (including the number of units collected, registered, and transplanted—disaggregated by race/ethnicity—compared with nationwide data); (2) data on collection and storage costs as well as associated fee revenue and state, federal, and private funding; and (3) evidence as to why the program should or should not be extended beyond the new sunset date.

The above agreements are of relevance to this oversight item.

Suggested Questions:

For all mentioned above:

- To date, what steps has UC taken to implement these agreements?

- What data, if any, has UC collected about it? Does UC have any participation data for these initiatives?

- What challenges, if any, has UC encountered as it implements these initiatives?

On the Umbilical Cord Blood Collection Program,

- What information have you provided the Legislature so far and does the evidence suggest that this program should or should not be extended beyond the current sunset date? What statutory changes, if any, are needed to proceed further?

Staff Recommendation. Hold Open.

Issue 7: Student Housing

Panel

- Seija Virtanen, University of California

Governor's Budget

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

Background

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

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

- Homelessness is prevalent across California's three higher education segments, with 1 in 20 students at UC, 1 in 10 students at CSU, and 1 in 5 students at California Community Colleges (CCC) reporting experiencing homelessness at some point during the academic year. Even more students experience some form of housing insecurity. For example, 16 percent of UC students in 2020 reported sleeping in nontraditional housing arrangements (such as a hotel, transitional housing, or outdoor location) because they lacked permanent housing.
- Affordable, on-campus housing is a benefit to students. A report to the CSU Board of Trustees in July 2020 noted that research across college campuses nationally and within the CSU suggest that students living on campus have higher grade point averages and lower academic probation

rates, higher retention and graduation rates, and shorter time to graduation than their off-campus peers.

- Insufficient student housing can hinder campuses' ability to increase enrollment and serve more Californians. Both UC Davis and UC Santa Cruz, for example, have agreements with local governments that limit increased enrollment unless housing is added to accommodate that growth. CSU Humboldt has launched a plan to become a polytechnic university and more than double its student body in the next decade, but campus officials note that on-campus housing must be built before dramatically increasing enrollment. The local housing market cannot accommodate thousands of new students.

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

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

Student Housing Update as of January 2022. Of the $500 million one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, $25 million is available for CCC planning grants for student housing. The Department of Finance (DOF) received 114 applications totaling approximately $3.2 billion from CCCs, CSU, and UC in the initial application filing round. By March 1, DOF will provide the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation. The UC submission totals almost $600 million, representing housing needs in seven campuses.

Suggested Questions

- Just for clarification, what is the total amount that UC asked for under the current process? Does UC anticipate requesting more funding during the three year life of this program? How many more projects does this additional funding represent?

- Please describe the UC's student housing plans in relation to the Student Housing Grants. How many projects have been submitted? What are your observations so far?

- What challenges, if any, has the UC encountered so far in developing additional student housing?

- How many more beds does UC need to accommodate student needs?

Staff Recommendation. No action needed at this time.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Tuesday, February 15, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Yong Salas

Public Comment

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6100 DEPARTMENT OF EDUCATION

Issue 1: School Transportation

Panel

- Lina Grant, Department of Finance
- Ken Kapphahn, Legislative Analyst's Office
- Juan Mireles, Department of Education

Background

In California, state law does not require districts to transport students from home to school. However, federal law requires districts to provide transportation to three groups of students[1]:

- **Students With Disabilities.** The federal Individuals with Disabilities Education Act requires that all districts take special steps to ensure students with disabilities receive a "free and appropriate public education." If school officials determine transportation is necessary for a student to access his/her education, the district must provide it. (Depending on the disability and needs involved, these students may receive transportation between service providers during the school day as well as transportation to and from school.)

- **Students Attending Federally Sanctioned Schools.** The federal No Child Left Behind (NCLB) Act of 2001 requires schools to meet annual performance expectations. Schools receiving federal funding that do not meet these expectations are subject to sanctions that include allowing students to transfer to a higher–performing school within the district and paying to transport those students to the higher performing school.

- **Homeless Students.** The federal McKinney–Vento Homeless Assistance Act requires districts to provide transportation for homeless students.

When the state adopted the local control funding formula (LCFF), it retained the Home-to-School Transportation (HTST) program as a separate funding stream, and froze allocations at the 2012-13 levels. Since then, local educational agencies have funded their transportation costs out of the HTST funding pot and their unrestricted funds (some districts charge fees, but do so under certain conditions), in addition to some federal funds. According to the LAO, in 2019-20, local educational agencies spent approximately $1.8 billion on home-to-school transportation. The LCFF add-on related to transportation has been $496 million per year; on a statewide basis it covered an average of 28 percent of transportation expenditures, with the remaining costs covered primarily by a district's unrestricted funds. On the district-level, the extent to which the LCFF add-on covers pupil transportation costs varies widely, and depends on the district's growth since 2012-13, whether its transportation program grew since 2012-13, and other varying factors.

[1] Legislative Analyst's Office. *Review of School Transportation in California.* 2014 February 25.

In 2014, the LAO released a report that provided three options for addressing transportation moving forward. The three options were to: (1) fund transportation costs within the LCFF, (2) fund only extraordinary transportation costs for districts that face disproportionate transportation costs, or (3) fund a share of all transportation costs.

Other Administration Programs

The California Air Resources Board (CARB) has several programs that incentivize school districts adopt newer and cleaner technologies for school bus fleets. Funding programs are either provided to local air districts to administer or through direct, state-run programs, and include:

- **Hybrid & Zero-Emission Truck & Bus Voucher Incentive Project (HVIP).** HVIP is a statewide program that provides vouchers to help offset the cost of eligible hybrid, low NOx engine, hydrogen fuel cell or battery electric trucks and buses. For school bus purchases, fleets can request a voucher for up to $220,000 per bus, plus an additional $15,000 per bus if operated in a disadvantaged community. Up to $30,000 per battery electric bus or truck is available towards the purchase of charging equipment.

- **Rural School Bus Pilot Project.** The program gives preference to school districts located in small air districts. The North Coast Air Quality Management District (NCUAQMD) administers the RSBPP with funds from the California Climate Investments to replace older, diesel school buses with new, cleaner technologies.

- **Volkswagen Environmental Mitigation Trust.** The Volkswagen (VW) Environmental Mitigation Trust provides funds for California to fully mitigate excess NOx emissions caused by VW's use of illegal defeat devices. The San Joaquin Valley Air Pollution Control District (SJVAPCD) will administer $130 million in Mitigation Trust funding statewide for zero-emission transit, school, and shuttle buses. Funding will be available in two installments of $65 million each starting in the fall of 2019, first come first served.

- **CEC's School Bus Replacement Program.** California Energy Commission School Bus Replacement Program provides grant funds for the replacement of the oldest school buses in California. This program emphasizes replacement with electric buses. Priority goes to school districts and county offices of education containing disadvantaged communities and with a majority of students eligible for free or reduced-price meals in the prior year. The application period is currently closed. Check the website for program and funding updates.

- **AB 617 - Community Air Protection Incentives.** Community Air Protection incentives are available to support early action emissions reductions in communities most affected by air pollution, as well as to support communities selected for air monitoring or emissions reduction programs and those under consideration for future selection. First-year funds have provided immediate reductions through the Carl Moyer and Proposition 1B Programs, and both second- and third-year funds expand available funding opportunities to stationary and community-identified sources. School bus replacements are an eligible project type under the Carl Moyer Program, and additional flexibility has been added to school bus projects funded with Community Air Protection incentives.

- **Carl Moyer Program.** The Carl Moyer Program provides funding for cleaner-than-required engines and equipment. School buses are one of the many categories of equipment funded through the program. Grant amounts vary depending on the project type.

- **Lower-Emission School Bus Program (LESBP).** Beginning in 2001, the LESBP has funded new, cleaner technology bus replacements and retrofit devices that significantly reduce toxic particulate matter emissions from diesel school buses. Funding may still be available through local air districts.

Additionally, in 2018, the California Air Resources Board (CARB) mandated that California transit bus fleets must be zero-emission by 2040. Starting in 2029, mass transit agencies in California will be required to purchase battery electric or fuel cell electric transit buses for their fleets. To help local agencies meet this mandate, the Department of General Services established three statewide contracts with electric bus manufacturers with preset pricing, and these contracts are available for use by local agencies who can then purchase the buses with local, state, and/or federal funds.

<u>Governor's Budget Proposal</u>

The Governor's Budget proposes $1.5 billion in one-time Proposition 98 General Fund, available over three years, for competitive grants that are a minimum of $500,000 to local educational agencies for zero-emission school bus fleet adoptions. These funds are targeted to local educational agencies with existing school transportation programs, and are intended to purchase electric school buses, school bus charging infrastructure and related activities, including charging stations, equipment, site design, construction, and infrastructure upgrades. Any unused funds can be used to supplement existing transportation programs. School buses that are replaced must be scrapped within twelve months of the delivery date of the new bus vehicles.

The budget identifies the amount reserved for purchasing electric school buses and related infrastructure as excludable capital outlay under the state appropriations limit. (Each electric bus and charging station together costs more than $100,000 and has a useful life of more than ten years.) $1.35 billion of the $1.5 billion is excluded from the State Appropriations Limit. The budget identifies the remaining $150 million (the portion available for any transportation expenditure) as spending that counts toward the appropriations limit.

Additionally, the Administration indicated that a workgroup would be convened to streamline bus driver requirements during the spring budget process, and that it would consider potential streamlining changes to the bus driver certification process at the May Revision.

This proposal is part of a larger zero-emission vehicle package put forth by the Administration that costs $6.1 billion (General Fund and other sources), of which $4.2 billion will go to CARB and the CEC targeted for heavy-duty zero-emission technology advancement, and other priorities.

Additionally, $383 million in federal funds will be administered by the California State Transportation Agency.

The Governor's Budget also proposes $1.1 million one-time General Fund to modernize two of the four aging buses owned by the Department of Education for its instructor training program and replace them with electric buses, as well as charging stations, and $201,000 General Fund ongoing for two positions at the California Department of Education.

Legislative Analyst's Office (LAO)

The LAO recommends the following:

Adopt Modified Version of Governor's Proposal. The Governor's proposal would allow the state to use one-time funding to support school transportation service that many students and districts find beneficial. The potential benefits of electric buses, including lower levels of pollution, reduced GHG emissions, and decreased operating costs, could last for many years. The up-front costs for an electric bus and its charging station are more than twice the cost of a diesel bus, and state grants likely would accelerate the adoption of electric buses. Some aspects of the proposal, however, could be improved. In the remainder of this section, we recommend several modifications to (1) achieve greater reductions in pollution, (2) allow more districts to use the program, (3) improve fiscal incentives, and (4) adjust funding based on district interest.

Prioritize Replacement of the Oldest Buses. Whereas the Governor proposes four criteria that would give districts priority for funding, we recommend modifying the proposal so that it prioritizes replacing the oldest buses first. This modification would increase the potential reductions in air pollution by focusing the program on replacing buses manufactured under less stringent emission standards. Under this approach, the state could retain other considerations (such as preference for rural schools or schools with high numbers of low-income students) as secondary factors.

Allow Funding for Other Types of Buses When Electric Buses Are Not Feasible. Under the Governor's proposal, some districts might continue to operate older buses emitting higher levels of pollution because electric buses are not viable replacements. We recommend modifying the Governor's proposal to allow funding for nonelectric buses in some cases. One option would be to allow rural districts to receive funding to replace a specified percentage of their fleets with nonelectric school buses. The state could allow additional nonelectric buses for these districts (or urban districts) based on their individual circumstances. One previous program, for example, allowed districts to purchase nonelectric buses if they could provide information about their routes and a consultation with an electric bus dealer demonstrating that electric buses would be infeasible. Funding a nonelectric bus might not reduce GHG emissions significantly, but could provide significant reductions in local pollutants like nitrogen oxides and particulate matter.

Eliminate Proposed Allowance for Other Transportation Expenditures. We recommend the Legislature eliminate the portion of the grant providing funding for costs not directly related to the bus or its infrastructure. Eliminating this allowance would create parity with other bus replacement programs and avoid creating incentives for districts to forego those programs. Given that the proposed grants would cover the entire cost of the bus and charging station, we think the state could expect districts to pay for other costs out of their local budgets.

Provide Smaller Amount Initially and Adjust Future Funding Based on Demand. Whereas the Governor proposes to provide $1.5 billion for the program immediately, we recommend the Legislature plan to allocate funding over multiple years and begin with a smaller amount. This approach would allow the state to adjust future funding based on district interest and the progress the state makes toward its goals for replacing older buses and reducing emissions. One way to implement this recommendation would be to plan for a three-year program and provide an initial allocation of $500 million in year one. To help determine funding amounts for the subsequent two years, the Legislature could require CDE to track and report data on the number of applications received and funded, as well as data on the age of the buses being replaced. Alternatively, if the Legislature decides to provide an immediate allocation closer to the $1.5 billion proposed by the Governor, it might want to expand the program to ensure it can allocate the full amount to interested districts. To the extent the Legislature makes changes to the timing or amounts for the Governor's proposal, it would need to account for the changes in capital outlay spending as part of its plan for addressing the state appropriations limit.

Consider Most Appropriate Agency to Administer the Program. CDE has an existing unit dedicated to school transportation, previously administered a bus replacement program for small districts, and regularly distributes other school funding. Based on these factors, CDE likely has the ability to implement the proposed program. On the other hand, CARB is already administering the bus replacement program created in the 2021-22 budget plan. Assigning the new program to CDE would result in different agencies administering two similar programs. Many districts likely would submit funding applications with each agency, and both agencies likely would incur additional workload to coordinate their grant awards and ensure districts receive one grant per bus. If the Legislature wanted to streamline the allocation of funding, it could assign the new program to CARB.

Suggested Questions.

- DOF: Given existing programs for school bus procurement, would there be benefits of administering these funds through California Department of Education rather than CARB or the CEC?
- LAO/CDE: Are there any districts where an electric school bus might not be feasible for its transportation services?
- DOF: What is the demand for electric school buses, and do existing programs and resources fall short of meeting this demand?

Staff Recommendation. Hold this item open.

Issue 2: Nutrition

Panel

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Kim Frinzell, Department of Education

Background

School Nutrition Programs (SNP)

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

Currently, Education Code Section 49550 requires school districts and county offices of education (COE) to provide nutritionally adequate meals to pupils who are eligible for free and reduced-price (F/RP) meals every school day. Education Code Section 47613.5 extends this requirement to charter schools. Charter schools offering nonclassroom-based instruction must also offer at least one nutritionally adequate meal for eligible pupils on any school day that the pupil is scheduled for educational activities lasting two or more hours at a school site, resource center, meeting space, or other satellite facility operated by the charter school.

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

Section 34 of the 2020 Budget Act established Education Code Section 43503 that adds distance learning as an instructional model and requires school districts, COEs, and charter schools to provide nutritionally adequate meals for eligible pupils during schooldays in which those pupils participate in distance learning. This requirement allows flexibility in how food is distributed as long as students eligible for F/RP meals have access to a nutritionally adequate meal during each school day.

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

Types of Meal Programs

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

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

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

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

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

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

The California Department of Education estimates that there were 829 school sites participating in the National School Lunch Program that did not also participate in the School Breakfast Program. Additionally, there are approximately 517 school sites that do not participate in either program. This could result in a combined total of 1,346 new School Breakfast Program sites now eligible for the proposed revisions and additional award through the School Kitchen Infrastructure Funds.

Eligibility

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

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

Community Eligibility Provision (CEP) - The CEP was implemented by the federal Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. Schools that have implemented the CEP have experienced striking increases in school meal participation, and many reported improved attendance.

Beginning in 2022-23 school year, all schools eligible for the Community Eligibility Provision, the federal universal meals provision, will be required to apply for the program by June 30, 2022 (if they are not already participating) to reduce volatility in costs to the state and ensure the state is not responsible for costs that could be reimbursed at the federal level. The state will then cover any remaining unreimbursed costs up to the federal free per-meal rate, at an estimated cost of $650 million Proposition 98 General Fund annually.

Recent Budget Actions

Typically, an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above. During the current pandemic, the USDA has issued nationwide waivers that now extend through June 30, 2022, to allow non-congregate feeding and meal service time flexibility during the school year, consistent with flexibilities typically allowable under summer meal programs. The federal waivers also increase the federal reimbursement rate schools will receive for these meals for 2021-22 from around $3.75 to $4.32 per lunch to account for higher operation costs during the pandemic (such as addressing staffing shortages and higher food costs related to inflation).

In response to the concerns that LEAs' nutrition programs were struggling to cover costs, the 2020-21 budget provided $192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

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

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

<u>Governor's Budget Proposal</u>

The Governor's Budget includes $596 million Proposition 98 General Fund to cover the costs of universal meal requirements in the 2021-22 budget, and bring total funding to $650 million. This figure is an estimate, and updated estimates are expected later this spring.

Additionally, the proposed budget includes $450 million in one-time Proposition 98 General Fund, available over three years, to upgrade school kitchen infrastructure and equipment, and this funding would be exempt from the State Appropriations Limit. The funding would be allocated in three ways:

- **Base Grant.** A $100,000 base grant for every LEA. Funds could be used for kitchen infrastructure upgrades and staff training.

- **Per-FRPM Student Grant.** After accounting for base grants, half of the remaining funding would be allocated to LEAs where at least 30 percent of students are FRPM-eligible. Funds would be distributed proportionally based on an LEA's population of students that qualify for FRPM. As with the base grant, these funds could be used for kitchen infrastructure upgrades and staff training.

- **Scratch Cooking Grant.** The remaining funding would be allocated to LEAs based on the number of meals served in October 2022 and could be used for facility improvements and equipment upgrades to increase scratch and speed scratch cooking. To receive this funding, LEAs would have to attest that, beginning in 2023-24, at least 40 percent of meals served will be prepared using scratch and speed scratch cooking methods.

Lastly, the budget includes $3 million one-time Proposition 98 General Fund to support School Breakfast and Summer Meal Start-Up and Expansion Grant Program, which provides schools with funding to start-up or expand their School Breakfast Program or their Summer Meal Program.

Separately, the proposed budget also includes $60 million one-time General Fund over two years to support the California Farm to School program. The proposed budget includes an additional $30 million in one-time General Fund to establish additional farm to school demonstration projects and $3 million ongoing General Fund to expand the regional California Farm to School Network by adding 16 new positions at the California Department of Food and Agriculture (CDFA). The CDFA broadly considers farm to school programs as combining: (1) schools or early care and education programs buying California grown or produced foods, (2) educational activities that connect classroom learning with cafeteria meals, and (3) hands-on food education opportunities in school gardens, on farms, in settings that celebrate traditional foodways and cultivate food sovereignty, and through other experiential learning pathways. Programs may include forest-to-school, river-to-school, and ocean-to-school. This issue will be reviewed in Senate Subcommittee #2.

<u>Legislative Analyst's Office</u>

The Legislative Analyst's Office provides the following recommendations:

Approve Funding Augmentation to Implement Universal Meals. We recommend the Legislature approve the proposed funding augmentation to increase the state share for reduce-priced and paid meals as the state implements the universal meals requirement starting in 2022-23. The exact amount of funding likely will need to be updated as part of the May Revision, when the state will have more data on meals served during the 2021-22 school year.

Reduce Proposed Kitchen Infrastructure Funding to $150 Million, Focus on Universal Meals Implementation. Given the recent funding provided and the uncertainty regarding overall demand, we recommend the Legislature provide $150 million (one-third of the amount proposed by the Governor) for kitchen infrastructure upgrades and training. This would match the amount provided in 2021-22. Similar to the first round of funding, we recommend setting the base grant amount at $25,000 per LEA, rather than the proposed $100,000 per LEA. The remaining funding could be distributed by formula to all LEAs. As we discuss in more detail below, we also recommend the funding be targeted to implementing universal meals, not encouraging more scratch cooking. The Legislature could revisit both universal meals implementation and scratch cooking and provide additional funding in future years, once more information about demand and the use of 2021-22 grants becomes available.

Consider Modifying Formula to Target Districts Most Impacted by Universal Meals. Regarding the allocation formula, the Legislature could also consider modifying the formula to provide more funding to LEAs that would need to increase capacity most under universal meals. This would likely provide more funding to districts not currently participating in the federal nutrition programs or with a lower share of students eligible for FRPM. Given that the Legislature committed to implementing universal meals, targeting funding to LEAs most impacted by these new requirements could ensure smoother implementation. One way to allocate funding is based on projections of how many more meals an LEA will need to serve under universal meals compared to a prior baseline level of meals served.

Legislature Could Consider Other SAL-Excludable Expenditures. If the Legislature were to reject or reduce the size of this proposal, it would likely need to replace the associated spending with other SAL-excludable proposals to continue meeting its overall SAL requirement. The Legislature could fund a variety of other options, such as funding for districts to address school facility needs related to climate resiliency or deferred maintenance projects.

Suggested Questions.

- DOF/CDE: If there is the possibility of up to 1,346 school sites that would be new School Breakfast Program sites, would $3 million be enough to meet the potential demand? If not, what would be a sufficient level of funding?

- DOF/LAO/CDE: If the funding for the program were to shift from a capped appropriation to an entitlement model, what would be the annual estimated cost of the program, and what variables would factor into this cost?

Staff Recommendation. Hold this item open.

Issue 3: Multilingual Libraries

Panel

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Alesha Moreno-Ramirez, Department of Education

Governor's Proposal

The budget proposes $200 million one-time Proposition 98 General Fund to establish a grant program to enable local educational agencies to create or expand multi-lingual school or classroom libraries offering culturally relevant texts to support reading instruction. These funds will be available for one year. Eligible local educational agencies must have schools that meet all of the following criteria:

- The school has a free reduced meal program student population that is at least 80 percent of the school's total student population.
- The school has an English Learner student population that is at least fifteen percent of the school's total student population.
- The school serves students in state preschools operated by school districts and charter schools, kindergarten, or grades 1 to 3, inclusive.

The Department of Finance estimates that 2,000 schools will be eligible, with an average grant award of approximately $100,000.

Staff Recommendation. Hold this item open.

Issue 4: Fremont Student Housing Modernization Project

Panel

- Randall Katz, Department of Finance
- Amy Li, Legislative Analyst's Office
- Cheryl Cotton, Department of Education

Background

The California Department of Education provides oversight and support to three State Special Schools and three Diagnostic Centers in California. These include: California School for the Deaf in Fremont, California School for the Deaf in Riverside, California School for the Blind, and Diagnostic Centers located in Fremont, Fresno, and Los Angeles. The schools provide comprehensive educational programs composed of academic, extracurricular, and residential activities for students with auditory and/or visual impairments. The diagnostic centers provide assessment services for students in special education with complex educational needs, along with professional learning and technical assistance support for educators and community partners.

Constructed in 1980, the California School for the Deaf-Fremont and California School for the Blind student housing facilities are antiquated, not compliant with current codes and needs incorporation of modern design solutions for deaf and blind individuals' needs. The Fremont Campus consist of: California School for the Deaf, Fremont; the California School for the Blind, Fremont; and Diagnostic Center Northern California (DCNC).

Governor's Proposal

The California Department of Education – State Special Schools and Services Division (CDE-SSSSD) requests $7.5 million General Fund for the working drawings phase of this project that consist of renovation of the 43-year old student residential housing buildings, eighteen at the California School for the Deaf-Fremont (CSDF) and eight the California School for the Blind (CSB), as well as improvements to utilities and path of travel routes. The 2021-22 Budget included $8.5 million General Fund for a topographical study and the preliminary plans phase of this project. Total projects costs are $114,806,000 General Fund.

The Governor's 5-Year Infrastructure Plan includes $155.8 million General Fund at the State Special Schools, including $49.5 million for three projects to address aged infrastructure at the Riverside School for the Deaf. These projects include: (1) Transportation, facilities, and warehouse, (2) Central Services Complex, and (3) Auditorium and theater.

Staff Recommendation. Hold this item open.

6350 SCHOOL FACILITIES AID PROGRAM

Issue 5: School Facility Program

Panel

- Jennifer Kaku, Department of Finance
- Amy Li, Legislative Analyst's Office
- Lisa Silverman, Office of Public School Construction, Department of General Services

Background

In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell $9 billion in general obligation bonds for K-14 facilities ($7 billion for K-12 and $2 billion for community colleges).

The California State Auditor released a report in January 2022, which found that California will need $7.4 billion in state funding to meet anticipated modernization requests over the next five years. It additionally found that the state could increase equity in the facilities program by adjusting its first-come, first-served approach to reviewing and approving modernization projects by prioritizing funding for districts from financially challenged districts. Districts that can complete projects on their own with local funding can receive reimbursement from the State after their projects are finished. Conversely, financially challenged districts apply for "financial hardship" so that the state fund the local share of facilities projects, but can be left waiting for state funds in order to begin their projects, delaying improvements to their facilities.

School districts can apply for "facility hardship," in cases of extraordinary circumstances that have caused an imminent health and safety threat. Unlike districts that apply for "financial hardship," school districts that apply for facility hardship are exempted from the first-come, first-served approach and may move up in priority for funding.

Governor's Budget Proposal

The proposed budget includes the remaining remnants of the bond authority, which costs approximately $1.4 billion in K-12 bond authority in 2022-23, for new construction, modernization, career technical education, and charter facility projects. This amount is similar to the amounts provided in previous years, including 2019-20, 2020-21, and 2021-22.

For new construction projects, Proposition 51 bond funds will be processed by April 2022 and apportioned in Fall 2022 after the fall bond sale, which will exhaust available bond funds for new construction. For modernization projects, Proposition 51 bond funds will be processed by December 2022 and apportioned in both Fall 2022 and Spring 2023 after bond sales occur, which will exhaust available bond funds for modernization.

Because Proposition 51 bond authority is expected to be exhausted in 2022-23, the Budget proposes approximately $1.3 billion one-time General Fund in 2022-23 and $925 million one-time

General Fund in 2023-24 to support new construction and modernization projects through the School Facility Program. The 2022-23 General Fund investment would be processed beginning in July 2022 with the first apportionments made in approximately November 2022. This investment would be exhausted in approximately June/July 2023. The 2023-24 GF investment would be processed and apportioned beginning in July 2023 and would be exhausted by April 2024. Existing law stipulates that if new construction funds are available, developer fees cannot be implemented. Because new construction funds proposed with General Fund would be available through April 2024, developer fees would be avoided through then.

The Office of Public School Construction expects to process an average of $125 million in new construction and modernization projects each month. If the proposed GF investment is approved, OPSC anticipates needing to propose regulatory changes to the State Allocation Board to process the applications for GF-funded projects using a direct funding model, which differs from how funds are currently apportioned for bond-funded projects.

Suggested Questions

- OPSC: Will there be any programmatic differences between how the bond funding and the General Fund be administered, and if so, what will they be?

Staff Recommendation. Hold this item open.

0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

Issue 6: Charter School Facility Grant Program

Panel

- Jennifer Kaku, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Katrina Johantgen, California School Finance Authority

Background

The Charter School Facility Grant Program is administered by the California School Finance Authority (CSFA) and provides annual grants to partially offset annual ongoing facilities rent and lease costs for charter schools for which 55% or more of the pupils enrolled at that school site or located in that attendance area are eligible for Free or Reduced Price Meals (FRPM).

Prior to the 2016-17, the program was typically undersubscribed, which resulted in the Authority not awarding the entire annual apportionment. As a result, the FRPM program eligibility threshold was changed from 70% to 55%. Since this change went into effect, the number of program applicants, along with the percentage of funding disbursed, has steadily risen. The chart below provides historical information related to Program apportionments, amounts awarded to schools, the number of applicants as well as the percentage of funding disbursed to schools.

History of Apportionments, Awards, and Distribution Allocation for the Charter School Facility Grant Program

Fiscal Year	State Budget Appropriation	Funds Awarded	Percentage of State Budget Appropriation Disbursed	School Awardees
2011-2012*	$76,509,000	$5,166,452	6.75%	43
2012-2013*	$92,031,000	$37,525,209	40.77%	261
2013-2014	$92,031,000	$65,575,245	71.25%	318
2014-2015	$92,031,000	$74,902,988	81.39%	331
2015-2016	$112,031,000	$89,969,742	80.31%	372
2016-2017	$112,031,000	$98,667,899	88.07%	396
2017-2018	$133,177,000	$133,177,000	100.00%	418
2018-2019	$136,786,000	$136,786,000	100.00%	415
2019-2020	$136,786,000	$136,786,000	100.00%	426

** Program under CDE administration; upon program transfer, the Authority issued $42,691,661 in awards to schools that had applied through CDE*

Source: California School Finance Authority

The funds are used first for rents and leases, and if excess funds are available, they may be used on eligible facilities costs such as remodeling buildings, code compliance, or deferred maintenance. Since 2018-19, all program funds have been used to pay rent and lease costs, and as a result, funds have not been made available for other eligible facilities costs since that time. Because the program has been oversubscribed since 2018-19, CSFA has not requested that schools submit this information to them since then; however, CSFA is able to estimate requested costs based on requested amounts in 2017-18 and 2018-19, and project growth for these requested costs using COLA for each fiscal year.

The chart below is a breakdown of other eligible facility related costs requested (and projected requested amounts) for each fiscal year since 2017-18. In addition, there is information on the amount paid for these costs in 2017-18 and 2018-19.

Fiscal Year	Total Program Appropriation	COLA	Other Eligible Facility Related Costs - Requested		Schools Eligible for Other Eligible Facility Related Costs	% of Total Applicants	Average Request per Eligible School	Other Eligible Facility Related Costs (OC) - Paid
2017-18	$133,177,000	1.56%	$31,024,000		314	77%	$98,803	$16,211,797
2018-19	$136,786,000	2.71%	$35,092,000		317	76%	$110,701	$26,319,251
2019-20	$136,786,000	3.26%	*$36,236,000*	*	318	73%	$113,951	N/A
2020-21	$136,786,000	0%	*$36,236,000*	*	306	72%	$121,155	N/A
2021-22	$143,520,000	5.07%	*$38,073,000*	*	290	69%	$130,013	N/A
2022-23	$182,487,000	5.33%	*$40,102,000*	*	290	69%	$136,942	N/A

* These amounts are estimates that use the 2018-19 request level and adjust upward for COLA in each fiscal year.

Governor's Proposal

The budget proposes $30 million ongoing Proposition 98 General Fund to support eligible facilities costs for the Charter School Facility Grant Program. These funds can be used by eligible charter schools for costs associated with remodeling buildings, deferred maintenance, initial installation or extension of service systems and other built-in equipment, site improvements, and facility modifications to mitigate the spread of COVID-19.

Staff Recommendation. Hold this item open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 16, 2022
9:00 a.m.
State Capitol - Room 4203

Consultant: Christopher Francis, Ph.D.

Items for Discussion

Public Comment

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

6870 CALIFORNIA COMMUNITY COLLEGES

The Board of Governors of the California Community Colleges was established in 1967 to provide statewide leadership to California's 73 community college districts, which operate 116 community colleges. The Board has 17 voting members and 1 nonvoting member as specified in statute. Twelve members are appointed by the Governor, require Senate approval for six- year terms, and must include two current or former local board members. Five members are appointed by the Governor to two- year terms and include two students, two faculty members, and one classified member. The Lieutenant Governor also serves as a member of the Board. The objectives of the Board are to:

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

California Community Colleges Funding by Source
(Dollars in Millions Except Funding Per Student)

	2020-21 Revised	2021-22 Revised	2022-23 Proposed	Change From 2021-22	
				Amount	Percent
Proposition 98					
General Fund	$7,392	$7,528	$7,827	$299	4.0%
Local property tax	3,374	3,546	3,766	220	6.2
Subtotals	**($10,766)**	**($11,075)**	**($11,593)**	**($518)**	**(4.7%)**
Other State					
Other General Fund	$619	$644	$658	$13	2.1%
Lottery	275	273	273	--	-0.1[a]
Special funds	44	94	94	--	--
Subtotals	**($937)**	**($1,011)**	**($1,024)**	**($13)**	**(1.3%)**
Other Local					
Enrollment fees	$446	$446	$448	$1	0.3%
Other local revenue[b]	3,833	3,860	3,888	28	0.7
Subtotals	**($4,279)**	**($4,306)**	**($4,336)**	**($30)**	**(0.7%)**
Federal					
Federal relief funds[c]	$1,431	$2,648	--	-$2,648	-100.0%
Other federal funds	365	365	365	--	--
Subtotals	**($1,797)**	**($3,014)**	**($365)**	**(-$2,648)**	**(-87.9%)**
Totals	**$17,779**	**$19,405**	**$17,318**	**-$2,087**	**-10.8%**
FTE students[d]	1,097,850	1,107,543	1,101,510	-6,033	-0.5%[e]
Proposition 98 funding per FTE student[d]	$9,807	$9,999	$10,524	$525	5.3%

[a] Difference of less than $500,000.

[b] Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

[c] Consists of federal relief funds provided directly to colleges as well as allocated through state budget decisions.

[d] Reflects budgeted FTE students. Though final student counts are not available for any of the period shown, preliminary data indicate CCC enrollment dropped in 2020-21, with a likely further drop in 2021-22. Districts, however, have not had their enrollment funding reduced due to certain hold harmless provisions that have insulated their budgets from drops occurring during the pandemic.

[e] Reflects the net change after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

FTE = full-time equivalent.

Vision for Success. In 2017, the Community College Chancellor's Office adopted the Vision for Success, which generally specifies systemwide goals to be achieved by 2022. The systemwide goals are to:

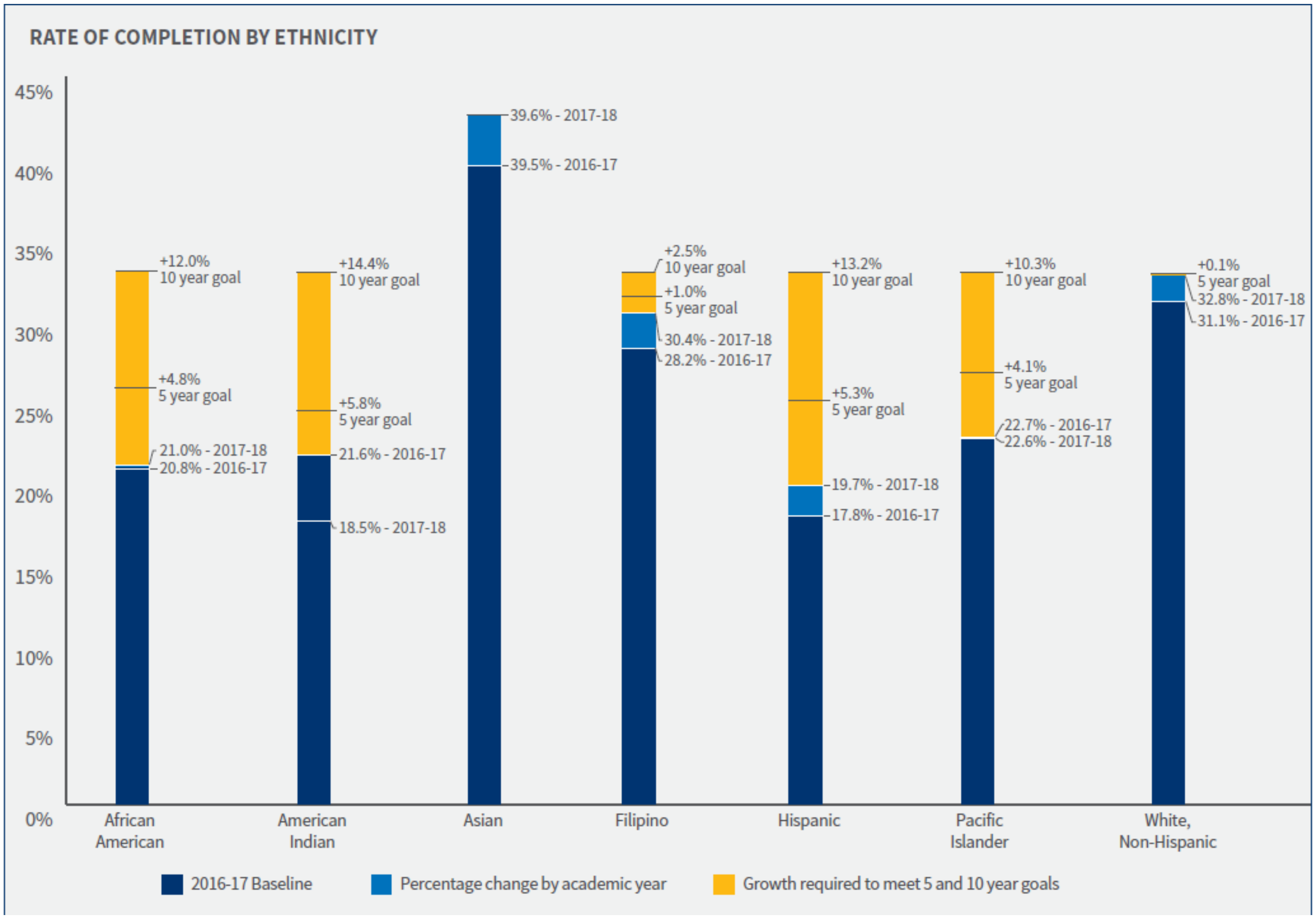
1. Increase by at least 20 percent the number of CCC students annually who acquire credentials. This measure includes associates degrees, credentials, certificates, or specific skill sets that prepare them for an in-demand job. In 2016-17, the system issued 116,991 with a 2021-22 goal of 140,389. According to the 2021 State of the System Report, in 2019-20, the system issued 145,039 credentials for a 23 percent increase.

2. Increase by 35 percent the number of CCC students transferring annually to a UC or CSU. The baseline 2016-17 was at 82,796, with a goal of 115,440 in 2021-22. In 2019-20, there were 91,401 UC and CSU transfers for a 10 percent increase.

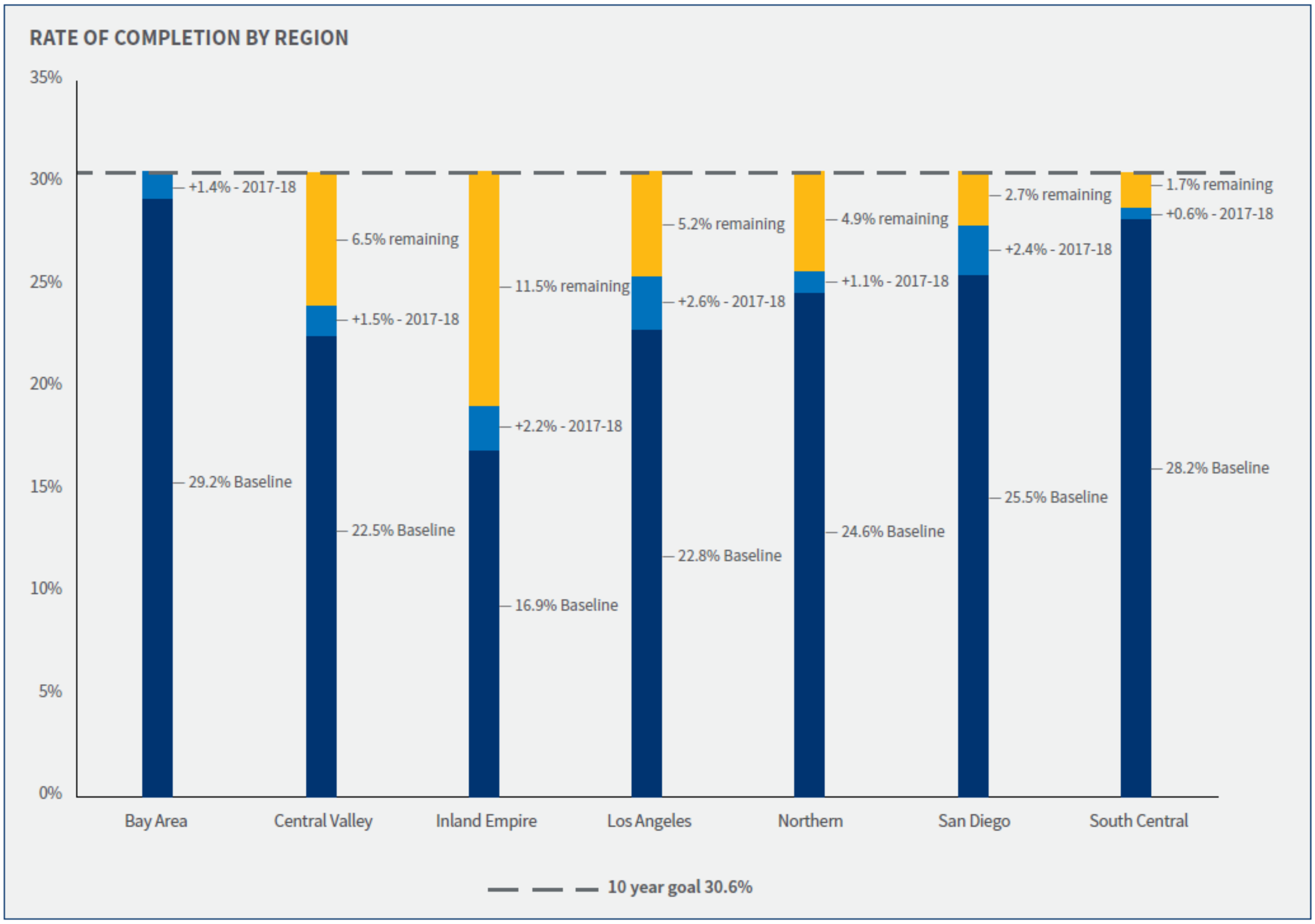
3. Decrease the average number of units accumulated by CCC students earning associate's degrees, from approximately 86 units in 2016-17 to 79 total units—the average among the quintile of colleges showing the strongest performance on this measure. As of 2019-20, students were completing 84 units for a two percent decrease.

4. Increase the percent of exiting CTE students who report being employed in their field of study to 76 percent—the average among the quintile of colleges showing the strongest performance on this measure. In 2016-17 and 2017-18, 71 percent of CTE students report being employed in their field of study. The 2021 report does not identify the rates for later years.

5. Reduce equity gaps across all of the above measures through faster improvements among traditionally underrepresented student groups, with the goal of cutting achievement gaps by 40 percent within 5 years (by 2022) and fully closing those achievement gaps within 10 years (by 2027). The percent change by academic year above the 2016-17 baseline year and growth required to meet 5 and 10 year goals, by ethnicity, are shown in the graph below.



6. Reduce regional achievement gaps across all of the above measures through faster improvements among colleges located in regions with the lowest educational attainment of adults, with the ultimate goal of fully closing regional achievement gaps within 10 years (by 2027). The percent change by academic year above the 2016-17 baseline year and growth required to meet 5 and 10 year goals, by region, are shown in the graph below.



Governor Announces a Roadmap Agreed to by the CCC Chancellor's Office. The roadmap for CCC is somewhat different than the compacts for CSU and UC in that it does not set forth in advance outyear base increases. Instead, it leaves these base increases to be determined depending upon available Proposition 98 funds in future years. The roadmap is similar to the university compacts, however, in setting forth certain expectations to be achieved by the colleges over a five-year period. The 15 expectations for the colleges include increasing student graduation and transfer rates, closing equity gaps, establishing a common intersegmental learning management system and admission platform, and enhancing K-14 as well as workforce pathways.

Governor Has 21 CCC Proposition 98 Proposals. Of these proposals, 10 are new ongoing spending commitments (totaling $843 million) and 11 are one-time initiatives (totaling $983 million). (One proposal—technology security—includes both an ongoing and one-time spending component.) The largest ongoing proposal is to provide the Student Centered Funding Formula (SCFF) a 5.33 percent cost-of-living adjustment (COLA), the same rate as proposed for the K-12 Local Control Funding Formula.

The Legislative Analyst's Office chart below highlights the Governor's budget proposals, many of which will be discussed at today's hearing.

Total Changes in California Community Colleges Proposition 98 Spending
2020-21 Through 2022-23 (In Millions)

Ongoing Changes	
COLA for apportionments (5.33 percent)	$409
Part-Time Faculty Health Insurance Program	200
Student Success Completion Grants (caseload adjustment)	100
COLA for select categorical programs (5.33 percent)[a]	53
Technology security	25
Enrollment growth (0.5 percent)	25
Equal Employment Opportunity program	10
Financial aid administration	10
NextUp foster youth program	10
A2MEND program	1
Subtotal	**($843)**
One-Time Initiatives	
Facilities maintenance and instructional equipment	$388
Student enrollment and retention strategies	150
Health care pathways for English learners	130
Common course numbering implementation	105
Technology security	75
Transfer reform implementation	65
Intersegmental curricular pathways software	25
STEM, education, and health care pathways grant program	20
Emergency financial assistance for AB 540 students	20
Teacher Credentialing Partnership Pilot	5
Umoja program study	—[b]
Subtotal	**($983)**
Total Changes	**$1,826**

[a] Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.

[b] The Governor proposes $179,000 for this study.

COLA = cost-of-living adjustment. A2MEND = African American Male Education Network and Development. STEM = science, technology, engineering, and mathematics. AB = Assembly Bill.

Issue 1: Enrollment

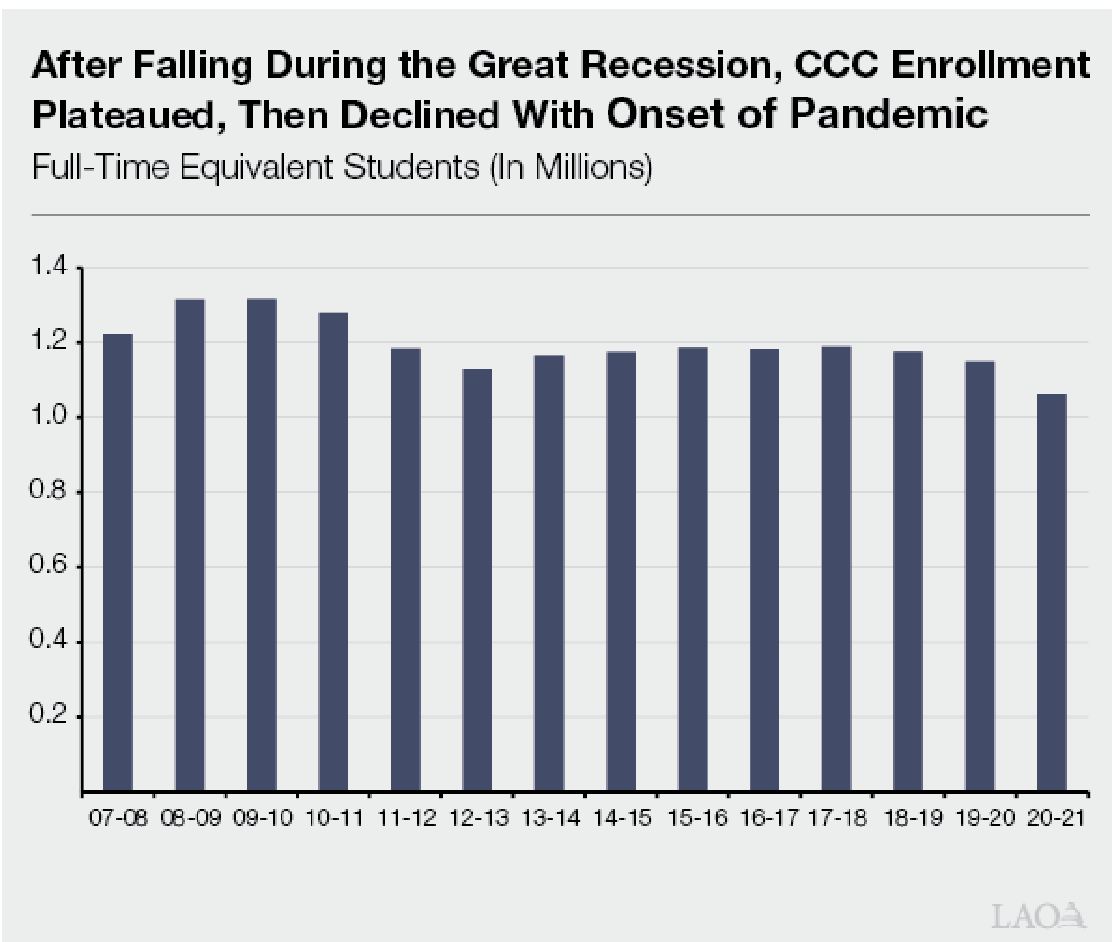
Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

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

Prior to the Pandemic, CCC Enrollment Had Plateaued. During the Great Recession, community college student demand increased as individuals losing jobs sought additional education and training. Yet, enrollment ended up dropping as the state reduced funding for the colleges. A state funding recovered during the early years of the economic expansion (2012-13 through 2015-16), systemwide enrollment increased. The figure below shows that enrollment flattened thereafter, as the period of economic expansion continued and unemployment remained at or near record lows.



CCC Enrollment Has Dropped Notably Since Start of Pandemic. Although four-year institutions both in California and elsewhere are seeing much more modest declines, the impacts the CCCs are experiencing in California are highly consistent with what is being observed across the country among community colleges when examined under conditions that hold the method consistent across institutions, something not typically done in most lay reporting. For example, when comparing the results of the California Community Colleges to other public two-year colleges using the National Center for Educational Statistics, the decline in headcount across the California Community Colleges is highly similar to that exhibited by public community colleges across the country. This clear divergence in pandemic impacts for different segments of higher education mirrors the way the pandemic has interacted with and exacerbated existing inequality such that, while the health and economic impacts of the pandemic have affected us all, better resourced institutions, communities, and individuals have experienced far less severe impacts and much quicker recovery than others.

Several Factors Likely Contributing to Enrollment Drops. Community college students are more likely to be underrepresented students of color, low-income students, working students, students with dependent children, non-native speakers of English, first generation college students, and older students. These populations, across a range of indicators, are experiencing far greater health and economic impacts of the pandemic. Further, these student may be choosing employment and rising wages for entry level or lower skill employment.

Table: Drops in 2021-22 Enrollment Across CCC System Likely Linked to Pandemic
Resident Undergraduate Full-Time Equivalent (FTE) Students

	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 Estimated
CCC[a]	1,188,872	1,177,205	1,149,078	1,062,572	1,009,443[b]
Change from prior year		-11,666	-28,128	-86,506	-53,129
Percent change from prior year		-1.0%	-2.4%	-7.5%	-5.0%

[a]Reflects total credit and noncredit FTE students.

[b]Reflects LAO estimate. Preliminary data for 2021-22 are not yet available. Early signals indicate CCC enrollment continues to drop, potentially more than is shown here.

Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula (which will be discussed in Issue 2). Community college enrollment has continued to drop throughout the pandemic.

Colleges Have Been Trying a Number of Strategies to Attract Students. Using federal relief funds, as well as state funds provided in the 2021-22 budget, colleges generally have been trying many strategies to attract students. Many colleges are using student survey data to adjust their course offerings and instructional modalities. Colleges are beginning to offer more flexible courses, with shorter terms and more opportunities to enroll throughout the year (rather than only during typical semester start dates). Colleges have been offering students various forms of financial assistance. For example, all colleges are providing emergency grants to financially eligible students, and some colleges are offering gas cards or book and meal vouchers to students who enroll. Many colleges are loaning laptops to students. Many colleges have expanded advertising through social media and other means. Additionally, many colleges have increased outreach to local high schools and created phone banks to contact individuals who recently dropped out of college or had completed a CCC application recently but did not enroll.

Expectation on in-person instruction during pandemic. The Governor's budget summary states the following: "It is the expectation of the Administration that community college districts aim to offer at least 50 percent of their lecture and laboratory course sections as in-person instruction for the 2022-23 academic year, provided the approach is consistent with student learning modality demand and public health guidelines in place at the time."

Governor's Budget Proposals

Enrollment Growth. The Governor's budget includes $24.9 million ongoing Proposition 98 General Fund for 0.5-percent enrollment growth. (The state also provided funding for 0.5 percent systemwide enrollment growth in 2021-22.) Consistent with regular enrollment growth allocations, each district in 2022-23 would be eligible to grow up to 0.5 percent. Provisional budget language would allow the Chancellor's Office to allocate any ultimately unused growth funding to backfill any shortfalls in apportionment funding, such as ones resulting from lower-than-estimated enrollment fee revenue or local property tax revenue. The Chancellor's Office could make any such redirection after underlying data had been finalized, which would occur after the close of the fiscal year. (This is the same provisional language the state has adopted in recent years.)

CCC Retention and Enrollment Strategies. The Governor's budget includes $150 million one-time Proposition 98 General Fund to support community college efforts to increase student retention rates and enrollment by primarily engaging with former students who may have withdrawn from college due to the impacts of COVID-19, and with current and prospective students who are hesitant to remain or enroll in college due to the impacts of COVID-19.

Legislative Analyst's Office Assessment and Recommendations

Better Information Is Coming to Inform Legislature's Decision on Enrollment Growth. By the time of the May Revision, the Chancellor's Office will have provided the Legislature with final 2020-21 enrollment data and initial 2021-22 enrollment data. This data will show which districts are reporting enrollment declines and the magnitude of those declines. It also will show whether any districts are on track to earn any of the 2021-22 enrollment growth funds. If some districts are on track to grow in the current year, it could mean they might continue to grow in the budget year. Even if the entire amount ends up not being earned in the current year or budget year, remaining funds can be used to cover apportionment shortfalls. If no such shortfalls materialize, the funds become available for other Proposition 98 purposes, including other community college purposes.

Key Unknowns in Assessing $150 M One-Time Funding Proposal. Assessing the Governor's outreach proposal to fund additional student recruitment, reengagement, and retention is particularly challenging for a few reasons. First, the state does not know how much of last year's student outreach allocation colleges have been spent or encumbered to date. (Colleges are not required to report this information to the state.) Second, the state has no clear way of deciphering how effective colleges' spending in this area has been. Given continued enrollment declines, one might conclude that the funds have not achieved their goal of bolstering enrollment. Enrollment declines, however, might have been even worse without the 2021-22 student outreach funds. Third, some factors driving enrollment changes—including the economy, current favorable job market, students' need to care for family, and students' risk calculations relating to COVID-19—are largely outside colleges' control. To the extent these exogenous factors are stronger in driving student behavior than college advertisements or phone banks, student outreach might not be a particularly promising use of one-time funds.

<u>LAO Recommendation:</u> Use Forthcoming Data to Decide Enrollment Growth Funding for 2022-23. The LAO recommends that the Legislature use updated enrollment data, as well as updated data on available Proposition 98 funds, to make its decision on CCC enrollment growth for 2022-23. If the updated enrollment data indicate some districts are growing in 2021-22, the Legislature could view growth funding in 2022-23 as warranted. Were data to show that no districts are growing, the Legislature still might consider providing some level of growth funding given that enrollment potentially could start to rebound next year. Moreover, the risk of overbudgeting in this area is low, as any unearned funds become available for other Proposition 98 purposes.

<u>LAO Recommendation:</u> Weigh Options on One-Time Funds. To the extent the Legislature thinks colleges can effectively implement strategies to recruit students who otherwise would not have enrolled, it could approve the Governor's student outreach proposal. The Legislature, however, could weigh funding for this proposal against other one-time spending priorities for community colleges. For example, were the Legislature concerned about colleges' ability to cover continued COVID-19-related costs in 2022-23 given the expiration of federal relief funds, it could create a COVID-19 block grant. Such an approach would give colleges more flexibility to put funds where they may be the most effectively used, such as for student recruitment, mental health services, or COVID-19 mitigation.

<u>Suggested Questions</u>

On Compacts and prior goals,

- Can you provide us with an update on the CCC enrollment trends, proposed enrollment growth, and the retention strategies that the CCC expects to take? How are these factors in the CCC roadmap?

- Where are you at in heading towards accomplishing goals set forth in *Vision for Success*? Can you provide more information on that? Is it accurate to say some of the roadmap proposals will extend the time it will take to achieve some of the *Vision for Success* goals?

On Student Retention and Recruitment,

- How was current year funding distributed? What are some of the strategies being used by colleges? Do we know what the best practices are for retaining and recruiting students?

- Would proposed funding be distributed in same way, for same activities? Any changes proposed?

On expectations for in-person instruction,

CCCCO/DOF: Please provide more detail on 50 percent in-person vs 50 percent online expectations. Where is CCC at in complying with this expectation?

<u>Staff Recommendation</u>. Hold Open.

Issue 2: Apportionments Increase

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Most CCC Proposition 98 Funding Is Provided Through Apportionments. Every local community college district receives apportionment funding, which is available for covering core operating costs. Although the state is not statutorily required to provide community colleges a COLA on their apportionment funding (as it is for K-12 schools), the state has a longstanding practice of providing one when there are sufficient Proposition 98 resources. The COLA rate is based on a price index published by the federal government that reflects changes in the cost of goods and services purchased by state and local governments across the country.

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

Community Colleges' Base Increase Needed Partly for Pension Cost Increases. To get a sense of how far the Governor's proposed base increases would stretch, the LAO compared them to the CCC's key operating costs. For the community colleges, the Governor's proposed base increase is substantial. A 5.33 percent cost-of-living adjustment (COLA) for apportionments would be among the highest COLA rates the colleges have ever received. Community colleges' pension rates, however, also are increasing in 2022-23 at an unusual pace (approximately two or three percentage points, depending upon the pension system). The relatively high rate increases are due to previously provided state pension relief ending, combined with long-term plans by the pension systems to continue paying down large unfunded liabilities. (The funding conditions of state pension systems improved with stock market gains the past couple of years, but sizeable unfunded liabilities remain.) Though the state's pension boards will not adopt final rates until spring 2022, updated estimates suggest that CCC will need to use approximately 30 percent (roughly $120 million) of the proposed apportionment COLA to cover higher pension costs. Out of the remaining 70 percent, colleges must cover any health care cost increases as well as increases in utilities and other operating expenses and equipment (OE&E). While most community colleges likely will have sufficient funds to offer some level of salary increases, such increases might not be able to keep pace with inflation, given inflation also has been increasing at a historically fast pace.

No Proposals for Addressing Unfunded Retirement Liabilities or Providing Pension Relief. In recent years, the Governor's budget has had various budget proposals relating to education pension funding.

These proposals have included making supplemental payments toward pension systems' unfunded liabilities as well as giving community college districts immediate pension relief by subsidizing their rates in 2019-20, 2020-21, and 2021-22. Though community colleges' employer pension contribution rates are expected to rise notably in 2022-23, the Governor's budget does not have any such proposals this year.

Governor's Budget Proposal

The Governor's budget proposes an increase of $409.4 million ongoing Proposition 98 General Fund to provide a 5.33-percent Cost of Living Adjustment (COLA) for apportionments.

Legislative Analyst's Office Assessment and Recommendations

COLA Likely to Be Higher in May. The federal government released additional data used to calculate the apportionment COLA on January 27. Using this additional data, the LAO estimates the COLA for 2022-23 will be closer to 6.17 percent (about 0.8 percentage points higher than the Governor's January estimate). Covering this higher COLA rate for community college apportionments would cost about $475 million, or about $65 million more than included in the Governor's budget.

Districts Are Facing a Couple of Notable Compensation-Related Cost Pressures in 2022-23. Augmenting apportionment funding can help community colleges accommodate operating cost increases. One notable cost pressure in 2022-23 is salary pressure. With inflation higher than it has been in decades, districts are likely to feel pressure to provide salary increases. (If the total CCC salary pool were increased three percent to six percent, associated costs would range from roughly $200 million to $400 million.) A second notable cost pressure relates to districts' pension costs. Updated estimates suggest that community college pension costs will increase by a total of more than $120 million in 2022-23, which represents about 30 percent of the COLA funding proposed by the Governor. (Like the other education segments, community college districts also expect to see higher costs in 2022-23 for insurance, equipment, and utilities, though these cost increases could be partly offset by costs potentially remaining lower than normal in other areas, such as travel.)

Depending on Enrollment Demand, Districts Could Realize Some Workload-Related Savings. As a result of declining enrollment since the onset of the pandemic, districts generally have been offering fewer course sections. On a systemwide basis, districts offered 45,000 fewer course sections in 2020-21 than in 2019-20, which likely resulted in tens of millions of dollars in savings from needing to pay fewer part-time faculty. (When districts reduce course sections, they typically reduce their use of part-time faculty, who are considered temporary employees, compared to full-time faculty, who are considered permanent employees.) To the extent districts continue to experience soft enrollment demand in 2022-23, they potentially could continue to realize lower costs due to employing fewer part-time faculty. (On net, however, colleges are still expected to see notable upward pressure on their total compensation costs in 2022-23.)

Districts Face Cost Pressures Stemming From Expiration of Federal Relief Funds. Over the past two years, districts have used federal relief funds to cover various operating costs, including new COVID-19 mitigation-related costs. Once these federal relief funds are spent or otherwise expire, districts likely will assume responsibility for covering ongoing operating costs such as for personal protective equipment, additional cleaning, and potentially COVID-19 screening and testing. Districts also will need to begin covering the technology costs (such as for computer equipment for students and staff as well as software licenses) that federal relief funds have been covering. In addition, a number of districts have used federal relief funds to backfill the loss of revenue from parking and other auxiliary programs. The loss of federal funds will put pressure on district operating budgets to cover these costs should revenues from these auxiliary programs fail to return to pre-pandemic levels.

LAO Recommendation:* *Make COLA Decision Once Better Information Is Available This Spring. The federal government will release the final data for the 2022-23 COLA in late April 2022. By early May, the Legislature also will have better information on state revenues, which, in turn, will affect the amount available for new CCC Proposition 98 spending. If additional Proposition 98 ongoing funds are available in May, the Legislature may wish to provide a greater increase than the Governor's January budget proposes for community college apportionments. A larger increase would help all community college districts to address salary pressures, rising pension costs, and other operating cost increases while also helping them adjust to the expiration of their federal relief funds.

Suggested Questions

- Is a 5.33 percent COLA sufficient to keep up with growing costs of retirement and compensation as well as other cost pressures?

Staff Recommendation. Hold Open

Issue 3: Student Centered Funding Formula (SCFF) Modification

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Student Centered Funding Formula. For many years, the state has allocated general purpose funding to community colleges using an apportionment formula. Prior to 2018-19, the state-based apportionment funding for credit instruction almost entirely on enrollment. In 2018-19, the state changed the credit-based apportionment formula to the Student-Centered Funding Formula (SCFF), which includes three main components—a base allocation linked to enrollment (70 percent), a supplemental allocation linked to low-income student counts (20 percent), and a student success allocation linked to specified student outcomes (10 percent). For each of the three components, the state set new per-student funding rates. The rates are to receive a cost-of-living adjustment (COLA) each year.

- Base Allocation: The base allocation of the SCFF gives a district certain amounts for each of its colleges and state-approved centers. On top of that allotment, it gives a district funding for each credit FTE student (about $4,200 in 2021-22). A district's FTE student count is based on a three-year rolling average, which takes into account a district's current-year FTE count and counts for the prior two years. Enrollment growth for the budget year is funded separately and was covered in Issue 1.

- Supplemental Allocation: The supplemental allocation of the SCFF provides an additional amount (about $1,000 in 2021-22) for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year.

- Student Success Allocation: The SCFF also provides additional funding for each student achieving specified outcomes, including obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. For example, a district generates about $2,350 in 2021-22 for each of its students receiving an associate degree for transfer and about $590 for each of its students completing nine or more career technical education units.

  Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater rates for the outcomes of Pell Grant recipients. In 2019-20, the student success component of the formula is based on a three-year rolling average of student outcomes data and only the highest award earned by a student is considered.

The 2019-20 budget package rescinded a previously scheduled increase in the student success share of the formula. The original 2018-19 legislation had scheduled to increase the student success share of the formula from 10 to 20 percent by 2020-21, with a corresponding reduction to the share based on enrollment.

Committee Was Charged With Studying Possible Modifications to Funding Formula. The statute that created the Student Centered Funding Formula also established a 12-member oversight committee, with the Assembly, Senate, and Governor each responsible for choosing four members. The committee was tasked with reviewing and evaluating initial implementation of the new formula. It also was tasked with exploring certain changes to the formula over the next few years, including whether the supplemental allocation should consider first-generation college status and incoming students' level of academic proficiency. Statute also directed the committee to consider whether low-income supplemental rates should be adjusted for differences in regional cost of living. The committee officially sunset on January 1, 2022.

Committee Recommended Adding First-Generation College Status to Formula. In December 2019, the committee recommended that counts of first-generation college students be added to the supplemental allocation as well as the student success allocation. The committee recommended defining "first generation" as a student whose parents do not hold a bachelor's degree. (Currently, community colleges define first generation as a student whose parents do not hold an associate degree or higher.) The oversight committee recommended using an "unduplicated" count of first-generation and low-income students. (This means a student who is both a first-generation college goer and low income would be counted as one for purposes of generating supplemental funding.) Oversight committee members ultimately rejected or could not agree on the issues of adding incoming students' academic proficiency and a regional cost-of-living adjustment to the formula.

Due to Disruptions Resulting From Pandemic, Certain Aspects of Formula Have Been Temporarily Modified. Statute specifies the years of data that are to be used to calculate the amount a district generates under the SCFF. State regulations, however, provide the CCC Chancellor's Office with authority to use alternative years of data in extraordinary cases. Known as the "emergency conditions allowance," the CCC Chancellor's Office has allowed colleges to use alternative years of data for 2019-20, 2020-21, and 2021-22. The purpose of the emergency conditions allowance is to prevent districts from having their apportionment funding reduced due to enrollment drops and other disruptions resulting from the pandemic. The emergency conditions allowance provisions are scheduled to sunset at the end of 2021-22.

In addition to the regulatory emergency conditions allowance, statute includes "hold harmless" provisions for community college districts that would have received more funding under the apportionment formula that existed prior to 2018-19 than the new formula. Additionally, the 2021 Budget Act extended the hold harmless provision for the Student Centered Funding Formula by one year, from 2023-24 to 2024-25. Under hold harmless, these community college districts are to receive the total apportionment amount they received in 2017-18 adjusted for COLA each year of the period. Based on preliminary information, in 2020-21, about 20 districts were held harmless under these provisions, and the state provided $160 million in total hold harmless funding. (This funding is above what these districts would have generated based upon the SCFF). The Chancellor's Office is expected to release final data for 2020-21 and preliminary data for 2021-22 by the end of February 2022.

Chancellor's Office Is Analyzing Data to Determine a Possible Emergency Conditions Allowance for 2022-23. In spring 2021, the Chancellor's Office issued a memo to community colleges signaling its intent to extend the COVID-19 emergency conditions allowance "for one final year" in 2021-22. According to the Chancellor's Office, the Board of Governors, which has the regulatory authority to adopt emergency conditions allowances, will revisit whether to extend the emergency conditions allowance in spring 2022. The decision about whether to extend the allowance through 2022-23 will be based on an examination of districts' current-year enrollment trends, actions taken by districts to mitigate enrollment declines, and the health safety conditions in the state.

Governor's Budget Proposal

Proposes to Change Hold Harmless Provision. There is concern that districts funded according to the existing hold harmless provisions are on track to experience fiscal declines when the provision expires at the end of 2024-25. To address this issue, the Governor's budget proposes to create a new funding floor based on districts' hold harmless level at the end of 2024-25. Specifically, the Governor's budget proposes that, starting in 2025-26, districts be funded at their SCFF-generated amount that year or their hold harmless amount in 2024-25, whichever is higher. Whereas SCFF rates would continue to receive a COLA in subsequent years, a district's hold harmless amount would not grow. The intent is to eventually get all districts funded under SCFF, with SCFF-generated funding levels over time surpassing districts' locked-in-place hold harmless amounts.

Supports Adding First-Generation Metric to SCFF. The Governor also signals his interest in adopting the oversight committee's recommendation to incorporate first-generation college students into SCFF. Consistent with the committee's recommendation, the metric would be an unduplicated count (with a first-generation student who is also low income counting once for SCFF purposes). The Department of Finance indicates that colleges currently may not be collectively or uniformly reporting this data to the Chancellor's Office. (Currently, districts are relying on students self-identifying as first generation, and districts are not consistently reporting this information to the Chancellor's Office.) The Governor thus expresses his support to add this metric once "a reliable and stable data source is available."

Does Not Address Question of Further Extending Emergency Conditions Allowance. The Governor's budget does not include any proposal related to extending the COVID-19 emergency conditions allowance. In the LAO's discussions, the Administration has noted that the Board of Governors already has the authority to do so and has not taken a position one way or another on the issue for 2022-23.

Legislative Analyst's Office Assessment and Recommendations

In Proposing a New Funding Floor, Governor's Goal Is Laudable. Based on preliminary 2020-21 Chancellor's Office data, hold harmless districts generally are funded notably above the amount they generate through SCFF. These districts thus potentially face a sizeable "fiscal cliff" in 2025-26 when their current-law hold harmless provision expires. (These districts' funding declines could be made worse were their enrollment not to recover to pre-pandemic levels.) The LAO shares the Governor's concern that having districts cut their budgets to such a degree likely would be disruptive to students and staff. A better approach would be to have a more gradual reduction, which the Governor is attempting to accomplish with his hold harmless proposal.

Hold Harmless Funding Creates Poor Incentives for Districts. At the same time, being funded according to the Governor's proposed hold harmless provision creates poor incentives. The poor incentives stem from districts receiving funding regardless of the number of students they serve, the type of students they enroll, or the outcomes of those students. That is, the hold harmless provision does not promote the state's value of promoting access, equity, and student success. Moreover, some districts under the Governor's proposal will remain funded under the hold harmless provision for several years. (The exact length of time will depend on how each district's enrollment changes, how far districts' hold harmless level is currently above SCFF, and the size of future apportionment COLAs.) In the meantime, those districts would not receive funding based on workload and performance. Instead, they would continue to have limited incentives to meet student enrollment demand, offer courses in the modality and during the times of day students prefer, and innovate in ways that improve student outcomes. All this time, these districts would be funded at higher per-student rates than their district peers without an underlying rationale.

Merit to Adding First-Generation College Goers as a Metric. Although some needs of first-generation college students may be similar to those of low-income students, first-generation students also have distinct needs. National research finds that although nonfinancially needy first-generation community college students may not have financial barriers, they often lack what is referred to as "college knowledge"—knowledge of how to make curricular choices, how to consult with faculty, and how to navigate often complex transfer pathways and other program requirements. Since first-generation students do not have family members with specific knowledge of the college landscape who can offer assistance on how to navigate through the college system, these students may require additional support from their community colleges. By adding first-generation status as a metric, the state could provide districts with funds to better help these students.

Districts Currently Protected by Emergency Conditions Allowance Could Lose Enrollment Funding. Were the Board of Governors not to extend the emergency conditions allowance in 2022-23, districts that do not grow back to pre-pandemic enrollment levels in 2022-23 would generate less enrollment funding in 2023-24 than they are currently receiving. (Due to a statutory funding protection known as "stability," these districts would receive their 2021-22 SCFF funding level, plus any COLA, in 2022-23. Beginning in 2023-24, however, their SCFF allocation would reflect their lower enrollment levels.) The Legislature may wish to consider whether it would like districts to begin adjusting their budgets in response to current enrollment conditions or provide districts another year to see if they can increase their enrollment levels.

Increasing SCFF Base Rate Would Have Several Key Benefits. Increasing the SCFF base rate would help colleges in addressing several challenges. Not only would a higher base rate help districts respond to salary and pension pressures (as discussed in Issue 2), but it also could help districts facing enrollment declines (as it would soften associated funding declines). Moreover, raising the base rate would have the effect of eliminating hold harmless funding more quickly. Districts would begin generating funding under SCFF sooner, and, in turn, their incentives to serve students would be stronger sooner. A higher base rate also could result in no district receiving less funding under SCFF compared to the former funding model—perhaps helping to bolster support of the formula itself and its focus on student outcomes and support.

<u>LAO Recommendation:</u> Modify Governor's Hold Harmless Proposal by Setting a New Base SCFF Target. The LAO recommends that the Legislature begin exploring the possibility of raising base SCFF funding. Two options for raising base funding are to: 1) Increase the base per-student rate and/or 2) Increase the basic allocation all districts receive to address their fixed costs. In deciding how much to increase base funding, the Legislature might consider various factors, including colleges' core cost drivers and student improvement goals. After deciding how to increase SCFF base funding and settling on a new level of base funding, the Legislature then could develop a plan for reaching the higher funding level, with the plan potentially stretching across several years. If the Legislature desired, it could start moving toward those higher rates in 2022-23 by redirecting some of the ongoing funds the Governor has proposed in his January 10 budget.

<u>LAO Recommendation:</u> Also Move Toward Adding First Generation as a Metric. Once data are consistently reported by districts, the Legislature could further refine SCFF by adding a first-generation student metric to the SCFF supplemental and student success allocations, as recommended by the SCFF Oversight Committee. Were the Legislature to increase the SCFF base rate, it likely could integrate first generation as a metric into the formula while still preserving the overall 70/20/10 split among SCFF's three allocation components. Modeling how much to adjust the underlying SCFF rates will become easier once data on the counts of first-generation students becomes available. In the meantime, the Legislature could direct the Chancellor's Office to work with the colleges to improve data collection in this area.

<u>LAO Recommendation:</u> Direct Chancellor's Office to Provide Update on Emergency Conditions Allowance Decision. Finally, the LAO recommends that the Legislature request the Chancellor's Office to clarify its intentions for next year with regard to the emergency conditions allowance. In particular, the Legislature should gain clarity on the specific criteria the Board of Governors intends to use in making such a determination. We the LAO recommends that the Legislature direct the Chancellor's Office to report this information to the Legislature at spring hearings.

<u>Suggested Questions</u>

- How many districts are currently funded by SCFF and do not need the Emergency Conditions Allowance or hold harmless provisions?
- How much above SCFF do districts covered by the Emergency Conditions Allowance or hold harmless provisions receive?
- Can you provide us with a walkthrough of how the proposed SCFF Hold Harmless changes will work? How was this determined to be a solution?
- DOF: Can you explain how the Administration intends to move districts over to the SCFF smoothly if their floor is determined from hold harmless provisions?
- LAO/DOF/CCCCO: Are there concerns that the Governor's proposed modification to the hold harmless provision would have a negative impact on the incentives components set forth in SCFF? Why or why not?
- We ask CCCCO and DOF to provide a response to the LAO's recommendations.
- Regarding the Governor's support for adding first generation metric to SCFF: Do we know what the impact would be statewide on different colleges?
- LAO: Do you have a recommendation for doing a hold harmless, or formula, revision that creates good incentives for districts?

<u>Staff Recommendation.</u> Hold Open.

Issue 4: Part-Time Faculty Health Insurance Program

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

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

Faculty Compensation Collectively Bargained at Local Level. Both full-time and part-time CCC faculty generally are represented by unions. Each district and its faculty group (or groups) collectively bargain salary levels and benefits. (In some districts, full-time and part-time faculty are part of the same bargaining unit. In other districts, they are in separate bargaining units.)

Pay for Full-Time Faculty Is Much Higher Than for Part-Time Faculty. In 2020-21, full-time faculty were paid an average of $105,000 annually. On average, districts paid part-time faculty $60 per hour of instruction, with a range between $20 per hour at the low end and $80 per hour at the upper end. (Part-time faculty generally are not compensated for time they spend in preparation for classes or grading assignments.) Based on average pay, a part-time faculty member teaching three three-unit courses (nine hours per week) both in the fall and spring semester would earn about $19,000 per year.

Districts Provide Health Insurance to Full-Time Faculty. All districts provide some level of funding for health care benefits for full-time faculty. Typically, the district offers several medical plan options (with various costs and coverage levels) and agrees to contribute a set amount toward premium costs, with a larger amount provided if the employee has a spouse or family. (A premium is the amount paid to an insurance company to have a health insurance plan. Health insurance plans also typically have patient copays and deductibles, which reflect direct out-of-pocket costs. For example, a plan might charge a patient a set amount for a particular medical service or hospital stay.) In many districts, the amount the district contributes covers the full or nearly full premium cost of the lowest-price plan for full-time faculty and all or most of the cost for the faculty's spouse and dependents. Employees are responsible for covering any remaining insurance premium costs not paid for by the district. In addition, districts often cover the full cost of dental and vision insurance for full-time faculty, with coverage also being extended to the faculty's dependents. Districts generally cover these health insurance costs using their unrestricted apportionment funding.

Decades Ago, Legislature Created a Program to Promote Part-Time Faculty Health Insurance. Part-time faculty collective bargaining agreements historically have not included district funding for health care benefits. In an effort to create an incentive for districts to negotiate and provide subsidized health care for part-time faculty, in the 1990s the Legislature created the Part-Time Faculty Health Insurance Program. For this program, part-time faculty are defined as those with teaching assignments equal to or greater than 40 percent of a full-time assignment (typically about two courses). Through collective bargaining, districts and faculty representatives decide what health coverage to offer (such as whether to extend coverage to an employee's family). They also decide the share of health premiums to be covered by the district and the employee. The program does not cover dental or vision insurance.

Program Designed to Cover a Portion of District Costs. The program reimburses districts (the employer) for up to half of their health insurance premium costs provided to part-time faculty. The Chancellor's Office determines the exact share of district premiums to cover based upon the annual budget appropriation for the program. Districts generally cover remaining costs using their unrestricted apportionment funding. For years, funding for the categorical program was $1 million ongoing. Due to the state's fiscal condition during the Great Recession, the program's budget was reduced to $490,000 in 2009-10. The program has been funded at $490,000 ongoing since that time.

Almost Half of Districts Participate but Program Covers Small Share of District Costs. The below figure shows that in 2020-21, 33 of CCC's 72 local districts submitted claims to the Chancellor's Office for reimbursement under the program. (Systemwide data are not available on all districts offering health insurance to part-time faculty. Some districts, however, do offer insurance to part-timers without seeking state reimbursement for a portion of those costs.) Just under 3,700 part-time faculty received health care coverage from these districts (about 10 percent of all part-time faculty). On average, districts covered about 80 percent of the $31 million in total premium costs, with part-time faculty paying the remaining amount. Program reimbursements covered about 2 percent of districts' premium costs.

Summary of Part-Time Faculty Health Insurance Program

2020-21

Number of districts participating	33
Share of local districts participating	46 percent
Number of part-time faculty participating	3,691
Share of total part-time faculty participating	About 10 percent
Total premium costs	$31,481,326
Premium cost paid by district	$24,722,739
Premium cost paid by employee	$6,268,587
Annual program funding	$490,000
Percent of district premium cost covered by program	2 percent

Considerable Variation in Coverage Districts Offer to Part-Time Faculty. Among districts participating in the program in 2020-21, the amount of premium costs covered by the district ranged from 100 percent to under 30 percent. That is, participating part-time faculty in these districts paid between 0 percent to more than 70 percent of premium costs. In some cases, the amount the district covers for the insurance premium is based on a sliding scale of how many units a part-time faculty teaches, with a lower share of cost provided for those teaching fewer units or classes. Based on LAO's discussions with the California Federation of Teachers and several districts, the insurance offered to part-time faculty varies significantly across the CCC system in other ways too. For example, some districts offer the same medical plans to part-time faculty as the full-time faculty, whereas part-time faculty in other districts are limited to choosing medical plans with less coverage or higher out-of-pocket costs. Some districts cover only the employee (known as "self only" coverage), whereas other districts offer at least some level of coverage to the employee's spouse and dependents too. Districts vary as well in the number of terms a part-time faculty member must teach in a row (or within a certain period of time) to be eligible for a district-provided plan.

State Health Insurance Requirements

Most Californians Have Health Insurance. Since 2020, state law has required all adults and their dependents to have health insurance—a requirement commonly known as the "individual mandate." State residents who choose to go without health insurance generally face a state tax penalty. Roughly 90 percent of Californians have health insurance. Most insured Californians receive their health insurance through their employer. In addition, Medi-Cal offers free or low-cost medical coverage to qualifying low-income adults and children in the state. Older adults generally are eligible for Medicare, a federal program that provides health insurance primarily for persons 65 years or older. California also has a state-run service, known as Covered California, as discussed below.

Health Insurance Available Through Covered California. California residents who do not receive health care coverage through their employers, spouse, or from other government programs can purchase insurance that meets established quality standards through a central health insurance marketplace known as the California Health Benefit Exchange (Covered California). Residents who meet certain qualifications (including having income below a specified level) can receive subsidized premiums and other financial assistance when they purchase an insurance plan through Covered California.

Rules Around Who Can Qualify for Premium Subsidies Under Covered California. Importantly, if a person's employer provides a health plan that is deemed affordable to the employee and provides a specified minimum level of coverage, the employee cannot qualify for subsidies (for themselves or their families) through Covered California. (In such cases, a person can still purchase health insurance through Covered California but would pay the full cost of the plan.) Currently, employer-provided insurance is considered affordable by the federal government if the employee's share of the annual self-only premium for the lowest-priced plan costs less than 9.6 percent of the employee's household income. If the employer offers a plan that meets this definition of affordable (and meets certain other standards) but the employee turns it down and receives financial help through a Covered California plan, the employee has to pay back the Covered California subsidy when filing state and federal taxes.

"Family Glitch" Has Negative Implications for Some Employees. Importantly, affordability is based on the cost of a plan to cover the employee only—not the cost of the plan that would also cover their spouse or dependents. If the employer contributes little to nothing for the spouse's and dependent's premium, some employees may find adding family members to the employer-sponsored plan financially prohibitive. Nonetheless, the family remains ineligible for financial assistance through Covered California (as the district still offered insurance to the employee). This outcome is often referred to as the family glitch.

<u>Governor's Budget Proposal</u>

The Governor's budget proposes an increase of $200 million ongoing Proposition 98 General Fund to augment the Part-Time Faculty Health Insurance Program to expand healthcare coverage provided to part-time faculty by community college districts. The Governor's stated intent in providing the large augmentation is to create a stronger financial incentive for more community college districts to provide medical care coverage to their part-time faculty. The Governor's budget does not propose any other changes to the program itself.

Legislative Analyst's Office Assessment and Recommendations

Problem Is Unclear. The Governor indicates an interest in expanding medical coverage for part-time faculty. The administration, however, has not yet provided any data on the number of part-time faculty who do not have health insurance. The administration also has not provided any data on the share of part-time faculty who access health insurance through an outside job, spouse, Medi-Cal, Medicare, or Covered California. (District administrators the LAO spoke with believed that most part-time faculty have health insurance through one of these means.) Without these data, determining whether a problem exists involving health care access or affordability is not possible.

Some District-Provided Health Care Coverage May Be Disadvantaging Certain Part-Time Faculty. Some part-time faculty working in districts that offer health insurance could be worse off than had their district not offered health care. This is particularly the case if employers provide plans that keep premium costs for the employee to less than 9.6 percent of household income but provide little or no contribution toward covering the employee's family. In such cases, coverage through the district-provided plan for a spouse or dependents might cost more than coverage through a Covered California plan. Nonetheless, the availability of the district plan for the employee would prevent the family from receiving financial assistance if they enroll in a Covered California plan due to the family glitch. In such circumstances, the family could have higher health insurance costs than if no district-provided plan had been offered. Like other related data in this area, the administration has not yet provided data on how many part-time faculty are being negatively affected in this way.

Part-Time Faculty Face Greater Uncertainty With District-Provided Coverage. Given declining enrollment across the CCC system, districts have been reducing course section offerings. These reductions mean fewer teaching opportunities for part-time faculty. If part-time faculty are not hired or fall below a certain number of teaching units, they stand to lose district-provided health care or see an increase in their premium costs. Even were districts to offer robust coverage for part-time faculty and their families, the Legislature thus faces the policy question of whether this CCC program is the best way to provide them health insurance—with part-time faculty potentially fluctuating in and out of district-provided coverage. Potentially having to change health plans frequently might be less optimal for part-time faculty than remaining insured under Covered California.

Proposal Raises Equity Issues for Other Part-Time Workers in State. California has many part-time employees throughout state and local government. Yet, the state generally does not fund a special health care program for these other groups. Expanding a program for part-time CCC faculty thus could create an inequity relative to other part-time workers. Also, such a major expansion of the current program for CCC part-time faculty could set a greater precedent for dealing with each group of part-time workers separately, potentially introducing further inequities.

Proposal May Not Be the Best Approach to Improve Health Care Affordability. If the goal is to improve health care affordability and statewide coverage, the Governor's proposal might not be the best approach as it likely would only impact a relatively small number of residents. Notably, a recent report from Covered California highlights various options to offer increased financial assistance to a much broader group of Californians than this proposal, with state costs ranging from $37 million to $452 million. These options are designed to reduce or eliminate various health care costs (such as the amount patients must pay for certain medical services and the maximum they are required to pay out-of-pocket in a given year) for low- and middle-income Californians who have purchased health plans through Covered California.

More Information Is Needed to Assess How Best to Enhance Health Coverage. The Legislature needs additional information if it is to assess the implications of the Governor's proposal. In particular, the Legislature needs clarification about what problem the Administration is trying to solve, the extent of the problem, and why the proposal in the Governor's budget is the most optimal solution. The Legislature also needs information allowing it to compare the health coverage for part-time faculty to other part-time workers in the state. Without this information, moving forward with the Governor's proposal could have unintended, counterproductive effects—potentially exacerbating rather than mitigating health coverage inequities. Furthermore, gathering more information on these issues likely would take several months, making budget action for 2022-23 impractical.

<u>LAO Recommendation:</u> Legislature Could Task Administration With Providing This Information. If the Legislature is interested in enhancing health coverage for part-time workers, it could direct the administration, in coordination with the Chancellor's Office, to obtain more information on the insured status of part-time faculty and on the part-time faculty health care plans currently offered by districts. The Chancellor's Office could survey part-time faculty and districts to learn, at a minimum:

- What percent of part-time faculty have health insurance? What is the source of their health insurance?
- What factors are driving whether districts offer health insurance to part-time faculty and what factors are driving the type of coverage they provide?
- For districts that offer health insurance to part-time faculty, does the coverage extend to the employee's family? If so, how much of the premium is covered by the district? How many part-time faculty are on this type of coverage?

The Legislature similarly could direct the Administration to work with other state agencies to gather comparable information for other part-time workers in the state. The Legislature could give the Administration until October 2022 to submit this information. With such information, both the Administration and Legislature would be much better positioned to inform potential budget decisions for 2023-24 and decide how best to enhance health coverage for part-time workers in California.

<u>Suggested Questions</u>

- How many colleges/districts currently participate in this program? Is this number expected to increase because of this proposal?
- How many part-time faculty currently have health insurance? Is there an estimate by the administration on how many go uninsured?
- How would this proposal interact with the premium subsidies currently provided to lower-income Californians through Covered California?

Staff Recommendation. Hold Open.

Issue 5: Lower division/ transfer-related issues

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Common Course Numbering. Currently, community colleges generally have their own locally designated names and numbers for courses (such as "PS 15" for a political science course in California Government at one college and "POL 120" for the same course title and content at another college). This can make it difficult for students taking courses at more than one community college to identify which ones will be accepted for credit at their home institution. Many courses do have a C-ID number, which is a state-funded supranumbering system administrated by the CCC Academic Senate that allows colleges to keep their local numbering system but adds a second name and number that is the same across colleges with a comparable course (such as "C-ID POLS 110" for California Government courses). AB 1111 requires, by July 1, 2024, that community colleges retire their unique local numbering systems and instead to adopt a common course number. It requires that the common course numbering system be student facing, based on the work of the workgroup established in the Budget Act of 2021, and ensure that comparable courses across all community college have the same course number.

The 2021 Budget Act included $10 million one-time General Fund to establish a workgroup that supports the development and implementation of a common course numbering system throughout the community college system, and if feasible, align the proposed common course numbering system with course numbering systems at the California State University and University of California.

The Assembly Committee on Appropriations identified one-time Proposition 98 General Fund costs, potentially in the mid-hundreds of thousands of dollars per college, to adopt a common course numbering system as required AB 1111.

Program Pathways Mapping Technology. According to the Department of Finance, the proposed funding is to facilitate the procurement and implementation of software that clearly maps out intersegmental curricular pathways, in order to help students select a pathway, facilitate streamlined transfer between segments, and reduce excess unit accumulation. Currently, Bakersfield Colleges uses such technology. The Program Pathways Mapper at Bakersfield College is a customized visual representation of the Bakersfield College catalog. It is organized by Learning and Career Pathways, groups of similar programs that are designed to help students select a program of study and speed the student's progress towards completion. The student will find information on occupations and careers commonly associated with each program, including typical wages and the labor market demand for California.

Each Pathway allows students to explore a set of program maps that show a semester-by-semester path from program entry to completion. Students will also find videos and program learning outcomes that will deepen their understanding of each program and Pathway.

Implementation of Transfer Reforms. AB 928 requires the California State University and University of California to jointly establish a singular lower division general education pathway for transfer admission into both segments. AB 928 also requires CCC to participate in an intersegmental committee charged with oversight of the Associate Degree for Transfer and to develop and implement procedures to place students who declare a goal of transfer on the ADT pathway if one exists for their chosen major, unless they opt out. A CCCCO and DOF analysis of AB 928 previously indicated that CCC's cost to implement AB 928 would be at $133 million one-time Proposition 98 General Fund.

Governor's Budget Proposals

Common Course Numbering. The Governor's budget proposes an increase of $105 million one-time Proposition 98 General Fund to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.

Program Pathways Mapping Technology. The Governor's budget proposes an increase of $25 million one-time Proposition 98 General Fund to assist community colleges with the procurement and implementation of software that clearly maps out intersegmental curricular pathways to help students choose their pathway, facilitate streamlined transfer between segments, and reduce excess units taken on the path to degree or program completion.

Implementation of Transfer Reforms. The Governor's budget proposes an increase of $65 million one-time Proposition 98 General Fund for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.

Suggested Questions

On AB 1111 implementation and Program Pathways Mapping Technology,

- The Governor's budget proposes $105 million for AB 1111 implementation. But last summer, Assembly Appropriations estimated the cost at roughly $500,000 per college, which would mean the total cost would only be about $60 million. How did the Department of Finance arrive at such a proposed amount?

- Has the common course numbering funded with the 2021 Budget Act appropriation met yet? What were the recommendations that came from this work group?

- CCCCO: How does the Program Pathways Mapping Technology proposal interact with the Common Course Numbering proposal? Can you explain the differences between these two proposals?

- Why would the Legislature approve funding in 2022-23 for a software that maps intersegmental pathways for students if the CCCs are going to change all the course numbering—dropping all local course numbers in favor of a common course number—-within a few years, per AB 1111?

On AB 928 implementation,

- For transfer reform, to implement AB 928, the Governor's budget proposes $65 million. But CCCCO and DOF's own analysis of AB 928 cited CCC's cost at $133 million. Why are the cost estimates different?

Staff Recommendation. Hold Open.

Issue 6: Student Support Programs

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

Proposal: Emergency Financial Assistance Grants for AB 540 students. Early actions taken in 2021 as part of the budget agreement included $100 million for emergency financial assistance grants to low-income community college students. At the time the funds were allocated to community college districts, March 2021, the funds were attributed to Proposition 98 General Funds and the 2021 Immediate Action Budget Package Allocation Memo described that eligible students included those exempt from paying nonresident tuition under California Education Code section 68130.5. The FAQ shared by the CCC Chancellor's Office in March 2021 also stated that students exempt from paying nonresident tuition were eligible to receive a grant from the early action emergency financial assistance fund. However, when the final 2021 Budget Act became law, the source for the $100 million for emergency financial assistance grants was swapped to the federal State Fiscal Recovery Fund provided by the American Rescue Plan Act of 2021 (ARPA). Because the funds are now federally sourced, they are subject to additional reporting requirements. Most importantly, undocumented students who are exempt from paying nonresident tuition are no longer eligible to receive financial assistance grants from this source.

In addition to the $100 million early action funds, which were swapped to ARPA funds, the 2021 Budget Act included $150 million ARPA for a total of $250 million in emergency financial assistance grants. The CCC Chancellor's Office notes that additional $150 million will be allocated in July 2022, along with expanded guidance on student eligibility and further details on required annual reporting.

Proposal: African American Male Education Network and Development (A^2MEND) Student Charters. A^2MEND provides support, guidance, professional development, and networking opportunities to students enrolled within the community college system. A^2MEND mentees are assigned to an administrator who has demonstrated expertise, leadership and scholarship within the California Community College system, and are committed to the personal development, professional growth and academic success of African American males. Mentees also have the opportunity to network with other mentees and mentors within the program through various personal and professional development programs and social activities.

Under the affiliation of A^2MEND, the Student Charter of A^2MEND is a student support structure that establishes an affirming environment where African American male students and other men of color are able to thrive. The aim of the A²MEND student charter is to improve academic success and to develop culturally competent student leaders. The student charters of A²MEND provide educational, cultural, social, and intellectual programs that promote positivity and brotherhood among its members. There are currently 24 A²MEND student charters across the system. Currently, this program does not receive any state support.

Proposal: Support for Umoja Program Study. Umoja is the Kiswahili word meaning unity. More than ten years ago educators leading existing African American programs in California community colleges came together and formed the Umoja Community. The Umoja Community is a statewide program with the goal of increasing retention and completion rates for African American students attending California Community Colleges. The Umoja Community is rooted in the experiences of African and African American cultures and inclusively welcomes students, faculty, and staff into a community that embraces similarities and differences. The program helps students achieve academic and social integration in higher-education institutions by: bridging gaps in college preparation; navigating the college process; making social connections with peers and faculty; and increasing their sense of self-efficacy. Likewise, the program seeks to engage students and faculty in collaborative learning using culturally relevant pedagogy, and alleviate some of the financial stressors students encounter pursuing an education.

Currently 62 California community colleges have Umoja programs and this number is projected to continue to grow. Each college adapts the Umoja model core requirements to its local setting and population. While college programs have variations in design, they share the unity of common practices, commitments, and support for their students. All Umoja programs draw on students' individual strengths, acknowledge their needs, and encourage their growth in the community setting. The 2021 Budget Act provided a $4.9 million ongoing Proposition 98 General Fund augmentation for the Umoja Program, bringing ongoing funding for the program to about $7.5 million.

Proposal: Augmentation for NextUp Program. Access to postsecondary education is key to enabling youth with experience in foster care to achieve long-term economic security, yet significant disparities remain in educational access. While the number of foster youth who enroll in post-secondary education has been steadily increasing in recent years, completion rates remain low. In California, by age 23 just 11 percent have received an associates or bachelor's degree as compared to 36 percent statewide.

A key strategy for changing these outcomes is to ensure that foster youth have adequate support that is targeted to their specific needs while enrolled in college. Several studies have supported the efficacy of this approach for improving foster youth's post-secondary outcomes. A 2020 study conducted as part of the CalYouth Project found that foster youth who participated in a campus support program were twice as likely to persist than those who did not. An evaluation released in 2021 of NextUp, a state funded program at 46 California Community Colleges, found that foster youth participating in NextUp enrolled in credit bearing courses at higher rates than foster youth not participating in the program (96 percent vs. 52 percent). NextUp students were also more likely to remain enrolled from term to term – 68 percent remained enrolled versus 48 percent of non-NextUp foster youth. A survey of students echoed these data. When asked how much NextUp contributed to their ability to stay enrolled and succeed in classes, 96 percent expressed that the program made a difference with 84 percent citing it as a significant factor in their success and a full 51 percent saying that they would not have been able to succeed without the program.

As of the 2021-22 academic year, a total of 46 colleges currently offer the NextUp. Resources provided in the budget act are allocated to districts who then distribute the funds to participating colleges.

Based on statewide Management Information Systems data, the Chancellor's Office estimates there are approximately 10,000 current and former foster youth enrolled across the 69 colleges who are not able, per available funding, to participate in the NextUp program. Of these youth, the Chancellor's Office estimates that 3,500-4,000 would likely meet NextUp eligibility criteria and could benefit from the NextUp program if it were offered at their college of attendance.

Governor's Budget Proposals

Emergency Financial Assistance Grants for AB 540 Students. The Governor's budget proposes an increase of $20 million one-time Proposition 98 General Fund to support emergency student financial assistance grants to eligible AB 540 students.

African American Male Education Network and Development (A^2MEND) Student Charters. The Governor's budget proposes an increase of $1.1 million ongoing Proposition 98 General Fund to support the expansion of A^2MEND student charters to an increased number of community college districts.

Support for Umoja Program Study. The Governor's budget proposes an increase of $179,000 one-time Proposition 98 General Fund to support a study of the Umoja program practices that promote student success for African American students.

Augmentation for NextUp Program. The Governor's budget proposes an increase of $10 million Proposition 98 General Fund to expand the NextUp program from 20 districts to 30 districts.

Cost-of-Living Adjustments for Categorical Programs. The Governor's budget proposes a $53 million increase for various categorical programs to reflect a 5.33 percent COLA. These programs include: Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.

Suggested Questions

- While the categorical programs proposed for the 5.33 percent COLA are important in supporting students, the Administration does not provide a COLA to other programs such Fund for Student Success, which supports the Puente Program and Mathematics, Engineering, Science Achievement (MESA). Why are some categorical programs proposed to receive COLAs over others?

- To what extent do Umoja and A2MEND programs both exist at colleges? Are they coordinated or connected in any way?

Staff Recommendation. Hold Open.

Issue 7: Facilities and Deferred Maintenance

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Dr. Lizette Navarette, Community College Chancellor's Office

Background

CCC Maintains Inventory of Facility Conditions. Community college districts jointly developed a set of web-based project planning and management tools called FUSION (Facilities Utilization, Space Inventory Options Net) in 2002. The Foundation for California Community Colleges (the Foundation) operates and maintains FUSION on behalf of districts. The Foundation employs assessors to complete a facility condition assessment of every building at districts' campuses and centers on a three- to four-year cycle. These assessments, together with other facility information entered into FUSION, provide data on CCC facilities and help districts with their local planning efforts.

State Funds Community College Facilities through General Obligation Bonds. The state typically issues general obligation bonds to cover a portion of the cost of community college facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of $4 billion for community college facilities. Virtually no funding remains from these facility bonds.

State Bond Approved in 2016. After a ten-year gap, voters approved Proposition 51 in November 2016. The measure authorizes the state to sell $2 billion in general obligation bonds for community college projects. The funds may be used for an array of CCC projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

Community College Districts Raise Local Funding for Facilities. The bulk of community college facility costs are covered with local funds. Districts typically sell local general obligation bonds to raise this support. Districts currently must get at least 55 percent of their voters to approve the sale of these local bonds. Since 1998 (when the voting threshold for local facility bonds was reduced from two-thirds), community college districts have sold $26 billion in local general obligation bonds for facility projects.

Community College Facility Projects Ranked by Chancellor's Office and Reviewed by the State. To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The chancellor's office reviews each project based on the age of the building, enrollment growth, existing inventory, project design, assignable square footage change and local contribution. The Chancellor's Office ranks all submitted facility projects using prioritization criteria adopted by the Board of Governors. Projects are prioritized in the following order:

1. Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
2. Projects to increase instructional capacity.
3. Projects to modernize instructional space.
4. Projects to complete campus build-outs.
5. Projects that house institutional support services.

Within these categories, projects with a local contribution receive greater consideration. After ranking the projects, the Chancellor's Office submits capital outlay project proposals to the Legislature and Governor in the fall. The projects are reviewed as part of the annual state budget process.

Deferred Maintenance

State Has a Categorical Program for Maintenance and Repairs. Known as "Physical Plant and Instructional Support," this program allows districts to use funds for facility maintenance and repairs, the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects, among other related purposes. To use this categorical funding for maintenance and repairs, districts must adopt and submit to the CCC Chancellor's Office through FUSION a list of maintenance projects, with estimated costs, that the district would like to undertake over the next five years. In addition to these categorical funds, CCC districts fund maintenance from their apportionments and other district operating funds (for less expensive projects) and from local bond funds (for more expensive projects). Statute requires districts to spend at least 0.5 percent of their current general operating budget on ongoing maintenance. Statute also contains a maintenance-of-effort provision requiring districts to spend annually at least as much on facility operations and maintenance as they spent in 1995-96 (about $300 million statewide), plus what they receive from the Physical Plant and Instructional Support program. (Given inflation since 1995-96, coupled with the 0.5 percent general operating budget requirement, districts tend to be spending far above this maintenance-of-effort level.)

State Has Provided Substantial Funding for Categorical Program Over Past Several Years. Historically, the Physical Plant and Instructional Support categorical program has received appropriations when one-time Proposition 98 funding is available and no appropriations in tight budget years. Since 2015-16, the Legislature has provided a total of $955 million for the program. The largest appropriation came from the 2021-22 budget, which provided a total of $511 million. According to the Chancellor's Office, thus far districts have chosen to use nearly three-quarters (about $365 million) of these 2021-22 funds for deferred maintenance and other facility-related projects, with the remaining one-quarter of funds intended for instructional support purposes.

Even With Recent Funding, Chancellor's Office Reports Sizeable Maintenance Backlog. Entering 2021-22, the Chancellor's Office reported a systemwide deferred maintenance backlog of about $1.6 billion. Because of the funds provided in the 2021-22 budget (plus local spending on projects), the backlog has been reduced to about $1.2 billion. This is the same size as the CCC backlog identified back in 2017-18. Since that time, state funding effectively has kept the backlog from growing but not shrunk it.

<u>Governor's Budget Proposals</u>

Facilities. The Governor's budget proposes General Obligation bond funding of $373 million one-time state general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51. The Governor's budget does not fund any new CCC capital projects.

California Community Colleges Continuing Capital Outlay Projects

(In Thousands)

College	Project	Phase	2022-23 State Cost	All Years State Cost	All Years Total Cost[a]
Mount San Antonio	Technology and health building replacement	C	$77,425	$82,668	$197,852
Fullerton	Music/drama complex replacement	C	40,492	43,787	102,447
Los Angeles Trade-Technical	Design and media arts building replacement	C	35,782	38,192	90,883
Los Angeles Valley	Academic building 2 replacement	C	23,743	25,380	61,135
El Camino	Music building replacement	C	27,087	29,056	58,476
Saddleback	Science/math building replacement	C	20,342	21,642	49,647
Los Angeles Pierce	Industrial technology building replacement	C	16,998	18,180	44,012
Sierra	Gymnasium renovation and expansion	C	26,479	28,888	38,549
Cypress	Fine arts building renovation	C	19,377	20,889	34,365
West Hills Lemoore	New instructional center, phase 1	C	23,543	25,177	34,086
Mission	New performing arts building	C	14,430	15,454	33,582
East Los Angeles	Facilities maintenance and operations building replacement	C	11,588	12,417	29,764
Rio Hondo	Music/theater renovation	C	11,559	12,538	28,817
Los Angeles Mission	Plant facilities warehouse and shop replacement	W	208	7,118	23,624
Santa Rosa	Tauzer gym renovation	C	9,873	10,760	21,321
West Los Angeles	Plant facilities/shop replacement	C	5,728	6,173	15,182
Santa Rosa (Public Safety Training Center)	Center Expansion	C	4,925	5,323	7,940
Yuba	Life and physical science building renovation	C	3,464	3,854	4,915
Totals			**$373,043**	**$407,496**	**$876,597**

[a] Community college districts typically issue local general obligation bonds to pay for a share of project costs.

C = construction. W = working drawings.

Deferred Maintenance. The Governor’s budget proposes an increase of $387.6 million one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges. Of this amount, $109 million is 2022-23 Proposition 98 General Fund and a total of $279 million is Proposition 98 settle-up funds ($182 million attributed to 2021-22 and $97 million attributed to 2020-21). The Governor excludes all $388 million from SAL. In addition to the categorical program’s existing allowable purposes, proposed trailer language would allow districts to use the funds for energy efficiency projects. Districts would have until June 30, 2024 to encumber the funds.

<u>Legislative Analyst's Office Assessment and Recommendations on Deferred Maintenance</u>

Proposal Reflects a Prudent Use of One-Time Funding. Providing funds for deferred maintenance projects would address an existing need among districts. Addressing this need can help avoid more expensive facilities projects, including emergency repairs, in the long run. Funding energy efficiency projects also could be beneficial, as these projects are intended to reduce districts' utility costs over time. In addition, instructional equipment and related support is core to CCC's mission of delivering quality educational services to students.

One-Time Funding Does Not Address Underlying Cause of Backlog. Deferred maintenance backlogs tend to emerge when districts do not consistently maintain their facilities and infrastructure on an ongoing basis. Although one-time funding can help reduce the backlog in the short term, it does not address the underlying ongoing problem of underfunding in this area. Though districts are required to spend a certain share of their general operating funds on ongoing maintenance, the current rate (0.5 percent) may not be sufficient given the maintenance backlog exists and would have grown absent state categorical funding the past several years.

<u>LAO Recommendation:</u> Consider Governor's Proposal as a Starting Point. To address CCC's maintenance backlog, the LAO recommends that the Legislature provide at least the $388 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information on the Proposition 98 minimum guarantee in May, they state that the Legislature could consider providing CCC with more one-time funding for this purpose.

<u>LAO Recommendation:</u> Consider Developing Strategy to Address Ongoing Maintenance Needs. In addition to providing one-time funding for deferred maintenance, the LAO encourages the Legislature to begin developing a long-term strategy around CCC maintenance. Potential issues to consider include whether the current statutory expectation around district spending on maintenance is sufficient, what fund sources to use for maintenance, the mix of funding provided ongoing versus on a one-time basis, the period over which to address the existing maintenance backlog, and associated reporting. Given the magnitude of maintenance needs at CCC, developing such a strategy would likely require planning beyond the 2022-23 budget cycle.

<u>Suggested Questions</u>

- CCC: Of the deferred maintenance backlog amount, how much would be considered shovel ready or can be started within the next year? The 2021 budget provided a total of $511 million for deferred maintenance, which districts have until the end of 2022-23 to encumber. Are districts on track to spend these funds in a timely manner?
- Moving forward, how can the state and CCC address CCC's backlog and prevent a new one from growing?

<u>Staff Recommendation.</u> Hold Open.

Issue 8: Student Housing Update

Panel

- Dr. Lizette Navarette, Community College Chancellor's Office

Background

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

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

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

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

CCC Housing Is Mostly at Rural Colleges and Decades Old. Prior to 2019, 11 community colleges had student housing programs. Almost all of these colleges were located in rural areas and had longstanding housing programs. In 2019, Orange Coast College opened a student housing facility with 800 beds. This student housing facility is the largest among the community colleges (more than four times larger than at any other, accounting for about one-third of all community college beds in the system). Santa Rosa Junior College recently secured financing for a 352-bed project through the

California School Finance Authority. The authority completed a $68.3 million revenue bond sale in summer 2021 for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize general obligation bonds, which could be used to support housing projects if local voters approve.

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

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

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

<u>Governor's Budget Proposal and Update</u>

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

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

Applications Exceed Program Funding

First Round of Applications (Dollars in Millions)

	Number of Applications	State Funding Requested	2021-22 Program Allotment	Total Program Allotment[a]
CCC				
Construction	21	$1,248	$225	$975
Planning	71	313	25	25

a A total of $2 billion is appropriated for the program ($500 million in 2021-22, $750 million in 2022-23, and $750 million in 2023-24).

Suggested Questions

- What is the total amount that CCC asked for under the current process? Does CCC anticipate requesting more funding during the three year life of this program? How many more projects does this additional funding represent?

- Please describe the CCC's student housing plans in relation to the Student Housing Grants. How many projects have been submitted? How many more beds does CCC need to accommodate student needs? What are your observations so far?

- What challenges, if any, has the CCC encountered so far in developing additional student housing?

Staff Recommendation. No action needed at this time.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 23, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Christopher Francis, Ph.D.

Items for Discussion

Item Department Page

Public Comment

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

6600 HASTINGS COLLEGE OF THE LAW

Issue 1: Base Increase and General Updates

Panel

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

Background

California has five public law schools. The University of California (UC) operates four of these schools—at its Berkeley, Los Angeles, Davis, and Irvine campuses. The fifth school, University of California, Hastings College of the Law (Hastings), is affiliated with UC but operates independently in many respects, having its own governing board (known as the Board of Directors). Hastings was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. Hastings is the oldest law school and one of the largest public law schools in the United States. Hastings' board has similar responsibilities as the UC Board of Regents, including establishing policy, ratifying collective bargaining agreements, adopting budgets, and setting student tuition and fee levels. Hastings' affiliation with UC offers it certain benefits. For example, Hastings uses UC's payroll processing and investment management services. Additionally, Hastings' employees participate in UC's employee health and pension programs.

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

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5530 Support	237.3	271.1	278.5	$85,359	$102,728	$94,928
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	**237.3**	**271.1**	**278.5**	**$85,359**	**$102,728**	**$94,928**

FUNDING	**2020-21***	**2021-22***	**2022-23***
0001 General Fund	$17,764	$30,875	$21,878
0814 California State Lottery Education Fund	161	171	170
0993 University Funds--Unclassified	67,434	71,682	72,880
TOTALS, EXPENDITURES, ALL FUNDS	**$85,359**	**$102,728**	**$94,928**

Hastings' Total Spending Is $103 Million in 2021-22. Hastings receives its core funding primarily from student tuition revenue (about three-quarters of ongoing core funding) and state General Fund (about one-quarter of ongoing core funding). Hastings spends core funds on its core operations, including faculty and staff compensation and operating expenses and equipment (OE&E), as well as merit-based student financial aid. Hastings currently spends around 30 percent of the tuition revenue it generates from each JD cohort on financial aid. Beyond its core operations, Hastings operates self-supporting housing and parking programs. Hastings also receives some noncore funding from private donations as well as external grant and contracts. Of Hastings' total spending in 2021-22, 76 percent was for core operations and student financial aid and 24 percent was for noncore programs.

State in Recent Years Has Provided General Fund Augmentations to Help Cover Core Cost Increases. Each year, Hastings faces pressure to cover cost increases associated with employee compensation, operating expenses, student financial aid, and enrollment growth, among other factors. In recent years, the primary way Hastings and the state have covered these increases is through General Fund base augmentations. (Hastings also receives adjustments to its lease-revenue bond debt service and, in certain years, one-time funds for specific initiatives.) As Figure 1 shows, the size of Hastings' base adjustments has varied over the past several years.

Figure 1

State Has Provided Hastings With Base Augmentations Most Years

(Dollars in Millions)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
General Fund base adjustment	$0.4	$1.3	$1.0	$1.0	$1.1	$1.1	$1.4	-$0.5	$2.1
Percent change in General Fund support	5.0%	15.2%	10.6%	9.5%	9.2%	8.5%	10.3%	-3.6%	14.3%
Percent change in ongoing core funding	0.7%	2.3%	1.9%	1.9%	1.9%	1.9%	2.5%	-0.9%	3.5%

Student Enrollment and Tuition Revenue Recently Have Grown. In theory, Hastings also could cover cost increases by raising additional student tuition revenue. It could raise additional tuition revenue by increasing its student tuition charges and/or enrolling more students. Most years over the past decade, Hastings' tuition revenue, however, has either declined or grown only slightly. This is because Hastings did not increase JD student tuition charges over this period, and its enrollment level remained roughly flat through 2019-20 (hovering between 900 and 1,000 students each year). In the last two years (2020-21 and 2021-22), Hastings' tuition revenue has grown due to enrollment growth. In 2021-22, Hastings anticipated enrolling around 1,100 students. According to Hastings, the increases in enrollment are attributable to growing enrollment demand in its JD program.

Name Change. In November 2021, the University of California Hastings College of the Law Board of Directors voted to authorize UC Hastings leadership to work with state legislators and other stakeholders to change the College's name. UC Hastings was founded in 1878 by Serranus Hastings, who perpetrated genocidal acts against Native Californians in the 1850s in the Round and Eden valleys. In January 2022, Hastings' Board of Directors approved an initiative to change the school's name. As the school's current name is codified in state law, an official name change would require legislation. According to Hastings' staff, the school likely will incur certain one-time costs from changing its name, such as updating building signs. To date, Hastings' has not submitted to the Legislature the estimated costs of the name change, nor has it recognized any associated costs in its initial spending plan.

Student Housing Update as of January 2022. SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021 creates two new programs to support affordable student housing at the UC, CSU and Community Colleges, and campus expansion projects at UC and CSU. SB 169 appropriates $500 million one-time General Fund in 2021-22 for student housing projects, includes legislative intent to provide $750 million in 2022-23 and $750 million in 2023-24 for this purpose. The Department of Finance (DOF) received 114 applications totaling approximately $3.2 billion from CCCs, CSU, and UC in the initial application filing round. By March 1, DOF will provide the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation. Hastings submitted one application totaling $218 million.

Governor's Budget Proposal

The Governor's budget proposes an increase of $2 million ongoing General Fund to support operating costs. Consistent with previous years, the Governor's budget does not set an enrollment target for Hastings or designate funding for enrollment growth.

Hastings Is Planning to Increase Student Tuition Charges. In addition to the proposed base General Fund augmentation, the Hastings Board of Directors has approved a three percent increase in resident JD tuition charges and a 7 percent increase in nonresident JD supplemental tuition charges for 2022-23. These increases would reflect the first JD tuition increases at Hastings since 2012-13.

Hastings Anticipates Enrolling More Students in 2022-23. As Figure 2 shows, Hastings anticipates its enrollment will continue to grow in 2022-23 (by 4.4 percent). Growth in its JD program would be driven entirely by increases in continuing student enrollment. Hastings currently plans to enroll a slightly smaller first-year cohort in fall 2022 (around 390 students) compared to its fall 2021 cohort (around 400 students). Hastings' growth in its master's programs primarily is due to the school implementing the first year of its new Health Policy and Law program.

Figure 2

Hastings' Enrollment Is Expected to Continue Rising in 2022-23

Full-Time Equivalent Students

	2020-21 Actual	2021-22 Estimated	2022-23 Proposed	Change Over 2021-22	
				Amount	Percent
Juris Doctor (JD) Program					
Resident	813	969	1,004	35	3.6%
Nonresident	108	100	99	—	—
Subtotals	(921)	(1,069)[a]	(1,103)	(34)	(3.2%)
Master's Programs[b]					
Master of Laws (LLM)	21	23	24	1	5.2%
Master of Studies in Law (MSL)	3	9	10	—[c]	4.3
Master of Science in Health Policy and Law (HPL)	—	—	13	13	—
Subtotals	(23)	(32)	(46)	(14)	(43.7%)
Totals	**944**	**1,101**	**1,149**	**48**	**4.4%**

[a] Notable enrollment growth is driven by Hastings enrolling relatively larger first-year cohorts in fall 2020 and fall 2021. According to Hastings, this growth reflects rising law school enrollment demand nationally.

[b] Programs do not have residency classifications.

[c] Reflects increase of less than half a full-time equivalent student.

Hastings' Base Operational Spending Increases Would Primarily Support Workload. As the figure below shows, Hastings's largest planned expense would be for student financial aid to accommodate enrollment growth in 2022-23. Hastings also plans to replace retiring faculty and hire additional positions, adding on net one full-time equivalent tenure-track faculty member and one full-time equivalent non-tenure track faculty member. Beyond these two items, Hastings intends to cover a 3 percent increase to its employee salary pool and employee benefit cost increases, as well as OE&E cost increases. Hastings also expects to incur new costs from launching its Health Policy and Law program.

Hastings' Spending Plan Supports Several Increases

Core Spending Increases in 2022-23 (In Thousands)

Spending Component	Amount
Student financial aid	$1,469
Faculty hiring (2 positions)	1,095
Salary pool increase (3 percent)	797
Funds for budget reserves	536
New master's program	243
Operating expenses and equipment	241
Benefit cost increases	91
Total	**$4,472**

<u>Suggested Questions</u>

- Please describe the College of the Law's student housing plans in relation to the Student Housing Grants. How many projects will be submitted in the future?
- DOF: Does the College of the Law's application potentially count against the UC's allotted funding in the grant program?
- Please provide the subcommittee with a status update on the name change and the costs associated with the name change.
- What factors did the College of Law consider when adopting the proposed three percent resident tuition increases and the seven percent nonresident supplemental tuition increases for 2022-23?

Staff Recommendation. Hold Open

6120 CALIFORNIA STATE LIBRARY

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

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

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

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
5310	State Library Services	103.8	128.6	133.6	$21,099	$30,263	$42,557
5312	Library Development Services	18.5	28.0	30.0	30,182	638,077	47,837
5314	Information Technology Services	11.2	10.8	12.8	2,471	3,497	3,672
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**133.5**	**167.4**	**176.4**	**$53,752**	**$671,837**	**$94,066**

Issue 2: Digitization of Significant Materials

Panel

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

Background

State Library Has Undertaken Several Initiatives to Digitize State Historical Assets. As part of its core mission of curating historical items in California, the State Library is undertaking efforts to digitize its collections. The purpose of digitization is to create a digital copy in addition to the physical copy, thereby improving online accessibility and further preserving the original materials. The State Library indicates that it has several digitization efforts underway. Those ongoing efforts include:

1. **California Revealed –** California Revealed digitizes and preserves photographs, written materials, and audiovisual recordings from more than 300 cultural heritage institutions across the state. The resulting collection of over 84,000 online-accessible items encompass everything from home

movies to government training films, diaries to dance performances, land assessment maps to high school yearbooks. Its $1.4 million operating budget comes from one-time federal funds.

2. **Digital Concierge –** A service dedicated to preserving and sharing the collections hidden throughout California state government. This program operates in collaboration with other state agencies to identify, protect and showcase the most culturally significant, sought-after or at-risk parts of their collections and records including photographs, videos, recordings, reports, manuscripts, maps and other materials of cultural significance.

3. **CA.GOV Archive** -- This seven terabyte and growing repository contains the digital content of all California state government agencies, commissions and departments as well as the Legislature and constitutional officers. The material is refreshed quarterly by “crawling” state websites to develop a comprehensive series of digital snapshots. Special “crawls” were conducted in 2020 on multiple state websites for COVID-19 related materials.

4. **California Newspaper Project –** This long-running project, among other things, is working to create digital copies of at least one newspaper for every county in the state. Its current output is in the hundreds of thousands of pages of newspapers per year but what makes it unique among such efforts is the increased searchability its software provides.

5. **Voices of the Golden State –** An online repository containing oral histories created by universities, community groups, museums, libraries and others to improve access to the normally scattered collections of such histories and help preserve those created by entities without the resources to provide digital storage.

State Library Recently Developed Digital Preservation Strategy. In April 2021, the State Library released a document describing the core principles guiding its digital preservation activities. The document directs each of the State Library’s bureaus and sections (such as the California History Section or the Witkin State Law Library) to identify their top assets for digital preservation each year. Library resources are to be prioritized for digitization based on several factors, such as their rarity, cultural relevance, and physical condition.

Governor’s Budget Proposal

The Governor’s budget includes a total of $14 million General Fund support and nine additional permanent State Library positions for enhanced digitization activities. The Department of Finance (DOF) indicates that $11 million of the one-time funding would be available over five years (through 2026-27) and the remaining $1.7 million in one-time funding supporting cataloging activities and equipment purchases would be available through the budget year. (DOF indicates it will add this expenditure period to provisional budget language at May Revision.)

State Library Digitization Proposal Has Many Components

(In Thousands)

	Ongoing	One Time	Totals
Digitize California Historical Assets			
Digitize video media over five years	—	$5,000	$5,000
Procure new software and equipment	—	432	432
Scan future acquisitions (two positions)	$200	—	200
Contract with vendor to digitize fragile assets	125	—	125
Subtotals	**($325)**	**($5,432)**	**($5,757)**
Digitize Government Publications			
Contract with vendor to digitize 20 percent of catalog over five years	—	$3,500	$3,500
Contract with vendor to catalog pre-2007 documents	—	1,100	1,100
Expand CA.GOV archive (four positions)	$370	—	370
Ongoing catalog maintenance	110	—	110
Subtotals	**($480)**	**($4,600)**	**($5,080)**
Digital Concierge Services for State Agency Assets			
Undertake additional state agency projects over five years	—	$2,500	$2,500
Develop list of state agency photographic assets (one position)	$131	—	131
Subtotals	**($131)**	**($2,500)**	**($2,631)**
Expand Information Technology Capacity			
Procurement and cloud services management (two positions)	$312	—	$312
Purchase additional servers and cloud capacity	90	$160	250
Subtotals	**($402)**	**($160)**	**($562)**
Totals	**$1,338**	**$12,692**	**$14,030**

Proposal Spans Four Key Areas. The largest area focuses on digitizing various state historical assets, such as analog videos from the California Channel and fragile historical resources. The next largest area would focus on digitizing resources in the State Library's Government Publications Section, with the goal of digitizing 20 percent of the section's state agency publications, barcoding older resources for future digitization efforts, and providing dedicated staff to oversee the CA.GOV digital archive. The proposal also would augment the existing Digital Concierge Services team, accelerating the team's time line to complete active projects and expanding the number of new projects it can undertake. Finally, the proposal would expand the State Library's existing information technology staffing and storage capacity in support of all of these efforts.

Legislative Analyst's Office Assessment and Recommendations

Proposal Supports Reasonable Objective. Preserving historical assets is a core function of the State Library. Digitizing assets furthers this mission by creating an additional copy of an asset were it ever to be damaged or destroyed and by making the asset more readily available to the public.

Multifaceted Proposal Comes With Risks and Challenges. The proposal has many components spanning several units of the State Library. With so many proposed activities, the State Library faces the risk of not being able to implement them all fully within the time period allotted. Moreover, some parts of the proposal could meet with unexpected challenges. For example, the Concierge Services team could encounter much stronger or weaker interest from state agencies than assumed in the proposal. Typically, reporting language helps the Legislature hold the administration and the State Library accountable for accomplishing identified objectives and milestones. Reporting also would help the Legislature make funding decisions for future digitization initiatives at the State Library. The Administration, however, has no reporting requirements associated with its digitization proposal, thus limiting accountability and weakening the ability of the Legislature to conduct oversight of the digitization efforts.

LAO Recommendation: If More Digitization Is a High Priority, Adopt Reporting Requirement. If the Legislature would like to support more digitization at the State Library, the LAO recommends it require the State Library to report on its digitization activities as a condition of receiving an associated augmentation. Specifically, the LAO recommends that the State Library be required to submit a first report by November 1, 2023 (around halfway through the initiative) and a second report by November 1, 2026 (toward the end of the initiative). The recommended reports would include the amount spent, specific activities undertaken, and the number of resources digitized each year. The LAO recommends the reports to also include an assessment as to the remaining number of State Library items to be digitized and the associated cost.

Staff Recommendation. Hold Open

Issue 3: Online Job Training and Workforce Development

Panel

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

Background

State Provides Billions of Dollars on Workforce Development Programs. California spends billions of dollars annually for roughly three dozen workforce development programs spanning many state agencies. Some of these programs assist students and other individuals with entering the workforce for the first time, whereas other programs assist unemployed or underemployed individuals with re-entering the workforce and potentially upskilling to a higher-paying job. For occupations requiring less than a bachelor's degree, the state's programs are primarily concentrated at high schools, community colleges, and local workforce development boards. These programs identify state and regional workforce needs, support credit and noncredit coursework in career-focused fields, and provide a variety of other training opportunities (including apprenticeships).

State Library Oversees Certain Library-Based Education and Training Programs. The California Library Literacy and English Acquisition Program supports volunteer-based literacy tutoring for adults and children at local libraries. The program currently receives $7.3 million ongoing General Fund. The State Library also oversees the *CA*reer Pathways initiative. The *CA*reer Pathways initiative provides libraries with a collection of digital platforms designed to help individuals receive training for their return to the workforce, particularly those unemployed, underemployed, or significantly impacted by the pandemic. These resources assist patrons through: providing digital resources for workforce development and recovery, test preparation, career change support, small business startup information, digital skill building, soft skills, and certifications. This initiative supports individuals—particularly single-parents who left the workforce during the pandemic—in moving to full or partial employment, in changing careers, and in advancing their existing careers.

For example, library patrons can earn a high school diploma online through the Career Online High School program, and patrons who are 50 years old or older can participate in digital literacy and online enrichment courses under the GetSetUp program. *CAreer Pathways* receives $3 million ongoing General Fund support for the Career Online High School program. It received $5.4 million one-time federal relief funding for the remaining online education and training programs.

State Library Established New Workforce Development Initiative With Federal Relief Funds. In 2021, in partnership with the Pacific Library Partnership, the State Library invested nearly $4.4 million of the $5.4 million one-time American Rescue Plan Act (ARPA) funds into one-year subscriptions to a variety of job search and skill-building online sites to augment the library's existing *CAreer Pathways* platform. Federal ARPA funding is earmarked for pandemic relief and recovery in workforce development and job re-skilling.

The six platforms are: Bendable, Coursera, Learning Express, LinkedIn Learning, Northstar, and Skillshare. Similar to other *CA*reer Pathways programs, patrons can access these platforms by using a computer at their local library or on their own device using their local library's webpage. Virtually all libraries offer at least one online learning platform to their patrons, and more than half offer all six platforms. The platforms focus on many areas and offer several types of services and content. Coursera, for example, offers certificates in a variety of industries, including information technology, cybersecurity, and marketing. LearningExpress, by comparison, focuses on preparing participants for certain tests, including the California Basic Educational Skills Test, California Real Estate Salesperson Exam, and the California Police Officer Exam. Another platform, Skillshare, offers numerous self-paced courses ranging from the creative arts, design, entrepreneurship, and technology. The State Library could not provide the number of patrons participating in these platforms, but it reports that participating patrons completed "well over 20,000" course hours across all libraries.

The State Library indicates that additional funding will be needed for program continuation as ARPA funds provided only limited-term access for those subscriptions through September 30, 2022.

Governor's Budget Proposal

Governor Proposes $8.8 Million General Fund Over Two Years to Continue Recent Initiative. Proposed budget bill language states that the funds would support library-based online job training and educational upskilling programs over two years. Though not specified in the proposed language, the State Library indicates the funds would continue supporting the six platforms listed above that were originally supported with one-time federal relief funds. The State Library indicates its intention to spread the funds evenly over the next two years (with $4.4 million spent each year).

Legislative Analyst's Office Assessment and Recommendations

Initiative Could Be Relatively Expensive on a Per-Course Basis. Because the proposal would not be tied to specified enrollment or course-taking expectations, per-participant costs could be high relative to other state education programs. The LAO converted the number of course hours to a "full-time equivalent (FTE)" basis, using the approach taken at the community colleges. (At community colleges, 525 contact hours is equivalent to one FTE student). The State Library's reported course hours under the existing initiative—well over 20,000 hours—converts to around 40 FTE participants, with a resulting cost of over $100,000 per FTE participant. Even were the State Library to quadruple course taking patterns in the initiative, generating around 160 FTE participants, costs would be $27,500 per FTE participant. For comparison, the state is providing community colleges $5,907 per FTE student for noncredit instruction. Without more certainty as to the number of patrons and course hours funded under this proposal, the Legislature could end up approving an initiative that is considerably less cost-effective than its existing workforce education programs.

Lack of User and Outcome Data Also Poses Risks. The Legislature might be willing to fund a particularly high-cost program if it had been shown to provide underserved or historically disadvantaged populations with particularly good employment outcomes. The State Library, however, has not provided the Legislature with data on the number of participants, participant demographic characteristics, and participant outcomes of its programs. Moreover, the state already supports numerous ongoing and one-time workforce development initiatives designed to benefit underserved and historically disadvantaged students. The Administration has not made a compelling case that the State Library's proposed education and training programs would benefit a group not already intended to be served by other such programs, as well as have notably better employment outcomes.

LAO Recommendation:* *Reject Proposal. Given the risks and uncertainties around program cost, participation, and outcomes, the LAO recommends that the Legislature reject the proposal. Even if this proposal were rejected, the State Library would continue implementing its current federally funded initiative. The State Library indicates that it plans to collect better data on that initiative. Were this forthcoming data to adequately address the concerns raised earlier and demonstrate the initiative's added benefit to the state's existing workforce programs, the Legislature could consider supporting the initiative in future years. (If the Governor's proposal were approved for 2022-23, the LAO recommends adding an evaluation to ensure the cost-effectiveness of the state.

Staff Recommendation. Hold Open

Issue 4: Lunch at the Library

Panel

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

Background

Established in 1946, the National School Lunch Program provides public school children free or reduced-price lunches while they attend school. Under the program, the United States Department of Agriculture (USDA) reimburses schools for providing meals that meet certain nutrition standards.

USDA also reimburses states for providing free summer meals. For school districts, the reimbursement rates for summer meals are the same as those provided during the school year. For summer-only meal operators, reimbursements rates are slightly higher (with the higher rates likely intended to account for these operators' higher administrative costs). Whereas only schools provide meals during the academic year, many more organizations— including local government agencies and nonprofit organizations—are eligible to provide summer meals. Students are not required to demonstrate eligibility to receive a summer meal. Instead, organizations can provide summer meals to any individual under the age of 18 at an eligible site.

Participation in Summer Program Is Notably Lower Than in Fall Through Spring. Because students are required to attend school during the academic year, virtually all eligible students receive subsidized meals during that period. By contrast, only a portion of eligible students are accessing free meals during the summer. According to the Food Research and Action Center (a nonprofit organization), in the summer of 2019, average daily participation in California's summer program was 16.5 percent of daily participation during the 2019-20 academic year. Participation was even lower nationally, with average summer participation 13.8 percent of participation during the fall through spring. Experts have suggested several reasons for the lower summer participation, including lack of awareness of the summer program, limited number of sites in certain areas, and lack of sufficient incentive for students to travel to the nearest summer meal site.

Lunch at the Library Program Aims to Increase Local Library Involvement. Initiated in 2013 with federal funding, Lunch at the Library aims to increase the number of California local libraries serving as summer meal sites and increasing summer enrichment opportunities for students. As the meals themselves are funded by the federal government, the Lunch at the Library program focuses on other services that support summer meal sites. Specifically, the program provides: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites. Initially supported through a mix of one-time federal funds and private grants, then one-time state funding, the state began providing the program $800,000 ongoing General Fund in 2020-21. (The ongoing funding was adopted as early action in February 2021.) According to the State Library, the ongoing funds entirely support grants to local libraries.

Subset of Libraries Currently Participate in Program. According to the State Library, in 2021, 118 library sites within 39 library jurisdictions operated summer meal sites, providing a total of approximately 308,000 meals. In addition, 49 library jurisdictions provided library materials and services to non-library sites operating as summer meal sites. (In total, 71 library jurisdictions participated, with some jurisdictions both operating their own summer meal sites and providing library materials to non-library sites.)

For context regarding the size of the Lunch at the Library program, prior to the pandemic in 2018-19, California had a total of 4,928 federally recognized summer meal sites serving 15 million meals (inclusive of local library summer meal sites). During the pandemic in 2019-20 (the most recent data available from the California Department of Education), summer meals notably increased, with 8,601 sites providing 273 million meals.

Governor's Budget Proposal

The Governor's budget proposes an increase of $5 million ongoing General Fund and two positions to expand the number of library jurisdictions providing summer meal programs for students in low-income communities. Of this amount is: 1) a General Fund state operations appropriation of $314,000, including two positions (two Library Programs Consultants) in fiscal year 2022-23 and ongoing; and 2) a General Fund local assistance appropriation of $4.7 million in fiscal year 2022-23 and ongoing to expand the number of library jurisdictions providing summer meal programs for students in low-income communities through the Lunch at the Library program. According to the State Library, the proposal would result in local libraries increasing the number of summer meals they serve by about 10 percent each year for the next five years, with the library summer meal count reaching approximately 500,000 by 2026.

Legislative Analyst's Office Assessment and Recommendations

Student Food Insecurity Is a Salient Issue. According to Feeding America, a nonprofit organization that annually analyzes federal census data, 17 percent of Californians under the age of 18 reported being food insecure in 2021. While these data do not indicate what time of year children experience food insecurity, food insecurity might increase during the summer months when students are less likely to be attending school.

Proposal Is a Narrow Approach to Addressing Food Insecurity. As have noted by the LAO in previous years, the proposal's strategy to boosting summer meal participation—adding more library sites—is very narrow. Even under the State Library's plan to increase local library summer meals by 10 percent each year for five years, the initiative would only account for a small proportion of summer meals across the state. Moreover, the Administration has not clearly explained why expanding meals at local libraries would be more cost-effective than expanding at other potential sites, including more school and community-based sites. Furthermore, the statewide educational impact of providing library materials at meal sites likely is negligible compared to the billions of dollars the state provides K-12 schools for ongoing education, including the billions of dollars in new funding the state is providing for the Expanded Learning Opportunities Program (ELOP).

ELOP Could Boost School Attendance in the Summer. The state in the 2021-22 budget established ELOP, which expands learning opportunities for students in Transitional Kindergarten through grade 6. Among other provisions, the program requires participating school districts to provide 30 days of learning opportunities during the summer. The state provided $1.8 billion Proposition 98 General Fund for ELOP in 2021-22 and the Governor proposes providing $4.4 billion for ELOP in 2022-23, with the goal of reaching $5 billion ongoing by 2025-26. This program likely will boost student attendance during the summer, potentially providing students better, more cost-effective access to free summer meals and summer educational enrichment programs.

Large Lunch at the Library Augmentation Has No Parameters or Reporting. Despite providing the program a more than five-fold funding increase, the Governor does not propose establishing parameters guiding how the funds are to be spent. The proposal also does not establish a reporting requirement providing data on the use of the funds, program outcomes, or the cost-effectiveness of the additional library meal sites relative to schools and other community-based sites. Moreover, the program has no existing language in these areas despite receiving ongoing funding.

<u>LAO Recommendation:</u> Modify Proposal to Be Limited Term. Given the proposal's uncertain impact on summer food insecurity and the notable expansion in summer attendance underway at schools, the LAO recommends that the Legislature modify the proposal by making it limited term. For example, the Legislature could provide the program $5 million one-time General Fund over three years. At the end of this period, the Legislature would have better information on the Lunch at the Library's impact, as well as ELOP's impact, on summer meal participation. The Legislature could then better assess whether an ongoing augmentation for the Lunch at the Library program is warranted.

<u>LAO Recommendation:</u> Adopt Statutory Parameters, Reporting, and Evaluation. To assist legislative oversight over the proposed augmentation and inform future budget decisions in this area, the LAO recommend establishing parameters over the grants. Helpful parameters would include designating amounts for each grant purpose (such as start-up grants and grants to pilot new meal delivery approaches), prioritization criteria (such as prioritizing grants to libraries in counties with high rates of food insecurity), and performance milestones (such as achieving a 10 percent annual increase in the number of library sites and summer meals). Additionally, the LAO recommends requiring the State Library to collect and report certain data each November 1 over the initiative's funding period. At a minimum, the LAO recommends the report include the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of non-library meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites. The LAO recommends that the report also include an evaluation component that would seek to assess the cost-effectiveness of the additional library summer meal sites relative to schools and other community-based sites.

<u>Suggested Questions</u>

- The 2021 Budget Act included the Governor's Budget proposal of $800,000 ongoing General Fund to support the Lunch at the Library program. How were these funds deployed?

Staff Recommendation. Hold Open

Issue 5: Building Rental Costs

<u>Panel</u>

- Jennifer Louie, Department of Finance

- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, California State Librarian

Background

State Library Occupies Two Buildings Owned by the Department of General Services (DGS). The first building, the Library and Courts I building, is a historic facility constructed in 1928. Space in the building is shared between the State Library and California's Court of Appeal, Third Appellate District. The second building, referred to as the Library and Courts II building, was constructed in 1990, with the construction financed by state lease revenue bonds. The State Library is the sole occupant of this building. The State Library pays DGS rent each year to occupy both buildings, which in turn supports DGS's operations and maintenance of the buildings.

State Library's Rent Notably Increased Recently for Two Key Reasons. As the figure from the LAO shows, the State Library's rent for the Library and Courts II building has notably increased in recent years. According to the State Library, the cost increase is due to two factors, described below.

- ***Transfer of Jurisdiction to DGS in 2019-20.*** Prior to the repayment of the building's lease revenue bond debt in May 2018, the State Public Works Board had jurisdiction over the building. The state directly paid rent on behalf of the State Library (effectively debt service payments) to the board. During this time, the State Library paid DGS for basic facility services ($1 million in 2018-19). When the debt was repaid, jurisdiction over the building transferred to DGS, with the State Library now paying full DGS rental rates (over $4 million in 2021-22).
- ***Central Plant Fee Beginning in 2021-22.*** DGS charges buildings under its jurisdiction a fee for utility costs. According to the State Library, it was not aware of this charge until it received an invoice from DGS in May 2021 for the 2019-20 and 2020-21 fiscal years. The State Library indicates that it ultimately paid the charge in 2019-20 and received a one-time waiver from DGS for 2020-21. Moving forward, DGS expects the State Library to pay this charge ($916,000 in 2021-22).

State Library Reports Shortfall in Its Building Rental Budget

(In Thousands)

	2018-19	2019-20	2020-21	2021-22
Rental Costs				
Library and Courts I building	$3,754	$3,785	$3,823	$3,025
Library and Courts II building	1,010	3,815	4,123	5,151
Totals	**$4,764**	**$7,600**	**$7,946**	**$8,176**
Base rental budget	$5,838	$5,843	$5,997	$5,997
Funding Surplus/Shortfall	**$1,074**	**-$1,757**	**-$1,949**	**-$2,179**

State Library Reports That Its Budgeted Rental Amount Is Systematically Below Actual Costs. According to the State Library, it has a budgeted level of support to make rental payments. This amount has been adjusted by the state in certain years, most recently in the 2018-19 budget. The state has not since adjusted the State Library's budget for the higher DGS building and central plant fees that began in 2019-20. Consequently, the State Library estimates its current budgeted rental amount—just under $6 million in 2021-22—will fall short of actual rental costs. According to the State Library, it covered the initial shortfall in 2019-20 and 2020-21 through limited-term savings from other areas of its budget. The State Library attributes these savings to pandemic-related factors. For example, the State Library reports that the transition to remote work prompted an increase in retirements and the State Library deferred backfilling those positions. The State Library also states that it benefited from one-time savings associated with the reduction in its travel budget. According to the State Library, these one-time savings are not available in 2021-22 and notes that it will distribute the estimated funding shortfall across all of its operations.

Governor's Budget Proposal

Proposes Re-benching State Library's Rental Budget. The proposed amount—$2.2 million ongoing General Fund—would close the shortfall between actual rental costs and the State Library's base rental budget beginning in 2022-23. The amount is tied to the estimated funding shortfall in 2021-22.

Legislative Analyst's Office Assessment and Recommendations

State Typically Does Not Adjust Agencies' Budgets for Rent Increases. Rather, agencies must manage any rental fluctuations within their budgets. When rent increases, agencies typically must redirect spending from other budget areas (for example, by holding certain positions vacant for an extended period of time). When costs are lower than expected, agencies can spend the surplus funds on one-time purposes.

Though Not Common, State Sometimes Provides Increases for Rental Costs. Though not typical, the state has provided certain agencies adjustments for rental payments, particularly for large ongoing changes in costs. For example, the 2021-22 budget provided a combined $6.4 million ongoing augmentation for several natural resource state agencies for higher rental costs.

Given Unusual Rental Cost Increase, Proposed Augmentation at State Library Is Reasonable. Rather than rental costs growing gradually over many years, the State Library's rent increased notably due to a change in jurisdiction over the Library and Courts II building. Moreover, the State Library's other savings during the pandemic will not be available in the upcoming budget year to help manage the higher costs. Given these circumstances, the LAO thinks providing an adjustment for rental costs is reasonable.

LAO Recommendation:* *Adopt Proposal. Given factors described above, the LAO recommends that the Legislature approve the Governor's proposed $2.2 million for higher ongoing State Library rental costs.

Staff Recommendation. Hold Open

Issue 6: Implementation of Budget Act Agreements (Oversight)

Panel

- Greg Lucas, California State Librarian

Background

The Budget Act of 2021 included various new initiatives for the State Library such as the following:

- **Library Infrastructure Grant Program.** The 2021 Budget Act included $439 million one-time General Fund for grants for local library infrastructure improvements, broadband and technology upgrades and purchasing of devices. The 2021 Budget Act specified that no grant amount shall exceed $10 million, and the State Library shall prioritize life-safety and other critical maintenance and infrastructure projects. The budget specifies that the State Library shall require a local match; however, the match may be reduced if library jurisdiction can demonstrate financial need. The 2021 Budget Act requires the State Library to submit a report on the grant recipients, information about the grant and status reports on the project starting in April 1, 2022. These funds will be available for encumbrance until June 30, 2024.

- **Library Broadband.** The 2021 Budget Act included the May Revision proposal to provide $35 million one-time to support local projects to expand broadband access and upgrade equipment to access high-speed connectivity in isolated and under-served communities through a collaborative partnership of local and regional libraries, local education agencies, and telehealth providers on projects eligible to leverage funding available through the Federal Universal Service Program for Schools and Libraries. The projects funding through the proposed program would also be eligible to leverage funding available through the Federal Universal Service Program for Schools and Libraries ("E-Rate"). These funds are available for encumbrance or expenditure until June 30, 2025. The California State Library shall submit a report to the Department of Finance and the Legislature by April 1 of each year through 2025. The report submitted by April 1, 2022, shall list the grant recipients, the state grant amount each recipient received, any local matches provided by each recipient, the amount of additional federal funding that was leveraged, and a description of each funded project.

- **Library English as a Second Language Programs.** The 2021 Budget Act included the May Revision proposal to provide $15 million one-time General Fund to expand access and support to the English as a Second Language Learners program available through local libraries.

- **Zip Books.** The 2021 Budget Act included the Governor's Budget proposal for $1 million ongoing General Fund for the Zip Books project, which provides for easily accessible online purchasing and convenient shipping of library books to ensure timely and cost-effective access to information in California's hard-to-reach and underserved communities.

- **Early Learning and After School Programs.** The 2021 Budget Act included the Governor's Budget proposal of $5 million one-time General Fund to provide grants for early learning and after school programs to library jurisdictions.

- **Civil Liberties Education Grant Program.** The 2021 Budget Act included the May Revision proposal to provide $5 million one-time to support the Civil Liberties Education Grant Program. This grant program supports the creation and dissemination of educational and public awareness resources concerning the history and the lessons of civil rights violations or civil liberties injustices carried out against communities or populations. These funds will be available for encumbrance or expenditure until June 30, 2024.

- **Library Resources for Visually Impaired Californians.** The 2021 Budget Act included the May Revision proposal to provide $1,641,000 one-time and two positions and $220,000 ongoing to support a pilot project to implement new assistive technologies and to expand access to those resources to visually-impaired Californians. The California State Library is encouraged to collaborate with the Braille Institute of America in Los Angeles to implement this pilot project.

- **Lesbian, Gay, Bisexual, Transgender, Queer (LGBTQ) Archives.** The 2021 Budget Act included $750,000 one-time General Fund to support LGBTQ historical archives.

- **Ethnic Media Outreach.** The 2021 Budget Act included $10 million one-time General Fund to support the Outreach Grants to Ethnic Media Program.

Suggested Questions:

- For all investments mentioned above:
  - To date, what steps has the State Library taken to implement these programs?
  - What data, if any, has the State Library collected about it? Does the State Library have any participation data for these programs?
  - What challenges, if any, has the State Library encountered as it implements these programs?
- Where is the State Library in its process of submitting the Library Infrastructure Grant Program and Library Broadband reports?
- In addition to the funds included for the Library Infrastructure Grant Program, what are the libraries additional and outstanding infrastructure needs?

Staff Recommendation. No action required. This is an oversight item.

6440 UNIVERSITY OF CALIFORNIA

Issue 7: UC Climate Proposals

Panel

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

Background

Climate Change Has Become a Key Policy Challenge. Climate change is the variation in global or regional climate patterns resulting from human activities that increase greenhouse gases (GHGs) in the atmosphere. Climate change is expected to bring about many adverse effects, such as rising sea levels, exposure to extreme weather events, and increased wildfire severity. Federal and state actions addressing climate change fall into two key areas. The first area—mitigation—aims to reduce GHG emissions, thereby limiting human impact on the climate. The second area—adaptation—focuses on efforts to prepare for the various adverse impacts associated with climate change. As described further below, California has undertaken both mitigation and adaptation efforts.

California Has Adopted Mitigation Goals. California began adopting GHG emission reduction goals in 2006, with the current statutory goal to reduce California GHG emissions to 40 percent below the 1990 level by 2030. (State law also established a goal to reduce to the 1990 level by 2020, which the state met a few years early.) The Legislature has funded many ongoing programs and one-time initiatives to attain the state's emission reduction goals. Most notably, the California Air Resources Board oversees a "cap-and-trade" program, which caps GHG emissions for the state's largest emitters (such as large industrial facilities and transportation fuel suppliers) and allows the affected industries to sell their emission allowances in the market. Funds generated from this program are deposited in the Greenhouse Gas Reduction Fund, which in turn generally supports many other mitigation and adaptation initiatives.

State Also Is Undertaking Adaptation Activities. To help guide the state as it prepares for impacts of climate change, the state has undertaken four climate assessments (in 2006, 2009, 2012, and 2018). Each assessment included a series of reports summarizing the current scientific understanding of possible climate change risks and impacts to the state and identifying potential policy solutions. Beyond these assessments, the state recently has provided significant funding for activities to prepare for the impacts of climate change. For example, the 2021-22 budget agreement included a $3.7 billion "climate resilience package," as well as additional packages aimed at addressing environmental risks that are exacerbated by climate change (such as $4.6 billion for drought and water resilience and $988 million for wildfire and forest resilience).

Administration Climate Package. The Administration proposes starting in 2022-23 a climate and opportunity agenda to deliver community resilience, affordable housing, and expanded access to health care and education while advancing equity and expanding the number of Californians that share in the state's economic growth. The Administration states that California's K-12 and higher education systems are critical in meeting the state's ambitious climate goals and includes multiple proposal under these systems. In Issue 9, climate proposals to be implemented by CSU will be discussed. The Governor's budget funds three UC climate-related proposals focused on research, technology incubators, and workforce development., totaling $185 million one-time General Fund.

Climate-Related Research

Many Entities Fund and Conduct Research on Climate Change. Each year, research universities (including their various research centers and institutes) and private industries engage in climate-related research and development (R&D). This work spans from basic science research to the development of new technologies that reduce GHG emissions. Similar to other research endeavors, research on climate change issues is supported through a mix of federal research grants, private industry revenues, and other sources. Unfortunately, comprehensive information as to how much is spent nationally or in California on climate change mitigation and adaptation research is not currently available. This likely is due to the interdisciplinary nature of climate change research and the many academic departments and agencies undertaking that research.

California Has Several Research Programs Studying Issues Related to Climate Change. California's major research programs do not focus solely on climate change, but several programs at UC, the California Energy Commission, the California Department of Transportation, and other agencies study areas related to climate change. For example, UC spends hundreds of millions of dollars of its base General Fund support annually on agricultural and natural resource research, including research on certain issues related to climate change adaptation. The California Energy Commission also spends hundreds of millions of dollars annually in special funds on research promoting clean energy technologies. In 2015, California's Climate Action Team—a coordinated team comprised of the state's environmental protection, agricultural, transportation, housing, and utility agencies—released a comprehensive research plan to coordinate and direct state agency climate change research. The state also created a climate change research program at the Strategic Growth Council, providing the program a total of $34 million (Greenhouse Gas Reduction Fund) from 2017-18 through 2019-20.

Governor's Proposal for UC Climate-Related Research

Governor Proposes $100 Million One-Time General Fund for Climate-Related Research at UC. Proposed budget bill language states that these funds shall support "seed and matching grants" for applied research. The language further directs UC to make the grants available on a competitive basis to researchers without regard to UC affiliation. The budget bill language does not contain any other details about the initiative, and the Administration has not proposed associated trailer bill language.

UC Intends to Fund Three Types of Research Grants. According to UC, the proposal would fund three categories of grants: (1) "translational science research grants that will accelerate climate resilience through transfer of ideas and technologies to practice," (2) "emergency seed grants to invest in climate disaster preparedness and mitigation," and (3) "seed and matching grants to support other climate-focused funding opportunities." UC indicates that the Office of the President's Research Grants Program Office would administer the program, with oversight from UC's Vice President for Research and Innovation, the UC division of Agriculture and Natural Resources, UC Health, and UC's three affiliated national laboratories. At the time of this hearing, UC did not clarify how many grants it would support, noting that the grant sizes for each of the three grant categories would be determined by university leadership and relevant stakeholders.

Legislative Analyst's Office Assessment and Recommendation: UC Climate-Related Research Proposal

Climate Change Research Is a Reasonable Use of One-Time Funding. Private entities tend to underspend on R&D without government intervention. This is because the costs and risks of R&D can be high, while the benefits tend to be diffuse. In the climate change area, benefits can be especially diffuse, with regional, statewide, and even global effects. Though the upfront costs can be high, the federal and state governments tend to value R&D given that so many people potentially can benefit from new discoveries and technologies. Moreover, climate change R&D could be viewed as particularly warranted in California because the state has set its own GHG reduction goals. More research could help the state identify new means of meeting these climate change mitigation goals. With the state in a strategic position to coordinate across local governments, supporting more climate change research also might further assist state and local adaptation efforts.

Proposal Appears to Lack Coordination With Key Agencies. Climate change mitigation and adaptation is a multifaceted issue, touching on many areas of state government. Recognizing this complexity, recent state efforts have sought to coordinate activities across the various environmental protection, natural resource, and other related state agencies. The Governor's proposal, however, offers no certainty that UC would coordinate with these state entities. Without including the state's other key agencies in the development and oversight of the program, the additional research could be duplicative, with state funds used inefficiently. Moreover, the additional research might fail to address the state's highest climate change research priorities, with state funds not being used as effectively as possible.

Proposal Has Very Little Statutory Direction. Despite the magnitude of the proposed amount of funding, the Governor has only a few sentences of budget bill language. The proposed language offers no guidance on the program's objectives or intended uses of funds. In the absence of statutory guidance, UC would have considerable authority to decide what types of research to undertake. Without statutory guidance, UC might choose to undertake lower-priority research objectives or potentially pursue research objectives that are not aligned with legislative interests.

LAO Recommendation: Weigh Research Against Other One-Time Priorities. Given the state's climate change mitigation and adaptation goals, the LAO thinks funding more climate change research is a reasonable use of the one-time funding. That said, the Legislature has many other calls for one-time funding—both within and beyond the climate change area. To that end, the LAO recommends that the Legislature weigh funding additional climate change research against its other General Fund priorities.

LAO Recommendation Enhance Coordination of Supported Research. If the Legislature is interested in supporting additional climate-related research, the LAO recommends that it explore ways to ensure this initiative is coordinated with other state climate-related research efforts. For example, the Legislature could redirect the funds to existing initiatives (such as the Strategic Growth Council's climate change research program), thereby bolstering recent efforts in lieu of creating a new initiative. Alternatively, were the Legislature interested in funding a UC-specific program, it could direct UC to coordinate with the state's various environmental and natural resource agencies to ensure alignment with existing climate change efforts and identified research needs.

LAO Recommendation Set Forth Key Program Components in Trailer Legislation. If the Legislature chooses to provide more funding for climate-related research, the LAO recommends that it adopts clear program components in trailer legislation. Specifically, the LAO recommends that the Legislature set forth clear goals, the types of grants to be offered, grant amounts, matching requirements, grant duration, performance measures and milestones, and reporting requirements. Adopting statute clarifying these components would better ensure funds align with legislative priorities. Moving forward, it also would help enhance legislative oversight and accountability.

Climate Technology Incubators

Incubators Support Industries in Emerging Fields. Incubators assist entrepreneurs and start-ups with developing their businesses. Incubators can provide a variety of services, ranging from management training, facility space, and start-up financing. Many different entities operate incubators, including universities; nonprofit organizations; and private, for-profit entities. Some incubators focus on specific industries. For example, according to the U.S. Department of Energy, there are over 30 climate-related incubators nationwide, with at least three based in California.

California's Public Universities Operate Innovation Centers. All of UC's 10 campuses and 16 California State University (CSU) campuses operate incubators (some campuses operate more than one incubator). Most incubators appear to have been driven by campus interests and resources, but a few incubators were established directly by the state and receive a direct allocation of state funds. Most notably, the state established four California Institutes for Science and Innovation at UC in 2000 supporting various applied science industries. The state provided one-time General Fund to support the construction of the institutes, and today the institutes receive ongoing General Fund support for their operations.

Inclusive Innovation Hub Program (iHub2) Also Supports Start-Up Businesses. The 2021 Budget Act provided the Governor's Office of Business and Economic Development $2.5 million one-time General

Fund to implement iHub2, which supports partnerships between local governments, universities and research institutions, private industry, and economic development organizations to support innovation efforts. (The program is a re-launch of a previous innovation hub program established in 2013.) These partnerships—also referred to as "innovation hubs"—play a similar role to incubators by providing promising businesses mentorship opportunities, technical assistance, and start-up funding. These partnerships also tend to include incubators. (The Governor's budget proposes an additional $20 million one-time General Fund in 2022-23 to continue and expand the iHub2 program. Specifically, these funds would support 13 innovation hubs, providing funding to cover four years of operations at each hub and seed funding for up to five start-up businesses at each hub.)

<u>Governor's UC Climate Technology Incubators Proposal</u>

Governor Proposes $50 Million One-Time General Fund for UC Climate Technology Incubators. Budget bill language states that the funds would support climate-related incubators, as well as competitive grants to incentivize climate-related innovation. The budget bill language does not contain any other details about the initiative, and the Administration has not proposed associated trailer bill language.

UC Indicates Incubators Would Be Established Through Competitive Process. According to UC, the funds would establish up to three new climate-related incubators. UC states that it would submit a call for proposals and would select proposals based upon considerations of equity, regional context, community partnerships, and ability to leverage non-state funding. UC further states that it would aim to support incubators that leverage existing facility space and programming at UC and other climate-related incubators in California.

<u>Legislative Analyst's Office Assessment and Recommendation: UC Climate Technology Incubators Proposal</u>

Creating Climate-Focused Incubators Could Have Merit, Though Impact Is Uncertain. In concept, creating incubators could help advance the state's climate change objectives and support regional economic development by developing new businesses and technology. That said, determining the need for new incubators and overall impact of creating new incubators is difficult. The state does not have specific goals for the amount of innovation and economic development it seeks to achieve. Moreover, incubators are only one of many strategies that states and businesses can use to try to spur economic development. Additionally, once incubators are developed, it is difficult to prove that the affected entrepreneurs and businesses would not have otherwise emerged through other avenues.

Proposal Lacks Key Detail. The limited detail available on the proposal—consisting of a few lines of budget bill language and a short description from UC—makes fully assessing it difficult. Based on the proposal presented by the administration and UC, it is difficult to determine whether the new incubators would coordinate or duplicate activities with existing incubators or the state's iHub2 initiative. The Legislature also cannot assess the statewide impact of the proposal, as the proposed location, scope, and service areas of the incubators have not been identified. Moreover, the Administration and UC have not provided a plan clarifying how the incubators would be sustained in future years. Though many incubators operate without direct state support, some state-developed incubators—such as the California Institutes for Science and Innovation—rely on ongoing state support to cover a portion of their base operations.

<u>LAO Recommendation:</u> Weigh Incubators Against Other One-Time Priorities. Given the need for and potential benefits of creating new incubators is less clear relative to other climate-related activities (such as supporting research), the LAO recommends that Legislature weigh this proposal against its other one-time spending priorities. Ideally, the Legislature would select one-time initiatives it believes will yield the highest climate change impacts and/or economic development payoffs. Alternatively, the Legislature could focus on addressing any of its high one-time priorities across the state budget.

***LAO Recommendation:* If Proposal Pursued, Request Administration Provide Key Details.** Were the Legislature interested in potentially creating new incubators, the LAO recommends that it request the Administration provide more information about the proposal. At a minimum, the additional detail should include a clear problem statement; a more comprehensive budget plan; a description as to how this incubator proposal coordinates with existing innovation and incubator programs; an explanation as to whether the incubators are intended to be ongoing; and, if so, a long-term plan to sustain the initiative on an ongoing basis (with fund sources identified). If the Administration were able to provide this detail in time for spring hearings, the Legislature could revisit the proposal later this year.

Climate-Related Workforce Development

Many Ongoing State Programs Support Workforce Development. California spends billions of dollars annually to support the development of the state's workforce. Some of these programs assist students and other individuals with entering the workforce for the first time, whereas other programs assist unemployed or underemployed individuals with re-entering the workforce and potentially upskilling to a higher paying job. For occupations requiring less than a bachelor's degree, the state's programs are primarily concentrated at high schools, community colleges, and local workforce development boards. These programs identify state and regional workforce needs, support credit and noncredit coursework in career-focused fields, and provide a variety of other training opportunities (including apprenticeships). For occupations requiring a bachelor's degree or higher, the state provides ongoing support to UC and CSU to offer bachelor's, master's, and doctoral degree programs. The state's public universities also operate extended education programs, which generally are self-supported by student fee revenue. The state, however, provided UC Extension $15 million one-time General Fund in 2019-20 to develop additional certificate programs serving adults who had some college credits but no college degree.

State Supported $2.7 Billion in Additional Limited-Term Workforce Initiatives in 2021-22. The state created or augmented funding for 24 workforce development initiatives last year. Around 60 percent of the $2.7 billion was concentrated in three new initiatives: (1) the Community Economic Resilience Fund ($600 million federal relief funds), which provides grants for regional partnerships focused on climate change mitigation and adaptation-related occupations; (2) the Golden State Education and Training Grants ($500 million, a mix of General Fund and federal relief funds), which provides grants to displaced workers seeking education and training; and (3) the Learning-Aligned Employment Program ($500 million General Fund), which supports work experiences for students at the public higher education segments.

Governor's Proposal for UC Climate-Related Workforce Development

Governor Proposes $35 Million One-Time General Fund for Climate-Related Workforce Development Programs. Budget bill language states that the funds shall support regional training hubs focused on reskilling, upskilling, and expanding the state's climate-related workforce. The language further directs UC to co-locate, coordinate, or integrate these workforce hubs with the proposed climate technology incubators described earlier. The budget bill language does not contain any further details about the initiative, and the administration has not proposed associated trailer bill language.

UC Suggests Several Uses of the Funds. According to UC, the workforce hubs would be selected through a competitive process based on their ability to leverage outside funding, collaborate with regional non-UC workforce entities, and address specific regional climate-related workforce needs. Additionally, UC states that the funds primarily would support the development of new UC extended education certificate programs and student work study and internship opportunities. UC further indicates that it expects broad participation in these certificate and work-study programs, including among existing students and alumni from the state's three public higher education segments.

Legislative Analyst's Office Assessment and Recommendation: UC Climate-Related Workforce Development

State Already Is Supporting Workforce Development Efforts. The LAO cautions the Legislature against supporting new workforce initiatives at this time. The state already has an extensive array of ongoing programs intended to meet the state's workforce needs. These programs are designed to be responsive to state, regional, and local workforce issues and to target occupations with anticipated job growth, including occupations related to climate change mitigation and adaptation. Moreover, the 2021 Budget Act added many new one-time initiatives to further assist first-time entry and re-entry into the workforce. Though these initiatives were supported with one-time funding, the state will continue to implement and spend these funds in 2022-23. Most notably, the state will still be implementing the Community Economic Resilience Fund, which appears to share some similar objectives to the UC proposal.

Proposal Lacks Key Details. Even if there was clear benefit to supporting more workforce development initiatives in California, this proposal lacks key details. The Administration has not pinpointed what specific workforce development problem it is attempting to address. Moreover, it has not identified the size of that problem or demonstrated that the proposed amount of funding is sized such that it can have a meaningful impact. The Administration also has neither explained how the workforce hubs would address the identified workforce gap nor provided evidence showing that the hubs would be a cost-effective solution. Furthermore, the Administration's proposal includes no provisions holding UC accountable for meeting the state's workforce objectives. Without clarifying these fundamental issues, the Legislature can have little confidence that the proposed hubs would provide greater benefits than other one-time spending options.

LAO Recommendation: Reject Proposal. Given the plethora of existing workforce development programs already in place for 2022-23 and the many key details missing from this proposal, the LAO recommends that the Legislature reject the proposed funding and redirect it toward other high one-time priorities.

Suggested Questions

- Does the Administration intend for any of these initiatives to be sustained on an ongoing basis? If so, what is the administration's or UC's plan to provide ongoing support?

On UC Climate-Related Research,

- What are UC/ Administration's specific goals/ deliverables it seeks to achieve with this funding?
- What role, if any, would the state's environmental protection and natural resource agencies have in providing input over the use and allocation of the proposed $100 million in research funding?

On UC Climate Incubators,

- What is UC/ Administration's specific goals for the amount of innovation and economic development it seeks to achieve with these incubators?
- What would be the proposed location, scope, and service areas of the incubators?
- How would the proposed climate technology incubators interact with the state's existing incubators and economic innovation initiatives?

- Given that there are other existing incubators in this space, please justify the need for a new incubator.

On UC Climate-Related Workforce Development,

- What is the difference between this workforce hub and existing programs at the California Community Colleges (CCC)?
- Can you discuss what, if they are included, CCC's role will be in the Workforce Hubs given that this is supposed to be collaborative?

Staff Recommendation. Hold Open all proposals.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY

Issue 8: Foster Youth Proposals

Panel

- Jack Zwald, Department of Finance
- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Seija Virtanen, University of California
- Ray Murillo, California State University

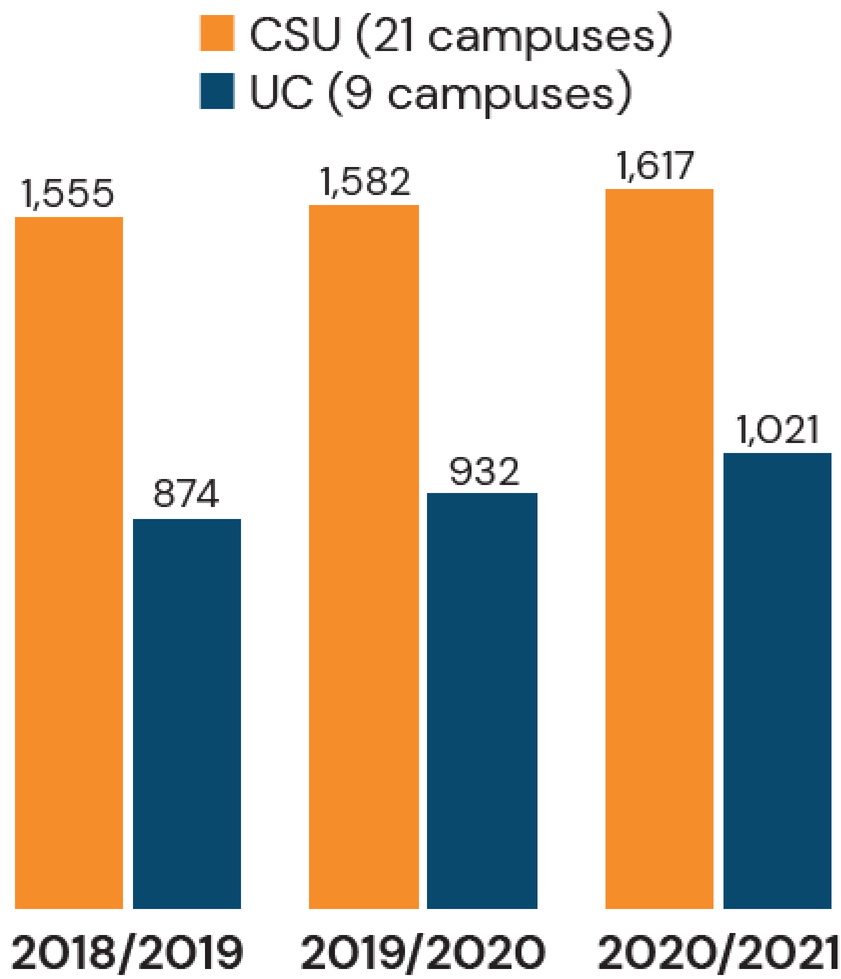
Background

Since the first campus support program for foster youth began over twenty years ago at CSU Fullerton, each of California's three systems of public postsecondary education, as well as several private institutions, have increased their commitment to this population.[1] Across the 22 CSU and nine UC general education campuses, all but one campus now offer a support program specifically for foster youth. These programs are currently funded through a combination of limited institutional investments and private funding. This funding model is both insufficient to the need and unsustainable. In a survey of program coordinators, 96 percent reported that insufficient funding either limited how many students they could serve or the breadth of services that they are able to offer. Only half of program coordinators reported feeling certain or very certain that they would be able to sustain their program's funding moving forward.

The programs available at public four-year universities annually serve close to 2,700 students with experience in the foster care system, with each program serving on average 90-100 students. The figure below shows the number of UC and CSU students supported by foster youth support programs over a three year-span.

1 All background replicates parts of a January 2022 report by the John Burton Advocates for Youth. https://jbay.org/wp-content/uploads/2022/01/CSU-UC-FY-report.pdf.

Figure: UC and CSU student supported by foster youth support programs between 2018-19 and 2020-21.

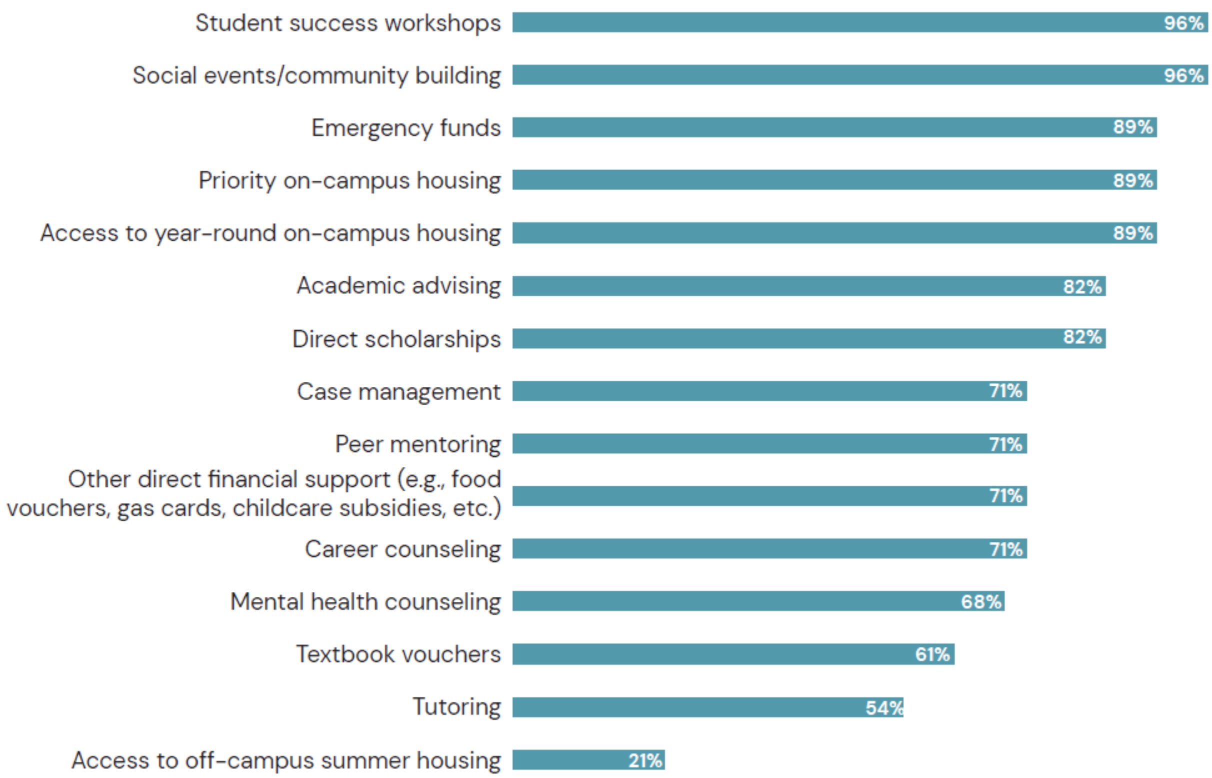


This diverse group of students presents with life circumstances outside the norm for most other students, and even for those who are low-income or first-generation. Trauma, homelessness, food insecurity, a lack of adult support, academic deficiencies, and mental and physical health challenges are among the circumstances that have defined and continue to define many of these students' lives. Campus support programs for foster youth also serve a population that is more likely to be Black/African American or Latinx than the general student population. A report from the UC system found that foster youth undergraduates are more likely to be Hispanic/Latino(a) (38 percent) and Black/ African American (16 percent) compared to non-foster youth undergraduates (25 percent and four percent respectively). They are also less likely to be respondents enrolled in school reported that the pandemic had at least one negative impact on their education.

Access to postsecondary education is key to enabling youth with experience in foster care to achieve long-term economic security, yet significant disparities remain in educational access. While the number of foster youth who enroll in post-secondary education has been steadily increasing in recent years, completion rates remain low. In California, by age 23 just 11 percent have received an associates or bachelor's degree as compared to 36 percent statewide.

Interviews with program staff revealed that these students on average require three to five times the level of intervention as students in other support programs. To address the myriad issues that can arise on a student's journey towards graduation, these programs, typically staffed by just one or two professionals, offer a range of services, including individualized academic and personal counseling, group activities designed to build community and enhance skills, direct financial support to address essential needs, and linkages to resources both on and off campus. These services are documented below.

Figure: Services delivered to UC and CSU foster youth



Lack of dedicated program space and tenuous funding structure exists at both UC and CSU. According to an evaluation of foster youth programs by John Burton Advocates for Youth, programs were asked whether their campus provides a dedicated space for their program. Five of nine UCs (55 percent) and 12 of 19 (63 percent) CSUs reported having a dedicated space for their program. These spaces vary considerably, however. While some programs have a robust program center that serves as a dedicated space for workshops, informal gatherings, computer and printer use, studying, and staff offices, other programs with a dedicated space share it with other support programs or have space that only accommodates staff offices.

Additionally, most campus support programs for foster youth at CSUs and UCs were originally funded through private philanthropic investments and many still rely on private funding to sustain their services. Many individual institutions have chosen to allocate funding from their institutional budgets; however, this varies tremendously by campus, and the funding is often not permanent.

Across both systems, 85 percent of programs indicated that their institution pays for some portion of staffing costs, including through the use of funds designated for the Educational Opportunity Program

(EOP). Five campuses reported needing to raise additional private funds to supplement staffing. Four campuses reported that they rely 100 percent on private philanthropic dollars to pay for program staff.

Governor's Budget Proposals

The Administration includes funding for foster youth support across the three segments, including the following proposals for UC and CSU:

UC Foster Youth Supports. The Governor's budget proposes an increase of $6 million ongoing General Fund and trailer bill language to increase support for foster youth students.

CSU Foster Youth Supports. The Governor's budget proposes an increase of $12 million ongoing General Fund and trailer bill language to increase support for foster youth students.

Staff Comments: Staff notes that the California Community College's foster youth support proposal was heard in Subcommittee No. 1 on February 16, 2022.

Staff Recommendation. Hold Open.

6610 CALIFORNIA STATE UNIVERSITY

Issue 9: CSU Climate Proposals

Panel

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

Background

CSU Has a Multiyear Capital Outlay Plan. Under state law, CSU submits a capital outlay plan annually to the Legislature by November 30. The plan includes a list of projects proposed for each campus over the next five years, as well as the associated costs. The most recent plan identifies $16.4 billion in academic facility projects (and $7 billion in self-supported projects) proposed for 2022-23 through 2026-27. For 2022-23, the plan identifies 23 priority academic facility projects costing a total of $3.1 billion. CSU primarily finances its academic facility projects through university bonds, paying the associated debt service from its General Fund support appropriation. At times—including most recently in the *2021 Budget Act*—the state has also provided one-time General Fund to support specific CSU capital outlay projects on a pay-as-you-go basis.

Administration Climate Package. The Administration proposes starting in 2022-23 a climate and opportunity agenda to deliver community resilience, affordable housing, and expanded access to health care and education while advancing equity and expanding the number of Californians that share in the state's economic growth. The Administration states that California's K-12 and higher education systems are critical in meeting the state's ambitious climate goals and includes multiple proposal under these systems. In Issue 7, climate proposals to be implemented by UC were discussed.

Governor's Budget Proposals

Construct Energy Innovation Center at CSU Bakersfield. The Governor's budget provides $83 million one-time General Fund for the proposed building. The *Governor's Budget Summary* indicates that this proposal supports climate change research. The Administration has further specified that the building would allow for research and development on carbon management and clean energy issues, in collaboration with the Kern County energy sector, among other potential collaborators.

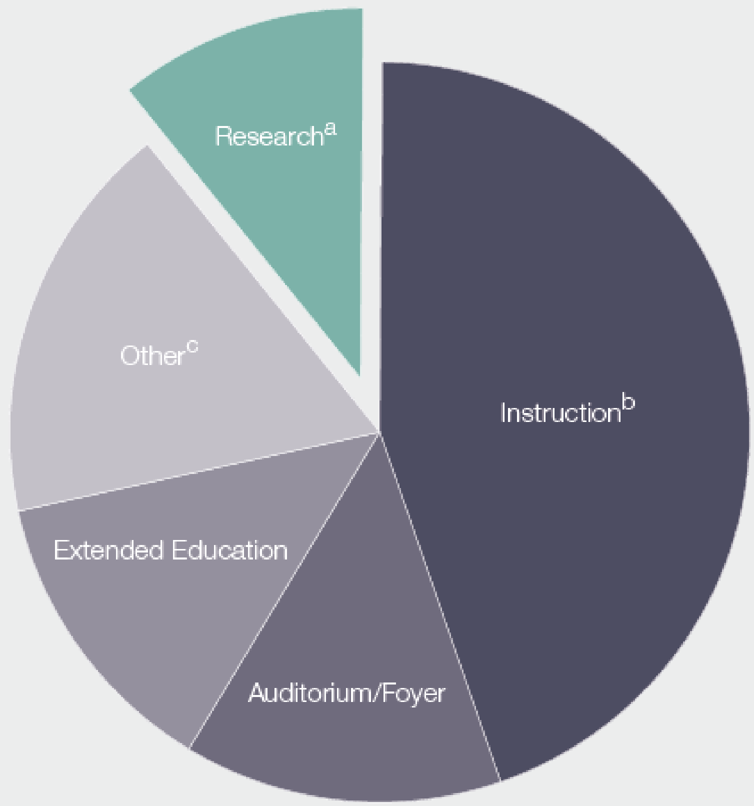
Funding Equipment and Facilities at CSU University Farms. Four CSU campuses (Chico, Fresno, Pomona, and San Luis Obispo) operate university farms to support instruction and research in their agriculture programs. The Governor's budget provides $50 million one-time General Fund for these university farms to acquire equipment and construct or modernize their facilities. Provisional language indicates the funds are "to support program efforts to address climate-smart agriculture and other climate-related issues."

Legislative Analyst's Office Assessment and Recommendations

Climate-Related Research Space Is a Small Element of Proposed CSU Bakersfield Building. Although the building would include space for research on climate-related issues, research is only a small portion of the project proposal. Based on project data from CSU, research space accounts for only about 10 percent of the assignable space within the proposed building. As the figure below shows, the largest component of the building is instructional space, primarily consisting of teaching labs for the engineering, physics, and computer science programs. Other building components include a 240-seat auditorium, faculty offices, and student study space. That is, the bulk of the proposed funding would likely go to typical academic facility costs, without a direct nexus to climate innovation. In addition, 13 percent of the assignable space within the proposed building is for the campus's extended education programs—a self-supported enterprise that typically would be expected to fund its own facility projects.

Small Portion of CSU Bakersfield Building Is Focused on Research

Allocation of 49,000 Assignable Square Feet



[a] Consists of California Energy Research Center and other research space.

[b] Consists of teaching labs, classrooms, student project space, and other instructional support space.

[c] Consists of administration space, faculty offices, and student tutoring and group study space.

LAO

Climate Benefits of University Farms Proposal Are Likely Minor. Similar to the CSU Bakersfield proposal, the university farms proposal primarily would support capital improvements for certain academic programs—in this case, agriculture programs at four CSU campuses. CSU has submitted a list of 14 projects that the four campuses would pursue with the proposed funds. The list includes some projects with climate-related objectives, such as replacing older farm vehicles with electric vehicles and upgrading irrigation systems to conserve water. However, the climate-related objectives are less clear for other proposed projects, such as adding space to a meat lab, replacing a beekeeping lab, and modernizing horticulture facilities. On the whole, it is uncertain whether the climate benefits of the proposed university farm projects would exceed the climate benefits of other capital projects that CSU routinely undertakes—including the energy efficiency projects discussed in the previous section.

Other CSU Capital Outlay Priorities Outrank Governor's Proposals. CSU's 2022-23 capital outlay priority list does not include any projects at the university farms, suggesting other capital needs are likely of greater urgency systemwide. Although the CSU Bakersfield building does appear on CSU's priority list, it ranks 11th out of the 23 projects. The ten projects ranked above it include infrastructure improvements across the 23 campuses, as well as four projects to address seismic deficiencies at specific campuses. The LAO thinks it is reasonable to prioritize these projects over the Bakersfield project, given that they address issues relating to life safety and the continuation of existing campus operations. If the Legislature wishes to add space for engineering programs as the Governor is proposing, CSU's top ten priorities also include two other such projects—at the San Marcos and Sacramento campuses. The LAO thinks these latter two projects have stronger justification than the Bakersfield project, as the San Marcos and Sacramento campuses utilize their existing teaching lab and classroom space at notably higher rates than the Bakersfield campus. Moreover, the engineering program at the San Marcos campus is impacted (meaning it cannot accommodate existing enrollment demand).

LAO Recommendation:* *Consider Proposals a Lower Spending Priority. The LAO does not see a strong rationale for prioritizing either the CSU Bakersfield Energy Innovation Center or the university farm equipment and facility improvements. Based on their assessment, neither proposal is likely to have major climate benefits, nor does neither reflect the highest capital outlay priorities at CSU. The Legislature could consider redirecting the proposed funds to other capital purposes. (Because both of the Governor's proposals are excludable from the state appropriations limit, the Legislature very likely would need to use the associated funds for excludable purposes.) This could include capital improvements at CSU, such as addressing its maintenance backlog or funding higher-priority academic facility projects. Alternately, it could include capital purposes elsewhere in the budget that have a clearer focus on climate change research and development, such as the Governor's proposed industrial de-carbonization program at the California Energy Commission.

Suggested Questions

- Please explain the use rate of these facilities as a result of this funding—how many students, faculty etc.
- What current research and development activities on carbon management and clean energy issues are being performed at CSU Bakersfield? How would these activities change because of the proposed project?
- At CSU University Farms, what climate smart agriculture and other climate related issues are being addressed currently and how would those efforts be enhanced with this proposed funding?
- CSU: In terms of your priority list, which other projects would you select above these two projects with the proposed funding?

Staff Recommendation. Hold Open

Issue 10: Implementation of Budget Act Agreements (Oversight)

Panel

- Ryan Storm, California State University

Background

The Budget Act of 2021 included various new initiatives for CSU such as the following:

- **Dual Admissions Pathway Program.** AB 132 created the Dual Admissions Pathway Program CSU for first-time freshman applicants starting in the 2023-24 through the 2025-26 academic year. The dual admissions agreement guarantees that a student will: (1) be admitted to the campus of their choice if the student completes and associates degree for transfer or an established course of study for transfer within two academic years at a CCC, and (2) have access to library, counseling and other services from the CSU campus nearest to their primary residence. Freshmen are eligible for dual admission if they would not otherwise qualify for university admission as freshmen due to personal challenges, financial hardship, or limitations of their high school curriculum. AB 132 requires CSU to report by April 1, 2026 on the program, including college participants, description of services and information on program applicants and student outcomes.

- **CSU Humboldt Transition to Polytechnic University.** The 2021 Budget Act provided $433 million for capital projects, and $25 million ongoing to support CSU Humboldt transition to a polytechnic university.

- **Emergency Financial Aid.** The 2021 Budget Act provided $30 million one-time General Fund to support emergency financial aid for students. The budget approved the May Revision proposal to align emergency student financial aid eligibility criteria for funding available to CSU students with criteria established by AB 85 (Committee on Budget), Chapter 4, Statutes of 2021 for similar funding available to California Community College students. Specifically, these funds are for CSU to provide grants to low-income students who are enrolled at least half time, demonstrate an emergency need, and have earned a grade point average of at least 2.0 in a recent term

- **CSU Northridge Center for Equity in Innovation and Technology.** The 2021 Budget Act approved the May Revision proposal to provide $25 million one-time General Fund to support the California State University Northridge Center for Equity in Innovation and Technology. This is a new facility for activities to address equity gaps among underrepresented students in science, technology, engineering, and mathematics (STEM) fields.

- **CSU Stanislaus Stockton Center Enrollment.** The 2021 Budget Act approved the Governor's Budget proposal to provide $1 million ongoing General Fund to support enrollment growth of 115 students at the CSU Stanislaus Stockton Center.

- **Computing Talent Initiative at CSU Monterey Bay.** The 2021 Budget Act approved the Governor's Budget proposal to provide $10 million one-time General Fund to support the Computing Talent Initiative at CSU Monterey Bay. This is a new state-funded initiative intended to strengthen the technology workforce pipeline, with an emphasis on increasing diversity within the industry.

Suggested Questions:

- For all mentioned above:

- To date, what steps has CSU taken to implement these initiatives?
- What data, if any, has CSU collected about it? Does CSU have any participation data for these initiatives?
- What challenges, if any, has CSU encountered as it implements these initiatives?

- In addition, on Dual Admissions Pathway:
  - Does CSU believe that any statutory changes are needed to improve program implementation for any of the above?

Staff Recommendation. No action required. This is an oversight item.

6870 CALIFORNIA COMMUNITY COLLEGES

Issue 11: Implementation of Budget Act Agreements (Oversight)

Panel

- Lizette Navarette, Community College Chancellor's Office

Background

The Budget Act of 2021 included several agreements and investments such as the following:

- **Student Basic Needs.** AB 132 approved the Governor's Budget proposal to provide $100 million one-time Proposition 98 General Fund to support student basic needs, including food insecurity and to assist homeless and housing-insecure students in securing stable housing. The law also requires the Chancellor's Office to report to the Legislature by January 1, 2025 on use of funds.

- **Student Mental Health Services.** The 2021 Budget Act included $30 million ongoing Proposition 98 General Fund to support student mental health.

- **Zero-Textbook-Cost Degrees.** AB 132 provided $115 million one-time Proposition 98 General Fund for zero-textbook-cost degrees. The law amended the CCC zero-textbook-cost degrees program to also include open educational resources for courses, clarifies that zero-textbook-cost degrees may also include low-cost degrees if no-cost degrees are not available.

- **Full-Time and Part-Time Faculty.** The 2021 Budget Act included $100 million ongoing Proposition 98 General Fund to increase the hiring of full-time faculty. The budget and AB 132 provide $10 million ongoing $90 million one-time to support part-time faculty office hours.

- **CCC Equal Employment Opportunity.** AB 132 approved the May Revision proposal to provide $20 million one-time Proposition 98 General Fund to support equal employment opportunity practices.

The above agreements are of relevance to this oversight item.

Staff Comment. Staff notes that the Governor's budget proposes an increase of $10 million Proposition 98 General Fund to support the sustainable implementation of Equal Employment Opportunity best practices to diversify community college faculty, staff, and administrators.

Suggested Questions:

For all mentioned above:

- To date, what steps has CCC taken to implement these agreements?
- What data, if any, has CCC collected about it? Does CCC have any participation data for these initiatives?
- What challenges, if any, has CCC encountered as it implements these initiatives?

For the EEO agreement last year and the EEO proposal in this Gov's budget,

- Can you explain how these two proposals are linked? Will the funding proposed in the Governor's budget continue efforts that are happening in the current year?

Staff Recommendation. No action needed.

6980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

Issue 12: Dreamer Service Incentive Grants (DSIG)

Panel

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

Background

CSAC Recently Launched Dreamer Service Incentive Grants (DSIG) Program. The state created this program in the 2019-20 budget to provide additional non-tuition aid to undocumented students receiving a Cal Grant B award who complete a community service requirement. After the onset of the pandemic, the state redirected program funding in 2019-20 and 2020-21 toward emergency grants for undocumented students. As a result, CSAC is implementing the program for the first time in 2021-22. The program provides awards of up to $1,500 per semester to eligible students who complete 150 hours of service (or up to $1,000 per quarter for completing 100 hours of service). The service requirement equates to about 10 hours per week. Part-time students receive prorated award amounts, although they are required to complete the same number of service hours as full-time students. Program participation for both full- and part-time students is limited to a total of eight semesters (or 12 quarters).

DSIG Participation Is Much Lower Than Anticipated. State law limits participation in the program to 2,500 students at any one time—the maximum number that could receive the full award amount without exceeding the ongoing funding level of $7.5 million. In fall 2021, only about 100 students participated in the program. Of these participants, about ten were part-time students. CSAC has identified several possible explanations for the low participation rate, including the availability of higher-paying work opportunities, the availability of emergency grants during the pandemic, and pandemic-related disruptions in service opportunities.

State Also Supports Dream Loan Program at UC and CSU. SB 1210 (Lara), Chapter 754, Statutes of 2014 created the California Dream Loan program to provide loans to undocumented students with financial need. (Undocumented students are ineligible for federal student loans.) Under this program, UC and CSU campuses may award loans of up to $4,000 annually to eligible students. Each participating campus maintains a revolving fund for issuing loans and depositing repayments. At UC, the program is supported by a combination of General Fund (set aside from the university's base support) and other institutional funds. At CSU, the program is primarily supported by state lottery funds. In 2020-21, about 900 UC students received Dream Loan disbursements totaling $2.8 million, and about 460 CSU students received disbursements totaling $1.5 million. The segments indicate that participation is down from previous years, possibly due to decreased living costs for students who moved home during the pandemic, as well as the availability of emergency grants.

Governor's Budget Proposal

Governor Proposes to Increase DSIG Award Amount and Redirect Unspent Funds to Dream Loan Program. The proposed trailer bill language would increase the maximum DSIG award amount from $1,500 to $2,250 per semester (or from $1,000 to $1,500 per quarter). Under this proposal, full-time students would in effect earn $15 per hour of service—equivalent to the state minimum wage for larger employers. Part-time students would continue to receive prorated awards. In addition, the proposed language would lower the limit on program participants from 2,500 students to 1,667 students at any one time to keep program costs within the current funding level.

The proposed trailer bill language would also allow the Director of Finance to transfer any unspent funds for the DSIG program beginning in 2021-22 to UC and CSU to support the Dream Loan program. These funds would be allocated to UC and CSU based on each segment's share of Dream Loan recipients in the most recent year for which this data is available. Based on 2020-21 data, about two-thirds of the redirected funds would go to UC.

Legislative Analyst's Office Assessment and Recommendations

Proposed Increase in DSIG Award Amounts Would Promote Participation. Given that one possible reason for low participation in the DSIG program is the availability of higher-paying work opportunities, the proposed trailer bill language could make the program more attractive to potential participants. Because the increased award amounts align with the state minimum wage of $15 per hour, the program would be compensating students at an hourly rate more comparable to what they could earn elsewhere.

Award Amounts for Part-Time Students Would Remain Low. Under the proposed trailer bill language, a student enrolled half-time and a student enrolled three-quarters time would receive the equivalent of $7.50 per hour and $11.25 per hour of service, respectively. Given that these rates are well below the state minimum wage, they are very likely to continue discouraging program participation among part-time students. Moreover, the LAO sees no strong rationale for compensating part-time students at a lower hourly rate for their service than full-time students.

No Demonstrated Need for Additional Dream Loan Funding. At both UC and CSU, current funding for the Dream Loan program is sufficient to meet student demand. Neither segment has needed to maintain a waitlist or turn students away from the program. Moreover, both segments tend to have unspent funds in the program. This is particularly the case at UC, which had an ending balance of $12.8 million in its Dream Loan revolving fund in 2020-21—more than four times total program spending in that year.

LAO Recommendation:* *Modify Proposed Increase in DSIG Award Amounts. The LAO thinks that the Governor’s proposed increase to the maximum award amount is a reasonable way to increase participation in an undersubscribed program. However, the LAO recommends amending the language to remove the proration of awards for part-time students, as this would address an additional disincentive for these students to participate. With this amendment, the program would compensate both part- and full-time students at an hourly rate equivalent to the state minimum wage.

LAO Recommendation:* *Reject Redirection of Unspent Funds to Dream Loans. Given that current funding for the Dream Loan program is sufficient to meet demand, the LAO recommends rejecting the redirection of unspent DSIG funds to Dream Loans. Instead, the Legislature could allow unspent DSIG funds to revert to the General Fund. In future years, as more data becomes available on DSIG participation, the Legislature could revisit the ongoing funding level to align it better with demand, thus minimizing the amount of unspent DSIG funds.

Add Reporting Requirement for DSIG Program. To inform future funding decisions, the LAO recommends further amending the proposed trailer bill language to require CSAC to submit a report annually starting November 1, 2022 on the DSIG program. At a minimum, the LAO recommends this report include the number of program recipients and the total amount of aid provided in the previous award year, by segment. The Legislature may also wish for the report to include a list of organizations providing service opportunities under the program and the number of hours served at each organization.

Suggested Questions:

- We ask the Administration and CSAC to comment on the LAO recommendations.
- What is the rationale for compensating part-time students at a lower hourly rate for their service than full-time students?
- Is there currently a waitlist at UC or CSU for Dream Loan Funding?
- LAO: Would there have to be a revised cost estimate due to your recommendations and if so, what is the estimated cost increase?

Staff Recommendation. Hold Open

Issue 13: Implementation of Budget Act Agreements (Oversight)

Panel

- Jake Brymner, California Student Aid Commission

Background

The subcommittee requests implementation updates on the following three programs:

- **Learning Aligned Employment.** The 2021 Budget Act included $200 million in 2021-22 and $300 million in 2022-23 to support state-funded work-study programs at UC, CSU and CCC campuses to be administered by CSAC. AB 132 specified that the program is available for students from an underrepresented background who is enrolled at least part time, a resident student and maintains satisfactory academic progress, and demonstrate financial need. The learning aligned employment position is to be related to the student's area of study or career interest. Students must be placed with employers that are able to provide them with or connect them to full-time employment opportunities upon graduation.

- **Golden State Teacher Grants.** The 2021 Budget Act included $500 million one-time General Fund for this initiative, which provides scholarships of up to $20,000 to students enrolled in teacher preparation programs. Recipients must commit to teaching for four years in certain subject areas (special education; bilingual education; science, technology, engineering, and mathematics; multiple subject instruction; or transitional kindergarten) at a school where at least 55 percent of students are disadvantaged (as identified under the Local Control Funding Formula [LCFF])-defined as a priority school. These funds are in addition to $15 million one-time federal funds provided in the 2020 Budget Act to support students committing to teach in special education. Trailer legislation provides CSAC until June 30, 2026, to spend both appropriations.

- **Golden State Education and Training Grant Program.** The 2021 Budget Act provided $472.5 million federal funds and $27.5 million one-time General Fund to create the Golden State Education and Training Grants program. The funds support education grants for displaced workers wishing to attend UC or CSU. AB 132 makes statutory changes to implement the provisions of this program. This program is administered by CSAC, and they shall make grants of up to $2,500 available for eligible workers displaced by COVID-19. Grants allocated by CSAC shall be used to do either of the following: (1) Support the costs to access an educational program offered by an institution of higher education. And (2) Obtain training from a provider that is included on the state's Eligible Training Provider List, and that has a demonstrated track record of having the majority of its participants obtain employment that pays at least a living wage, as calculated by the Massachusetts Institute of Technology within one calendar year of program completion.

Suggested Questions:

- For all programs mentioned above:
  - To date, what steps has CSAC taken to implement these programs?
  - What data, if any, has CSAC collected about it? Does CSAC have any participation data for these programs?
  - What challenges, if any, has CSAC encountered as it implements these programs?
- In addition, for the Dreamer Service Incentive Grant program:

- o The Administration is proposing TBL for the Dreamer Service Incentive Grant program. Can you explain the need for that TBL?

Staff Recommendation. No action required. This is an oversight item.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

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

Consultant: Elisa Wynne and Yong Salas

Public Comment

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

6100 Department of Education

Issue 1: Expansion of Transitional Kindergarten

Panel I:

- Lina Grant, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Sarah Neville-Morgan, Deputy Superintendent for Opportunities for All Branch, Department of Education

Panel II Local Perspectives:

- Rebeca Andrade, Superintendent, Salinas City Elementary School District
- Tandy Taylor, Executive Director, Educational Services, Cypress School District
- Jennifer Hicks, Assistant Superintendent - Educational Services, Placer County Office of Education

Background

Transitional Kindergarten (TK). SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten (TK) program, beginning in 2012-13, for children who turn five between September 2 and December 2. TK is the first year of a two-year kindergarten program that uses a modified, age and developmentally appropriate curriculum. It is intended to be aligned with California Preschool Learning Foundations developed by the California Department of Education. Each elementary or unified school district must offer TK and kindergarten for all eligible children, regardless of family income. TK is funded through the Local Control Funding Formula (LCFF) allocation. In 2018-19, 91,000 students in California were enrolled in TK. In addition to an elementary teaching credential, starting August 2021, TK teachers are required to have either 24 units in early childhood education and/or child development, a child development permit, or comparable experience in a classroom setting.

The 2021 Budget gradually expands TK eligibility from 2022-23 to 2025-26 so that by 2025-26, a child who has their fourth birthday by September 1 will be eligible for TK. In addition to expanding TK, the 2021 Budget also established the Expanded Learning Opportunity Program, which requires local educational agencies to offer a nine-hour school day, including before and after school services. Whether TK and Kindergarten is offered for half-day or full-day classes is determined by the local educational agency.

Preschool for four-year-olds. Currently, four-year-olds are served by a mixture of State Preschool (for income-eligible students) and early TK (if provided). In 2018-19, 143,000 three- and four-year-olds were enrolled in State Preschool. Four-year-olds make up 63 percent of that enrollment. Aside from income eligibility, these programs vary in other ways, including teacher credentialing requirements and length of school day (see table below from the LAO[1]).

[1] https://lao.ca.gov/reports/2021/4350/Transitional-Kindergarten-Proposals-020521.pdf

Income-eligible four-year-olds end up in either preschool or TK due to combination of these factors, availability of early TK in their area, and available State Preschool slots.

The Governor's Master Plan on Early Learning and Care set a goal to provide all income-eligible three-year-olds and all four-year-olds with preschool. The initial step is aligning preschool and TK standards. Eventually, all four-year-olds would be eligible for TK programs, and all income-eligible three-year-olds would be served by state preschools.

	Transitional Kindergarten	State Preschool
Age	Four-year olds with birthdays between September 2 and December 2, with option to serve some younger students.	Three- and four-year olds.
Income Eligibility	None.	A family of three must generally earn at or below $73,885.
Program Duration	Must operate at least 180 days per year, at least three hours per day but determined by district.	Must operate at least 246 days per year, 6.5 hours per day for full-day program; at least 175 days per year, 3 hours per day for part-day program.
Work Requirement	None.	None for the part-day program. Working families are prioritized for the full-day program.
Staffing Ratio	1 to 33 maximum teacher-child ratio.	1 to 24 maximum teacher-child ratio and 1 to 8 maximum adult-child ratio.
Funding Source	Proposition 98 General Fund.	Proposition 98 and Non-Proposition 98 General Fund.
Providers	School districts.	School districts, county offices of education, community colleges, and community-based organizations.
Teacher Requirements	Bachelor's degree, multiple subject teaching credential, and a Child Development Teacher Permit or at least 24 units of ECE/CD or comparable experience.[a]	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units).

[a] Child Development requirements effective August 1, 2021.
ECE/CD = Early Childhood Education/Child Development.

Source: Legislative Analyst's Office

Universal Prekindergarten Planning and Implementation Grant Program. The 2021 Budget provided $300 million in one-time Proposition 98 for the California Pre-Kindergarten Planning and Implementation Grant Program. Of the total, $200 million is provided to local educational agencies for costs associated with creating or expanding California state preschool programs or transitional kindergarten programs, or to establish or strengthen partnerships with other providers of prekindergarten education for costs including but not limited to planning, hiring and recruitment, staff training and professional development, classroom materials, and supplies. The remaining $100 million is provided for competitive grants to local educational agencies to increase the number of highly-qualified teachers and administrators available to serve California state preschool programs and transitional kindergarten pupils, including for related professional development.

Governor's Budget

Pursuant to the 2021 Budget plan, the proposed budget includes $639.2 million General Fund to expand eligibility for transitional kindergarten, from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2, beginning in the 2022-23 school year. These funds will increase the Proposition 98 Guarantee through the process of rebenching.

The proposed budget includes $383 million Proposition 98 General Fund to add one additional certificated or classified staff person to every transitional kindergarten class so that the student-to-adult ratios more closely align with the State Preschool Program. This investment will bring the student-to-adult ratio to 12-to-1, as required by law; and beginning in 2023-24, the student-to-adult ratio is expected to be 10-to-1, contingent on available funds.

Suggested Questions

- CDE: What is the proportion of which local educational agencies are using their prekindergarten planning and implementation grants to expand state preschool programs versus transitional kindergarten programs?

- DOF: What is the expected cost to bring the student-to-adult ratio to 10-to-1 in 2023-24?

- Local panelists: Is there anything that the state can do to help you as you implement the expansion of transitional kindergarten?

Staff Recommendation. Hold this item open.

Issue 2: California State Preschool Program Eligibility Changes

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Jodi Lieberman, Department of Finance
- Virginia Early, Education Administrator for Early Education Division, Department of Education

Background

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Commencing July 1, 2021, the administration of child care programs transitioned to the Department of Social Services (DSS), with the exception of the California State Preschool Program, which continues to be administered by the Department of Education (CDE).

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited. Providers of State Preschool must comply with Title 5 of the California Code of Regulations including requirements, such as development assessments for children, rating scales, and staff development.

Preschool-aged children may also be served in other settings, such as other child care settings, federal Head Start programs, or Transitional Kindergarten if the child is age-eligible.

Funding. As CSPP programs are run by both LEAs and Non-LEAs, the fund sources for the programs have changed over time. However, since the 2019-20 Budget Act all non-LEA state preschool and wrap care are funded with non-Proposition 98 General Fund and LEA state preschool and wrap care are funded with Proposition 98 General Fund. State Preschool providers contract with and receive payments directly from CDE. Prior to 2022, CSPP programs received the same standard reimbursement rate (SRR) no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for children with exceptional needs, severe disabilities, cases of neglect, and English learners.

The Budget Act of 2021, included a provision that required, commencing January 1, 2022, all early education providers would receive the higher of the SRR, adjusted by COLA, or the 75th percentile of the 2018 regional market rate survey. This change was an attempt to better align rates for early care and education across all providers and care types to allow for movement towards a single reimbursement rate system. In January 2022, the CDE released management bulletin 22-01, detailing these calculations and informing CSPP providers of the change. The 2021-22 budget package also provided $130 million Proposition 98 General Fund to increase State Preschool slots for school districts and county offices of education.

CSPP Eligible Population and Children served:
Overall, in 2019, there were about 1 million three- and four-year old children eligible for CSPP. Of this, 620,520 of those children were eligible for CSPP based on being from families with incomes below 85 percent of the state median income. This was estimated using data from the 2019 Census' American Community Survey and the specific income thresholds for CSPP and this does not capture children who may be eligible to receive CSPP based on local factors, like whether their program participates in the flexibilities allowed for programs operating in the attendance boundary of an elementary school where 80% or more of students are eligible for free or reduced-price meals.

Overall, about 142,067 three- and four-year old income eligible children were served in October 2019 in CSPP (23 percent of all eligible). Percentage of eligible children served varies by age:

- 40,484 three-year old children served out of 303,603 income eligible three- year old children (13 percent)
- 101,583 four-year old children served out of 316,917 income eligible four-year old children (32 percent)

In addition, the CDE notes that while about 12 percent of students in public K-12 schools statewide have an identified disability, only approximately 4 percent of the students participating in State Preschool are children with disabilities.

<u>Governor's Budget Proposal:</u>

The Governor's Budget includes the following changes to the CSPP:

- Provide an ongoing increase of $197.8 million Proposition 98 General Fund and $110.6 million non-Proposition 98 General Fund to increase State Preschool Program adjustment factors for students with disabilities and dual language learners. These adjustment factor increases are intended to fund new requirements for State Preschool providers to:
    - serve at least 10 percent students with disabilities, and
    - provide additional supportive services for dual language learners.

- Additionally, all students participating in State Preschool will maintain continuous eligibility for 24 months (increased from 12 months) after eligibility is confirmed, children with an individualized education program will be categorically eligible to participate in State Preschool, and State Preschool providers that have served all eligible three- and four-year-olds in their service will be allowed to serve two-year-old children.

Specifically for the additional requirements on children with exceptional needs, the higher adjustment factor will be applied to 10 percent of funded enrollment for each agency to ensure that funded slots are available at any time during the fiscal year. Trailer bill language further specifies that agencies not meeting the requirement to fill 10 percent of funded enrollment with children with exceptional needs shall conduct community outreach to special education partners to recruit additional children with exceptional needs into their programs. Beginning July 1, 2025, any agency not meeting the requirement may be put on a conditional contract or apply for a waiver through a process determined by the Superintendent.

The eligibility proposals make changes to the eligibility order as noted in italics below:

- The first priority for services shall be given to three-year-old or four-year-old children who are recipients of child protective services or who are at risk of being neglected, abused, or exploited and for whom there is a written referral from a legal, medical, or social service agency.
- *The second priority is additional three- and four-year old children with exceptional needs interested in enrolling beyond those already enrolled in the 10 percent requirement from families with incomes below the income eligible threshold.*
- The third priority for services shall be given to eligible four-year-old children who are not enrolled in a state-funded transitional kindergarten program, with lowest-income children served first.
- The fourth priority for services shall be given to income-eligible three-year-old children, with lowest-income children served first.
- The fifth priority, after all otherwise eligible children have been enrolled, shall be a child with exceptional needs whose family's income is above the income eligibility threshold.
- The sixth priority, after all otherwise eligible children have been enrolled, shall be children from families whose income is no more than 15 percent above the eligibility income threshold. Within this priority category, priority shall be given to four-year-old children before three-year-old children.
- After priorities (1) though (6) are completed:
  - A CSPP site operating within the attendance boundaries of a qualified free and reduced priced meals school may enroll any *three-year-old* or four-year-old children whose families reside within the attendance boundary of the qualified elementary school, with lowest-income children served first.
  - *CSPP programs may enroll children to provide expanded learning and care to transitional kindergarten or kindergarten pupils.*
  - *After all eligible three- and four-year-old children have been enrolled, providers may enroll eligible two-year-old children, with lowest-income children served first.*

<u>LAO Comments:</u>

Consider Ways to Monitor Implementation and Address Barriers to Access. While we think the 10 percent requirement is a reasonable starting point, the Legislature may want to reassess this threshold in a few years, particularly in light of the major changes that will be occurring in early education with the expansion of TK. At that time, the Legislature may want to increase or decrease the requirement. To the extent that providers have difficulty implementing the 10 percent requirement, the Legislature will also want to consider ways to change the existing program to help address the key barriers that providers face. The Legislature could monitor these issues in a variety of ways, such as by requiring CDE to report to the Legislature or contracting with an external agency to follow the implementation more closely.

Trade-Offs Associated With Allowing Two-Year Olds. Allowing State Preschool to serve two-year olds would give providers more flexibility to ensure that their programs are fully enrolled. This flexibility could be particularly beneficial for providers who also have General Child Care contracts with the state and serve two-year olds in those programs. Serving two-year olds in State Preschool, however, would create some administrative challenges. Providers would be required to increase staffing, as the child-to-staff ratios for two-year olds are half the ratio for preschoolers (4-to-1 and 8-to-1, respectively). Providers may also need to modify their facilities to address the unique needs of smaller children. (For example, by installing diaper changing stations.) Moreover, the Governor's proposal is not clear on whether two-year olds enrolled in State Preschool would be funded at the same rate as three- and four-year olds, or if they would be funded at the higher rate for toddlers that is used in General Child Care. Given the complexities of such a change, the Legislature may want to wait a few years and see how the expansion of TK affects State Preschool enrollment before deciding to adjust eligibility in this way.

Recommend Adopting 24-Month Eligibility. Providers in several counties that have been granted flexibility from certain state policies have implemented 24-month eligibility for several years. The policy allows three-year olds enrolled in State Preschool to continue participating in the program until they are eligible for kindergarten, helping to ensure the child is prepared for kindergarten. The change also reduces some administrative burden without adding cost pressure to the program. Applying this policy statewide also would create consistency for children and families

Suggested Questions:

- How will CSPP programs meet the 10 percent requirement for serving students with special needs? Are there barriers programs may face in reaching and maintaining this percentage? What support does CDE or the Administration envision being needed to help transition CSPP to this standard and ensure quality?

- What specific services will CSPP be required to provide to dual language learners?

- How would CSPP differentiate care for two years olds if the age eligibility is expanded for this student group?

- Why does the Administration propose to expand CSPP eligibility to two year olds when only a small portion of eligible three year olds are served? With all of the additional eligibility changes, how many two year olds does the Administration assume would be served in CSPP?

Staff Recommendation: Hold Open.

Issue 3: Supporting Preschool-Aged Students with Disabilities

The Governor's budget proposal includes additional proposals to support preschool-aged children with disabilities:

- $500 million one-time Proposition 98 General Fund to support an additional infusion of funds into the Inclusive Early Education Expansion Program.
- $62 million one-time funding ($2 million General Fund, and $60 million Proposition 98 General Fund) to incorporate early identification for learning disabilities into the state's preschool assessment tools and provide training on these tools.

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Jodi Lieberman, Department of Finance
- Stephen Propheter, Director for Early Education Division, Department of Education

Inclusive Early Education Expansion Program (IEEEP):

The Budget proposes to provide an additional $500 million one-time Proposition 98 General Fund to support an additional infusion of funds into the Inclusive Early Education Expansion Program to provide additional grants. Funds would be allocated according to the same parameters of the existing program, however of the total, $50 million would be provided to an LEA provide broad technical assistance to grantees and to support efforts to offer aligned early education programs.

The Inclusive Early Education Expansion Program (IEEEP) was initially funded in the 2018-19 Budget Act, at $167.2 million in Proposition 98 funding for the Inclusive Early Education Expansion program. Under this program; grants were provided to LEAs (a combination of county offices of education and school districts received funding) to increase access to subsidized early care and education programs for children from ages zero to five. Priority for grants was given to applicants that demonstrated a need for expanded access to inclusive early care, and to serve low-income communities, leverage local partnerships, serve a broad range of disabilities, and work towards serving children with disabilities in proportion to the rate of identification similar to LEAs in their area.

Funds were to be used for the following one-time infrastructure costs, adaptive equipment, and professional development, and grantees must provide a 1/3 local match:

- Facilities: Funding can be used by a Local Education Agency (LEA), either for its early learning and care (ELC) programs or for ELC programs operated by a consortium of ELC providers; for facility repairs and renovations that will assist children with disabilities, including children with severe disabilities, in increasing access to inclusive ELC programs. Funding for new facility construction can only be used by LEAs to improve its own facilities.
- Adaptive Equipment: LEAs or ELC consortium providers may use the IEEEP funds to improve the accessibility for indoor and outdoor environments by building or purchasing

adaptive equipment in order to increase participation of children with disabilities, including severe disabilities.

- Professional Development: Funding can be used by LEAs and ELC consortium providers for professional development to ensure that ELC staff are prepared to serve children with a broad range of disabilities, including children with severe disabilities. Grantees are required to use training funds over the initial 24-month period of the grant, which is through June 15, 2022

According to the CDE, the IEEEP Request for Funding Application (RFA) response rate and funding requests from applicants in the initial round of funding provided in the 2018 Budget Act indicated a broader need among the field to expand or implement inclusive early education programs. Over 200 LEAs submitted a letter of intent to submit an RFA for funding; however only 107 applied. Despite this, of the 79 applicants who received a fundable score from the application scoring process, the total funding requested by all applicants was over $303 million. Because of this, CDE developed a methodology of funding awards based on priority needs (i.e., low-income communities, applications as consortiums with local partners, programs serving a broad range of disabilities, and local priority needs) which resulted in 65 grantees being awarded funding, 16 of which received a reduced award amount than what was originally requested in their application. The California Department of Education (CDE) is administering the existing program, and will conduct an evaluation.

Early Identification for Learning Disabilities:

The Governor's budget provides $2 million one-time General Fund to incorporate early identification for learning disabilities into the state's preschool assessment tools and $60 million one-time Proposition 98 General Fund to provide training for educators on effective use of these tools.

Specifically, $2 million is provided to the CDE, available for encumbrance until June 30, 2024, to determine a process and tool for early identification of children at risk for developmental delays and/or learning disabilities. Process and tools shall:

- Allow for immediate identification, further evaluation as needed, support and remediation based on needs of the child, and additional referrals for services as deemed necessary.
- Include a process for research-based early intervention that considers the differing intervention needs children may have in areas of concern.
- Be available for use in all California state preschool programs and available for use in transitional kindergarten programs, and kindergarten pursuant to guidance from the Superintendent.

The $60 million is available for allocation to a local educational agency or local educational agencies to support statewide systems building activities and to support the alignment of local practices with research-based strategies that best promote student outcomes and program quality while also supporting the local implementation of the processes and tools This funding shall be available for encumbrance until June 30, 2026. Specific activities supported by this funding shall include, but not be limited to:

- The development of training and resources for the California state preschool program and any interested Transitional Kindergarten and kindergarten programs on the process and tools.
- Provide training and practice-based coaching around the effective use of the process and tools and how to embed their use into the California state preschool program, Transitional Kindergarten, and kindergarten.
- Develop data collection and reporting systems, and a consistent process to enable the data to be used at the local and state level to improve teacher practice, enhance child outcomes, and support program evaluation.
- Provide in-depth coaching and assistance to California state preschool programs identified as needing additional support.

LAO Comments:

LEA-Based Providers Better Positioned to Serve Students With Disabilities. Meeting the requirements proposed by the Governor would be relatively easier for LEA providers. Since school districts are directly responsible for providing special education services to their students, they will find it easier to refer students to their State Preschool program and ensure that providers are coordinating with special education experts. COEs also have special education experts that can assist State Preschool in better serving students. Moreover, unlike non-LEA providers, LEAs would have access to the IEEEP grant funding proposed by the Governor, which would cover one-time costs for training, facility renovations, and equipment.

Recommend Redirecting Funding to Better Support Non-LEA Providers. Because non-LEA providers do not have these same advantages, we think it is likely that they will find serving a larger share of students with disabilities more challenging. This is particularly true of those that do not already operate Head Start. We recommend the Legislature set aside a larger portion of IEEEP funding for state-level assistance and support that can be accessed by non-LEA providers. The Legislature could also consider redirecting others sources of funding for non-LEA training and support. For example, the Legislature could consider redirecting a portion of federal quality improvement funding (currently totaling $120 million) for this purpose. These funds are currently administered by the Department of Social Services. Similarly, the Legislature may want to ensure a greater portion of the $60 million proposed by the Governor to be set aside for training on early identification will be available for non-LEAs.

Suggested Questions:

- What data is available at this point on the use of funds or planned use of funds from the original IEEEP allocation?

- How has the Administration determined the additional demand in the field for the IEEEP funds?

- How do the newly proposed early identification tools and training relate to current assessments and supports in early education, such as the Desired Results Developmental Profile?

- What if any, are the roles of the Special Education Local Plan Areas (SELPA) Systems Improvement Leads and SELPA Content Leads, which were funded to support special education systems and practices statewide, in directing or coordinating training on identification or supporting the development of such tools?

- How are these proposals related to or coordinated with the $10 million proposal in the Department of Developmental Services for preschool aged children?

Staff Recommendation: Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, March 2, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Christopher Francis, Ph.D. and Yong Salas

Public Comment

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

6100 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1A: Golden State Pathways (Department of Education)

Panel

- Liz Mai, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Pete Callas, Director of the Career & College Transition Division, Department of Education

Governor's Budget

The Governor's Budget includes $1.5 billion one-time Proposition 98 General Fund, available over five years, for the Golden State Pathways Program to support the development and implementation of college and career educational pathways in critically needed sectors of the economy (focused on technology, health care, education, and climate-related fields). This program proposes to do this through a combination of academic secondary and postsecondary courses, internships, apprenticeships, and certifications.

Funding for this program is available to school districts, charter schools, county offices of education, or regional occupational center or program operated by a joint powers authority. Eligible entities must commit to: (1) providing a program that includes all the courses to meet A-G requirements; (2) providing the opportunity to earn at least 12 postsecondary credits achieved through dual enrollment, Advanced Placement courses, or International Baccalaureate courses; (3) providing work-based learning experiences; and (4) integrating support services.

Issue 1B: Dual Enrollment (Department of Education)

Panel

- Liz Mai, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Pete Callas, Director of the Career & College Transition Division, Department of Education

Governor's Budget

The proposed budget includes $500 million one-time Proposition 98 General Fund, available over five years, to expand dual enrollment opportunities coupled with student advising and support services. The Department of Education would administer this program, in consultation with the

California Community Colleges Chancellor's Office, to grant funding to local educational agencies in order to provide students with access to obtain college credits while enrolled in high school.

Local educational agencies may apply for various grants for each school site that proposes to expand dual enrollment or accelerated college credit opportunities. Local educational agencies may apply for any or all of the following: (1) a one-time grant of up to $500,000 to support a local educational agency's costs to couple student advising and success supports with available dual enrollment and accelerated college credit opportunities; (2) a one-time grant of up to $250,000 to support the costs to plan for, and start-up, a middle and early college high school that is located on a schoolsite; and/or (3) a one-time grant of up to $100,000 to establish a College and Career Access Pathways dual enrollment partnership agreement and to enable students at the participating high school to access dual enrollment opportunities.

Issue 1C: Pathway Grant Program for High-Skilled Careers (CA Community Colleges)

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, CA Community College Chancellor's Office

Background

2018 Budget Act Created Dual Enrollment Initiative Focused on College and Career Readiness. The Legislature provided CCC $10 million one-time Proposition 98 General Fund for the initiative, known as the "California Science, Technology, Engineering, and Math (STEM) Pathways Grant Program." Under the initiative, community college grantees collaborate with high schools and industry partners to create a school spanning 9th through 14th grades (that is, through lower-division coursework at CCC).

Participating community colleges and schools first enter into a College and Career Access Pathways agreement. Students in the program then take a mix of high school and community college courses that lead both to a high school diploma and a "no cost" associate degree in a designated science, technology, engineering, and math (STEM) field (including manufacturing and information technology). Though the program is structured as a six-year model, students can progress at their own pace and complete their associate degree in a somewhat faster or slower time period. In addition, students participate in work-based experiences, such as internships and mentorships with local businesses. Upon graduation, students can choose to continue their education at a four-year college or obtain an entry-level job in the field they studied. Industry partners commit to giving program graduates first priority for relevant job openings. Statute requires the Chancellor's Office to prioritize grants to applicants serving students from groups that have historically faced barriers to completing high school or college. The Chancellor's Office also is required to report to the Legislature and Department of Finance by January 2025 on the outcomes of students who participated in the program—including the number and percentage of students who obtained an associate degree, gained full-time employment in the area they studied, or enrolled in a four-year college.

<u>Governor's Budget</u>

Provides $20 Million One Time for Another Round of California STEM Pathways Grants. The Governor's proposal is very similar to the initiative funded in the 2018-19 budget. One difference is that the 2022-23 proposal adds education (including early education) as an eligible field that students can study in the pathways program. In addition, the Governor's proposal adds another reporting requirement (January 2029) for the Chancellor's Office. As in 2018-19, the Governor's budget allows the Chancellor's Office to decide on the number and size of the grants using the proposed funds. Also, like the 2018-19 grants, grantees would have six years to spend their fund awards (aligned with the amount of time a 9th-through-14th grade cohort of students is to spend in the program).

<u>Legislative Analyst's Office Assessment</u>

Little Information Available Regarding Current STEM Pathways Grant Program. The program is based on a decade-old model aimed at combining education and workforce development through dual enrollment and industry partnerships. Though the model has been implemented in other states and countries, it is relatively new to California. To better assess the merits of the Governor's proposal, the Legislature thus would benefit from a basic status update on how the currently funded $10 million initiative is working (recognizing that the report due in 2025 will have more complete outcomes data). For example, the LAO's understanding is that the Chancellor's Office awarded $10 million in grants to a total of six community colleges in early 2019 and that programs generally began enrolling ninth grade students in fall 2019 or fall 2020. (The Chancellor's Office originally offered seven grants but only six community colleges met minimum application requirements.) It is unclear, however, how many students began these programs, how many are still enrolled, and the progress they are making toward a high school diploma and acquiring college credits. In addition, since the program is designed to focus on supporting underserved youth, the Legislature would benefit from receiving data on the demographics of students in these programs. Without the above information, it is difficult for the Legislature to know whether the Governor's proposal to fund another round of grants would be an effective approach to increasing college and career readiness.

Issue 1D: Comparing Golden State Pathways Grant Program, Dual Enrollment, and Pathway Grant Program for High-Skilled Careers

Below is a side-by-side table comparing the Golden State Pathways Grant Program, Dual Enrollment, and the Pathway Grant Program for High-Skilled Careers.

	Golden State Pathways Grant Program (CDE)	Dual Enrollment (CDE in consultation w/CCC)	Pathways Grant Program for High Skilled Careers (CCC)
Funding Amount	$1.5 billion	$500 million	$20 million
Funding Availability	Available through June 30, 2027	Available through June 30, 2027	Grants to be expended over a six-year period
Eligible Entities	Local educational agencies or regional occupational centers or programs operated by a joint powers authority.	Local educational agencies	Regional partnerships between: (1) A school district or charter school. (2) A community college district.
Requires a program to meet A-G requirements?	Yes	N/A	N/A
Requires students to be able to earn postsecondary credits?	Yes, at least 12 Units	Yes; students' would have opportunities to earn postsecondary credits	Yes; students' would earn an associate in science degree or an associate degree for transfer in a science, technology, engineering, or mathematics field.
Requires students to have the opportunity to have work-based learning experiences?	Yes	No	Yes
Requires programs to provide support services?	Yes	Yes	Yes
Reporting Requirements	Yes	Existing reporting requirements apply	Yes
Grant Amounts	Planning Grant and Implementation Grant amounts would be determined by Superintendent in consultation with the Executive Director of the State Board.	(1) Up to $500,000 per school site for student support services. (2) $250,000 per school site to plan for, and start-up, a middle or early college high school. (3) $100,000 to establish College and Career Access Pathways partnership agreements and provide access to dual enrollment courses.	Grant amounts would be determined by the Chancellor's Office through a Request for Proposals process.
Fund Structure	(1) Up to 10 percent supports program planning and development grants (2) No less than 85 percent supports implementation grants. (3) Up to 5 percent supports technical assistance.	(1) 60 percent supports student support service grants (2) 27.5 percent supports middle or early college high school Grants (3) 12.5 percent supports College and Career Access Pathways partnership agreement development grants	All funds would support program grants.

	Golden State Pathways Grant Program (CDE)	Dual Enrollment (CDE in consultation w/CCC)	Pathways Grant Program for High Skilled Careers (CCC)
Funding priority	Prioritizes local educational agencies displaying the following characteristics: (A) Fifty percent or more of the enrolled pupils at the local educational agency are unduplicated pupils. (B) Higher than state average dropout rate. (C) Higher than state average rate of suspension and expulsion. (D) Higher than state average rate of child homelessness, foster youth, or justice-involved youth. (E) Lower than state average rate of students completing all of the A–G coursework. Also prioritizes applications that support the following fields: (1) Education, including Early Education and Child Development (2) Computer Science (3) Healthcare (4) Science, Technology, Engineering, and Mathematics pathways that also focus on climate resilience.	Prioritizes local educational agencies displaying the following characteristics: (A) Fifty percent or more of the enrolled pupils at the local educational agency are unduplicated pupils. (B) Higher than state average dropout rate. (C) Higher than state average rate of suspension and expulsion. (D) Higher than state average rate of child homelessness, foster youth, or justice-involved youth. (E) Lower than state average rate of students completing all of the A–G coursework.	Prioritizes applicants that will serve students who: (1) Have been identified as academically or economically at risk for not successfully completing high school or not enrolling in, or succeeding in, college. (2) Belong to populations that have historically faced barriers to higher education, such as students with disabilities or English language learners.

Legislative Analyst's Office

The Legislative Analyst's Office makes the following recommendations:

Request the Administration Provide More Information on Golden State and Dual Enrollment Proposals. As the Legislature evaluates these proposals, we recommend it request more information from the administration prior to the May Revision, in order to fully assess their potential benefits and shortcomings. Specifically, we suggest requesting responses to the following questions:

- How does the administration expect LEAs to coordinate funding from Golden State Pathways and other CTE programs into a coherent approach for serving students?

- What considerations is the administration taking to decide how to set grant amounts for the Golden State Pathways program?
- What does the administration see as the key barriers to dual enrollment? Why does the administration believe additional funding is necessary given the fiscal incentives that already exist?
- Why is the administration proposing one-time funding for programs that will need ongoing support?
- How will the administration ensure that funding is being distributed in an equitable manner that targets the students that could benefit most from high-quality high school programs?

Direct Chancellor's Office to Report at Spring Hearings About Current STEM Pathways Program. By obtaining a status update on the six programs that received a grant in 2018-19, the Legislature would be in a better position to make an informed decision about the Governor's proposal. In addition, given that only six grants were awarded in 2018-19, the Legislature should request the administration to explain how it determined the amount proposed for 2022-23 and share any indications it has that enough interest and demand exists from college, school, and industry partners to justify the requested amount. The Legislature could use information to help weigh the Governor's proposal against other one-time legislative spending priorities for 2022-23.

Consider Ways to Target Schools and Students With Highest Need. If the Legislature chooses to adopt the Golden State Pathways or dual enrollment proposals, it could modify the proposals to prioritize a smaller subset of districts. For example, it could designate a high-priority LEA as one where at least 75 percent of the student population is low income or an English learner. This would restrict priority to the top one-third of school districts. To increase the likelihood that grant funds ultimately benefit students with the greatest needs, the Legislature could consider requiring that grantees demonstrate they will be implementing these programs equitably across various school sites and in a way that is targeted to benefit student subgroups with lowest college and career outcomes.

Suggested Questions

- DOF: How do the Golden State Pathways Grant program, the dual enrollment proposal, and the Pathways Grant Program for High-Skilled Careers all work together to provide students an effective pathway to college or careers?
- DOF: What does the administration see as the key barriers to dual enrollment? Why does the administration believe additional funding is necessary given the fiscal incentives that already exist?

On Pathways Grant Program for High-Skilled Careers,

- How was the proposed amount determined? How many students are expected to participate in this initiatives? How are you measuring or tracking these participants? What would be the specific uses of this funding?
- Has there been interest expressed by potential applicants? If so, how many and where?
- What support services would participating students receive?
- Please provide a status update on the six programs that received a grant in 2018-19. What outcome data, best practices, and participation information do we have on this investment? Is there any demographic information that you currently have?

Staff Recommendation. Hold these proposals open.

6100 CALIFORNIA DEPARTMENT OF EDUCATION

Issue 2: Literacy Proposal

Panel

- Michelle Valdivia, Department of Finance
- Amy Li, Legislative Analyst's Office
- Cheryl Cotton, Deputy Superintendent for Instruction, Measurement & Administration Branch, Department of Education

Governor's Budget

The Governor's Budget includes $475 million one-time Proposition 98 General Fund, available over three years, for schools serving transitional kindergarten through sixth grade who are 95 percent low-income or English learners. The funds would be used to employ and train literacy coaches and reading/literacy specialists to develop school literacy programs, mentor teachers, and develop and implement interventions for students who need literacy support. Funds would be provided to schools based on the number of students enrolled in transitional kindergarten through sixth grade, and grants would be at least $300,000 per school site. Local educational agencies are required to provide a 50 cent match to every dollar received through the grant.

Additionally, $25 million one-time Proposition 98 is available for a local educational agency to develop and provide training for literacy coaches and reading/literacy specialists.

Legislative Analyst's Office

The Legislative Analyst's Office makes the following recommendation:

Reject Proposals Since Districts Can Fund These Activities Using LCFF. As previously mentioned, districts can already fund literacy coaches and multilingual books using LCFF funding, one-time federal relief funding, and various other funding sources. The administration's approach of providing restricted funding for certain early literacy activities is not consistent with the original legislative intent that LEAs locally determine and fund priorities under LCFF. For these reasons, we recommend the Legislature reject the Governor's proposals to fund additional literacy coaches and multilingual books, thereby freeing up $700 million in one-time Proposition 98 funding to support other legislative priorities. Should the Legislature be interested in funding the literacy proposals, we suggest several modifications. For the literacy coach proposal, the Legislature could consider extending the time line of the grant funding from three to five years to allow districts to address likely staffing shortages and increase the time frame for coaching interventions. To encourage additional coaching, the Legislature could adopt trailer legislation clarifying that funds are intended to supplement rather than supplant existing spending on literacy coaches. We also suggest targeting funding to schools identified as low performing for student achievement as identified under the state's accountability system. To address the issue of very small schools receiving a significant amount of funding from either proposal, we suggest limiting funding to schools enrolling at least 11 students in the targeted early grades, as is consistent with how the state implemented the early literacy block grants in 2020-21.

Suggested Questions

- DOF: How would the new training that prospective literacy coaches and reading specialists undergo align with the authorization or credential requirements related to literacy and reading offered by the Commission on Teacher Credentialing?

- DOF: Would this program be able to train enough staff to provide specialists and coaches at the eligible schools, and would the eligible local educational agencies be able to meet the match requirement?

Staff Recommendation. Hold this item open.

Issue 3: California College Guidance Initiative (CCGI)

Panel

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Tessa Carmen De Roy, President, California College Guidance Initiative

Background

CCGI Is a College Planning and Advising Tool. CCGI offers access to college planning, financial aid, and career exploration tools to students from grades six to 12 through its online platform

CaliforniaColleges.edu. CCGI also partners with school districts to streamline the college application process through verified electronic transcripts. Partner districts can upload verified academic transcript data onto the platform and into students' accounts. When students from these partner districts apply to a California Community College (CCC) or California State University (CSU), certain high school data is shared. The college or university, in turn, can use the data to inform decisions about admissions and course placement. As of 2021-22, 95 school districts participate in CCGI.

CCGI Is Funded Through Mix of Proposition 98, Fee Revenue, and Philanthropy. In 2018-19, the state provided CCGI $3.5 million ongoing Proposition 98 for operational costs. The state currently funds CCGI as part of the California Department of Education's budget, with Riverside County Office of Education (COE) and the nonprofit Foundation for California Community Colleges acting as intermediaries. CCGI generates some additional funding by collecting fees from participating districts and charter schools—$2 per middle school student and $2.75 per high school student. Fee revenue for 2021-22 was slightly less than $700,000. CCGI also receives funding from private philanthropy and institutional partners. For example, CCC and CSU cover participation fees for 77 districts in the Central Valley and Inland Empire.

Recent Work Group Recommended Statewide Expansion of CCGI Under Integrated "Cradle to Career" Data System. As part of the 2019-20 budget package, SB 75 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2019 provided $10 million one-time non-Proposition 98 General Fund to begin initial planning and development of a statewide integrated education data system. This initial work included convening a cross-agency work group to recommend a data system consistent with legislative intent. Specifically, the budget package included intent language that the data system "create direct support tools for teachers, parents, advisors, and students" and have the ability to "transfer high school pupil educational records to postsecondary educational institutions." The final work group report released in June 2021 included a recommendation to expand CCGI to school districts throughout the state to fulfill certain components of legislative intent.

Regarding governance, trailer legislation created a 21-member governing board comprised of a mix of chief executives from those state agencies tasked with contributing data to the data system, along with members of the public and legislative members.

Regarding system management, the Budget Act included $15 million non-Proposition 98 General Fund ($11.5 million ongoing, $3.5 million one-time) to the Government Operations Agency (GovOps). A portion of the funds supports 12 staff (including an executive director) in 2021-22 at a newly created Cradle-to-Career office within GovOps. (The budget increases authorized staff to 16 in 2022-23 and provides an additional $500,000 ongoing funding for GovOps at that time, bringing its funding to $12 million annually beginning in 2022-23.) The one-time funds provided in 2021-22 will be used to cover various operating and technology acquisition costs related to the integrated data system, including funds to upgrade CDE's K-12 database.

2021-22 Budget Provided $3.8 Million Ongoing Augmentation for CCGI Expansion. The 2021 Budget Act budget increased CCGI funding to begin scaling statewide (bringing total ongoing

Proposition 98 funding to $7.3 million). The 2021-22 budget package authorized CCGI to provide its services to all California school districts. The budget also included intent language that, upon full implementation, CCGI would be expected to provide several services—including free college planning, financial aid lessons, and career planning curricula—for students in grades six through 12. Trailer legislation also requires CCGI to report additional information by April 1, 2022 (and every year thereafter), such as budget change proposals; details for participating districts and charter schools; and, in the first report, a needs assessment examining platform usage and relevance of existing features to users.

Governor's Budget

Provides $9.3 Million Ongoing Augmentation for CCGI Expansion. Of this funding, $4.5 million is proposed to cover the cost of operating the platform for existing districts, including covering the costs of fees previously paid by participating districts. The remaining $4.8 million would cover costs associated with new districts participating on the platform, including technology operations, maintenance, and development, as well as CCGI personnel. The proposed augmentation would bring total ongoing Proposition 98 funding for CCGI to $16.8 million.

Includes $4.4 Million One-Time Proposition 98 Funding to Establish Regional Support for Participating Schools. The Governor also proposes one-time funding to establish a regional network of 11 COEs to increase utilization of the CCGI platform and provide technical assistance to participating schools. Funding would be available over three years.

Legislative Analyst's Office Assessment and Recommendations

Proposed Augmentation Is Aligned With Legislative Intent. As previously discussed, trailer legislation as part of the 2021-22 budget package authorized CCGI to provide its services to all California school districts and established expectations for the services CCGI would provide once fully implemented. The proposed augmentation is consistent with legislative intent to scale CCGI statewide.

Full Costs for Scaling CCGI Remain Unclear. With the proposed augmentation, CCGI plans to expand the platform to an additional 136 districts in 2022-23. As a result, roughly 230 out of 424 unified and high school districts (54 percent overall) would be participating in CCGI statewide. CCGI plans to fully scale by 2025-26. The proposed augmentation brings total ongoing CCGI funding to $16.6 million, with 294 districts that still need to be added to the platform. CCGI initially estimated the cost of fully scaling operations between $18 million and $20 million, but given the large number of districts that have yet to be added to the platform, the LAO states that uncertainty remains about the long-term costs for fully scaling CCGI.

CCGI Could Benefit From Long-Term Implementation Plan. Although CCGI assumes more districts will want to participate as the platform becomes more helpful to students during the college application and financial aid process, there is no clear plan to expand to the remaining districts. A long-term implementation plan could be particularly beneficial given the challenges of scaling statewide. For instance, there is no state mandate requiring schools to use the CCGI platform or incentive funding to encourage more districts to participate. A long-term implementation plan could clarify how CCGI would target outreach and resources to engage new districts and address any barriers to participation. For example, CCGI could use a regional approach based on local college attendance rates or focus on the state's largest school districts first. The plan could also identify ways to encourage more district participation in CCGI, including amending existing state law.

Technical Assistance Seems Reasonable, but Regional Approach Might Have Limited Impact. In the LAO's conversations with CCGI, they indicated the regional approach is intended to take advantage of COEs' knowledge of their local context, as well as the strong reputation of some COEs in their region. However, there is no guarantee that a district will be inclined to follow advice on best practices from a regional COE, given that under the proposal, the selected COEs will be working with a large number of districts located in a separate county and with which they may not have an existing relationship. In addition, the proposal includes little detail about the types of activities regional COEs would be expected to perform to increase utilization of the platform. Other approaches might better increase CCGI utilization, such as having CCGI or CDE highlight exemplar districts or working within the state's existing system of support to promote CCGI and share best practices statewide, especially as they relate to college and career readiness.

LAO Recommendation: ***Evaluate Proposal Based on Additional Details CCGI Will Provide in Spring.*** Since more details will be available in April, the LAO recommends that the Legislature review the additional documentation CCGI will provide and ensure key questions are addressed. The Legislature could also consider moving CCGI's existing reporting deadlines in statute from April to the fall, consistent with the Administration's budget development cycle. Some key questions for the Legislature to consider include:

- What is CCGI's long-term plan for fully scaling the platform? What challenges does CCGI anticipate in reaching full implementation? How does CCGI plan to address these challenges?
- What are the ongoing costs associated with fully scaling CCGI? How do other revenue sources, such as private philanthropic funding, factor into these ongoing cost estimates? Are the underlying assumptions to this cost estimate reasonable?
- Does CCGI have a comprehensive plan for addressing issues identified in their needs assessment? What degree of user feedback does CCGI plan to regularly incorporate into their platform updates?
- Can CCGI provide more information on why districts might not want to participate in CCGI and other related barriers to participation? How does CCGI plan to address these barriers?

Staff Recommendation. Hold open.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 4: Educator Workforce Proposals

Panel

- Megan Sabbah, Department of Finance
- Amy Li, Legislative Analyst's Office
- Mary Sandy, Executive Director, Commission on Teacher Credentialing

Background

The Commission on Teacher Credentialing released the report, *Teacher Supply in California 2019-20*, in April 2021. It found that after a steady decline in the total number of initial teaching credentials for the past several years, 2019-20 was the sixth year in which there was a small increase over the year prior. The number of initial teaching credentials issued in 2019-20 was higher than the number of initial credentials issued almost ten years ago. The report also found that there was a small decrease in the number of teaching permits and intern credentials issued and based on these data it was estimated that there was an increase of 0.1 percent in the number of fully credentialed teachers serving California public schools.

Governor's Budget

The proposed budget includes a total of $54.4 million in a mix of Proposition 98 General Fund and General Fund to hire qualified teachers and substitutes. These include:

Fee waivers

- $24 million one-time General Fund to waive certain teacher examination fees. This would cover approximately 163,000 paid registrations.

- $12 million one-time General Fund to extend the waiver of select credentials fees. This would cover approximately 120,000 credential applications.

Integrated Teacher Preparation Programs

- $10 million one-time General Fund to support a competitive grant program that provides grants to public and private institutions to develop and implement integrated teacher preparation programs. The Integrated Undergraduate Teacher Preparation Program was a competitive grant program for baccalaureate-granting institutions to develop four-year program where participants would earn both a bachelor's degree and a multiple or single subject teaching credential in four years. There are currently 87 integrated programs at 13 private universities, 18 California State University campuses, 2 University of California campuses, and 56 Community College partners.

Personnel Management Assistance Teams

- $5.2 million Proposition 98 General Fund and $322,000 General Fund to re-establish the Personnel Management Assistance Teams to assist local educational agencies in improving hiring and recruitment practices. There will be seven Personnel Management Assistance Teams in each of the seven Geographic Lead Agency regions that are part of California's Statewide System of Support. The Personnel Management Assistance Teams will focus on personnel administration, including recruitment, credentialing, hiring, retention, organization, and staffing as they relate broadly to educator staffing shortages.

State Operations

- $1.4 million General Fund to establish career counselors for prospective educators at the Commission on Teacher Credentialing (CTC).

- $924,000 General Fund, of which $161,000 is one-time, to support the CTC's administration of multiple grant programs and fee waivers.

- $900,000 ongoing General Fund for the CTC to contract for public outreach to highlight the value and benefits of educational careers in California's prekindergarten through grade 12 schools. The outreach will be focused statewide, but will also be informed by the Personnel Management Assistance Teams and their recruitment efforts.

- Extending statute authorizing any holder of a credential or permit issued by the CTC to serve in a substitute teaching assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days for any one assignment.

Legislative Analyst's Office

The Legislative Analyst's Office makes the following recommendations:

Modify Proposal for New Teacher Recruitment Activities. To more quickly implement teacher recruitment activities, we recommend the Legislature provide funding to one of the existing entities that already do similar work. CDE and the Center are already positioned to build off existing infrastructure and expertise to respond more quickly to growing demand for more teachers. The Legislature will want to consider the various trade-offs associated with funding either entity. For example, the Center has regional partnerships and experience running a statewide promotional campaign, but the CDE platform has more accessible information tailored based on an individual's background (such as high school students and out-of-state teachers). The Legislature's options for how to fund these activities would somewhat depend on which entity it tasked with conducting these activities. Providing state operations funding at CDE would require ongoing non-Proposition 98 General Fund (limited-term positions would be difficult to fill), but the state also could provide Proposition 98 funding if CDE were to use a COE as a contractor (consistent with its current activities). Providing funding to the Center would require Proposition 98 funding. Regardless of the selected entity, the Legislature could consider requiring broader coordination across CTC, CDE, higher education, K-12 schools, and any designated entity to reduce further duplication of teacher recruitment efforts.

Reject Proposals for Fee Waivers and PMATs. We recommend the Legislature reject the Governor's fee waiver and PMAT proposals—freeing up $36 million non-Proposition 98 General Fund and $5 million Proposition 98 funding for other legislative priorities. Providing credential and assessment fee waivers would not address the underlying need for more new teachers to enter the workforce. For the PMATs proposal, districts already have access to personnel management assistance from FCMAT upon request. If the Legislature is interested in providing more statewide personnel management assistance, it could consider providing one-time funding for FCMAT to train COEs on effective personnel management practices and incorporate this expertise when COEs provide broad-ranging support and targeted assistance to school districts.

Approve Funding for Integrated Programs. We recommend the Legislature approve additional funding for the integrated programs. These programs offer a cost-efficient and quicker option for interested undergraduate students to receive training and become teachers after graduating. The funding previously provided to establish more integrated programs also shows some promising results.

Suggested Questions

- CTC: Since the April 2021 was released with data from 2019-20, how has the pandemic impacted teacher supply?

- DOF: Can you please explain how the Personnel Management Assistance Teams would work with the Fiscal Crisis and Management Assistance Team?

- DOF: How would Personnel Management Assistance Teams evaluate personnel and staffing issues in light of local bargaining agreements?

- DOF/CTC: Can you please share how the ongoing outreach efforts and the career counselors could be used to recruit more teachers of color?

Staff Recommendation. Hold this item open.

6870 CALIFORNIA COMMUNITY COLLEGES

Issue 5: CCC Workforce Development Proposals

Panel

- Jennifer Kaku, Department of Finance
- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, CA Community College Chancellor's Office

Background

Healthcare Vocational Education. Adult education focuses on providing pre-collegiate-level instruction and short-term training in various program areas. These areas include certain health care occupations—such as certified nursing assistants and home health aides—as well as English as a second language. Through the state's Adult Education Program (AEP), more than 350 adult education providers—primarily school districts (through their adult schools) and community colleges—are organized into 71 regional consortia. The consortia have developed plans to coordinate and deliver adult education in their regions. In 2021-22, the state is providing $566 million ongoing Proposition 98 General Fund for AEP. Statute provides this level of funding regardless of the number of students served or the type of instruction provided. In addition, the state is providing in 2021-22 about $300 million Proposition 98 General Fund directly to community colleges for noncredit (adult education) instruction. Community college noncredit instruction also includes health care training programs and English as a second language classes.

CCC Teacher Credentialing Partnership Program. SB 577 (Dodd), Chapter 603, Statutes of 2018 established the California Community College (CCC) Teacher Credentialing Partnership Pilot Program, awarding grants to collaboratives of one or more teacher-credentialing higher education institutions partnering with one or more community colleges for the purpose of offering teacher credentialing programs at community colleges.

A key purpose of the California Community College (CCC) Teacher Credentialing Partnership Pilot Program Grants is to provide funding to three community colleges in areas of the state with low rates of K-12 credentialed public school teachers to form a collaborative with one or more institutions of higher education with a Commission-approved teacher preparation program and a physical presence in California, and one or more Local Education Agencies that have difficulty recruiting qualified teachers. The collaborative creates distance-learning opportunities at the local community college whereby an individual seeking a teaching credential, who possesses a baccalaureate degree, who is currently teaching on a short-term staff permit or a provisional internship permit, and who lives in an area with low college-going rates or limited access to Commission-approved teacher preparation programs, may access Commission-approved teacher preparation coursework at the community college location to earn a preliminary teaching credential.

The Budget Act of 2019 included $1.5 million one-time Proposition 98 General Fund to implement the program. This funding was divided into grant awards of $500,000 available to three California Community Colleges for onetime startup costs.

The pilot phase was expected to span three years 2020 through 2022. During these years, it was expected that grant recipients would use the one-time startup funds to: develop an initial partnership or deepen a current partnership; prepare infrastructure, policies, procedures, and professional development for implementation of a distance-learning program; and implement the program no later than fall of 2022. According to the CTC, an RFP was issued in March 2020 and the three recipients were Feather River College, Monterey Peninsula Community College, and Yuba Community College.

Governor's Budget Proposals

Healthcare Vocational Education. The Governor's budget proposes an increase of $130 million one-time Proposition 98 General Fund. Of this amount, $30 million is for 2022-23, $50 million is for 2023-24, and $50 million is for 2024-25, to support healthcare-focused vocational pathways for English language learners across all levels of English proficiency, through the Adult Education Program. Budget bill language states that the California Community Colleges Chancellor's Office, the California Department of Education, the California Labor and Workforce Development Agency, and the California Health and Human Services Agency shall collaborate to develop guidance to assist the Adult Education consortia in developing pathways focused on local programs intended to support healthcare and care economy workforce needs.

CCC Teacher Credentialing Partnership Program. The Governor's budget proposes an increase of $5 million one-time Proposition 98 General Fund and trailer bill language to support the CCC Teacher Credentialing Partnership Program. The trailer bill would make the program permanent and rename it the California Community College Teacher Credentialing Partnership Program and, for the 2022–23 fiscal year, would authorize the Commission on Teacher Credentialing, in coordination with the chancellor of the CCC, to award up to 10 additional grants, not to exceed $500,000 each, to collaboratives for the same purpose of offering teacher credential coursework remotely at a participating community college or colleges. The bill would require, on or before April 1, 2027, the Legislative Analyst's Office to submit a report to the Legislature and the Department of Finance on the implementation of the program for those programs funded in the 2022–23 fiscal year.

Legislative Analyst's Office Assessment and Recommendations for Healthcare Vocational Education

Proposed Adult Education Funding Is Not Justified Given Existing Excess Capacity. In 2020-21, AEP providers enrolled about one-third fewer students in their programs compared with 2018-19—a loss of about 50,000 full-time equivalent students. This significant decline was due to the effects of the pandemic. Based on preliminary information, adult education enrollment is recovering slightly in 2021-22 but is still well below pre-pandemic levels. Despite these enrollment declines, because of the way AEP and community colleges are funded, adult education providers have not seen reductions in their funding. As a result, AEP consortium members likely have significant capacity next year to serve more students without the Governor's proposed augmentation. As noted earlier, AEP consortia have the authority to decide what programs to offer, including for training in health care fields and English as a second language.

***LAO Recommendation:* Reject Proposed Funding for AEP.** Due to the significant amount of ongoing funding adult providers currently have to serve more students, the LAO recommends that the Legislature reject the Governor's proposed $130 million one-time funding. Instead, the Legislature could redirect the funds to higher-priority Proposition 98 purposes.

Suggested Questions:

For both proposals:

- What is the expected level of coordination with other entities imagined for these initiatives?
- How were the various amounts determined? How many people are expected to participate in these initiatives? How are you measuring or tracking these participants? What would be the specific uses of this funding?
- What kinds of supportive services are students receiving? How are you measuring or tracking the services that will be delivered to program participants?
- What kinds of labor market outcomes are program participants expected to achieve? How are you measuring the success outcomes for these investments with respect to the goals that the Administration has for these investments?

On CCC Teacher Credentialing Partnership Program,

- Please provide a status update on the funding provided in the 2019 Budget Act. What outcome data, best practices, and participation information do we have on this investment?

On Healthcare Vocational Education,

- How would this proposal interact with and fit into the Administration's other proposals in the $1.7 Billion Care Economy Workforce package? How is this proposal distinct from those proposals?
- What healthcare professions/ specific occupational training are being targeted with this proposed investment?
- Given the differences in training for specific occupations within healthcare, what are the expected outcomes for students who go through instruction and how would this instruction prepare the students for job readiness in these fields?

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Tuesday, May 3
9:00 a.m.
State Capitol - Room 2100

Consultant: Yong Salas and Elisa Wynne

VOTE ONLY

FOR DISCUSSION

Public Comment

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

VOTE ONLY

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

Issue 1: State Operations

Request.

The Governor's 2022-23 proposed budget includes the following augmentations with General Fund and federal funds:

Issue	# of Positions	2022-23 Funding	Purpose
AB 1505 Continued Verified Data Work	-	$500,000	The State Board of Education requests the re-appropriation of one-time General Fund for continued analysis of verified data initially required by Chapter 486, Statutes of 2019 AB 1505.
State Special Schools - Information Security and Infrastructure	6.0	$4,251,000	CDE is requesting six permanent positions and $4,251,000 in General Fund (GF) state operations for fiscal year (FY) 2022-23 and $1,022,000 for FY 2023-24 and ongoing. The funds will be used for the procurement of Information Technology (IT) security related hardware/software services and maintenance of hardware and software assets to support information security programs and technical infrastructure improvements for the CDE headquarters and the State Special Schools.
IT Infrastructure and Operational Support	2.0	$1,166,000	CDE is requesting two permanent positions and $1,166,000 General Fund in 2022-23 and $266,000 General Fund in 2023-24 and ongoing. The funds will be used to offset the rising cost of Information Technology services.
AB 2083 Implementation	1.0	$161,000	CDE requests one permanent positions and $161,000 General Fund in 2022-23 and ongoing support the workload associated with Chapter 815, Statutes of 2018 (AB 2083) to help implement a State Level trauma resolution team to address any local disputes that may occur in the implementation of child welfare reform in California.

Augmentation for the Clearinghouse for Specialized Media and Technology Warehouse	-	$106,000 (federal funds)	CDE is requesting an increase of $106,000 in 2022–23, $116,000 in 2023–24, $127,000 in 2024–25, $139,000 in 2025–26, and $151,000 in 2026–27 in federal Individuals with Disabilities Education Act (IDEA) funds spending authority to fully fund the increased warehouse lease costs.
Oversight of the Child Development and Nutrition Fiscal Services office	1.0	$157,000	CDE is requesting one permanent position $157,000 General Fund for 2022-23 and ongoing. This position is needed for sufficient management oversight of the Child Development and Nutrition Fiscal Services office and to ensure timely and accurate implementation of policy changes impacting fiscal operations for Preschool contractors.
Support for Budget Management Office	2.0	$238,000	CDE is requesting two permanent positions and $238,000 in General Fund in 2022–23 and ongoing to support the workload increase of the Budget Management Office.
AB 1363 Implementation	3.0	$458,000	CDE is requesting three positions and $458,000 General Fund in 2022–23 and ongoing. These resources are needed to meet state requirements for implementation of Assembly Bill (AB) 1363, including updating the early education data system consistent with the requirements of the California Cradle-to-Career Data System, developing tools and resources for California State Preschool Program contractors to use for the collection of language information, issuing guidance, and developing regulations.
Stimulus Team Positions	2.0	-	CDE is requesting two positions to provide support to the Federal Stimulus Team.
Dual Language Immersion Grant Program Implementation	1.0	$161,000	CDE requests one permanent position and $161,000 General Fund through 2023–24 to fully implement the Dual Language Immersion Grant Program.
Ongoing SBE Positions	6.0	$1,300,000	The State Board of Education is requesting six permanent positions and $1.3 million ongoing General Fund to maintain funding and positions provided on a one-time basis in the 2021 Budget Act, and provide nominal salary increases for highly impacted staff.

Staff Recommendation. Approve as budgeted.

Issue 2: Model Curricula and Instructional Quality Commission

Request. The Governor's Budget includes $246,000 in one-time General Fund in 2022–23 to fund the activities of the Instructional Quality Commission (IQC). These funds will allow the IQC to continue its work on the Physical Education curriculum framework, the Mathematics curriculum framework, and the English Language Arts/English Language Development curriculum framework.

The Governor's Budget also includes one-time $14 million Proposition 98 General Fund for county offices of education selected to develop the model curricula for Native American studies, the Vietnamese American refugee experience, the Cambodian genocide, and Hmong history and cultural studies. Funding will be split equally among the four model curricula.

Staff Recommendation. Approve as budgeted and adopt placeholder trailer bill language.

Issue 3: Agricultural Career Technical Education Incentive Grant Program

Request. The Governor's Budget includes $2 million ongoing Proposition 98 General Fund to support an augmentation to the Agricultural Career Technical Education Incentive Grant program. The Agricultural Career Technical Education Incentive Grant provides local educational agencies with funds to improve the quality of their agricultural career technical education programs. The program is currently funded at $4.1 million, and this augmentation would bring the program's total funding to $6.1 million.

Staff Recommendation. Approve as budgeted.

Issue 4: 2020 Wildfire Basic Aid Backfill Proposal

Request. The Administration requests trailer bill language that would provide a General Fund backfill for basic aid districts that experience property tax losses in 2020-21 and 2021-22 due to the 2020 Wildfires.

Staff Recommendation. Adopt placeholder trailer bill language.

FOR DISCUSSION

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

Issue 5: COVID Recovery and "Putting Wealth to Work"

Panel:

- Edgar Cabral, Legislative Analyst's Office

Proposal:

Since the declaration of the emergency COVID-19 pandemic in March 2020, California's students have faced challenges that were unprecedented, and the state's education system was tested. National and state-specific research shows the direct and the potential long-term impacts of the pandemic on students. An April 2022 Public Policy Institute of California statewide survey found that more than four in ten parents say their child has fallen behind academically during the pandemic, and that a plurality of adults and public school parents say catching up academically will be the biggest challenge for public school students in the next year.

The 2021 Budget Act provided significant support for COVID-related learning loss, by means of in-person grants, special education learning recovery, and other grant programs that provided additional support as students recover from the pandemic. Building on last year's budget, Senate Democrats are putting forward their "Putting Wealth to Work" Budget Plan, which is providing further opportunity to put California's wealth to work to build a more equitable economy.

Key highlights in K-12 education from the Senate Democrats' Budget Plan include:

- **Ongoing K-12 Discretionary Funding Increases.** Increases to the Local Control Funding Formula, which would total to $5 billion in 2022-23, $7.5 billion in 2023-24, and $10 billion ongoing beginning in 2024-25.

- **COVID-Related Learning Recovery Block Grant.** $10 billion Proposition 98 General Fund for a COVID-related Learning Recovery Block Grant, which will use a formula allocation and would be used by local educational agencies for broad and flexible uses to address unique challenges brought on by the COVID-19 pandemic. Allowable uses will include, but are not limited to, staffing costs (salaries, benefits, retirement costs), targeted interventions such as literacy coaches, and mental health and wellness services.

- **Student Enrichment Block Grant.** $5 billion Proposition 98 General Fund for a block grant for arts, music, and other instructional materials. This block grant will also use a formula allocation, and would be used by local educational agencies for student enrichment, including for items related to arts, music, Science, Technology, Engineering, and Mathematics-related tools, instructional materials including books and other learning tools.

- **Facilities Funding.** $4.5 billion for school facilities, on top of the Governor's January proposal. This includes $1 billion for TK facilities.

Staff Recommendation. Hold open. These issues will be considered as part of a comprehensive budget package after the May Revision.

Issue 6: California State Preschool Program Supports

Panel:

- Edgar Cabral, Legislative Analyst's Office

Proposal:

The Senate Democrats "Putting Wealth to Work" Plan includes the following priority proposals related to supporting the State Preschool Program, including:

- Provides approximately $315 million ongoing (General Fund and Proposition 98) at full implementation for the California Preschool Program share of increasing child care and early education reimbursement rates to the 90th percentile of the Regional Market Rate beginning January 1, 2023.

- Extends the age range of the rate adjustment factor for toddlers to include three year olds, beginning January 1, 2023. At full implementation, this change is estimated at $446 million (General Fund and Proposition 98). Expanding the application of this adjustment would provide additional funding for serving three year olds, which would support the California State Preschool Program as many four years olds move into Transitional Kindergarten.

- Waives family fees for an additional two years and retains hold harmless policies to pay providers based on enrollment for an additional year.

- Expands preschool eligibility for three and four years olds for families at 100 percent of the state median income level, while continuing to serve those with the lowest incomes first (after current designations of high-risk children are served).

- Provides $100 million in non-Proposition 98 planning funds over a three-year period to establish Local Preschool Councils for the Early Care and Education field Programs to plan for continued expansion of preschool education and care in coordination with Local Educational Agencies.

Background

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited. Providers of State Preschool must comply with Title 5 of the California Code of Regulations including requirements, such as development assessments for children, rating scales, and staff development.

Preschool-aged children may also be served in other settings, such as other child care settings, federal Head Start programs, or Transitional Kindergarten if the child is age-eligible.

Funding. As CSPP programs are run by both LEAs and Non-LEAs, the fund sources for the programs have changed over time. However, since the 2019-20 Budget Act all non-LEA state preschool and wrap care are funded with non-Proposition 98 General Fund and LEA state preschool and wrap care are funded with Proposition 98 General Fund. State Preschool providers contract with and receive payments directly from CDE. Prior to 2022, CSPP programs received the same standard reimbursement rate (SRR) no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for children with exceptional needs, severe disabilities, cases of neglect, and English learners.

The Budget Act of 2021, included a provision that required, commencing January 1, 2022, all early education providers would receive the higher of the SRR, adjusted by COLA, or the 75th percentile of the 2018 regional market rate survey. This change was an attempt to better align rates for early care and education across all providers and care types to allow for movement towards a single reimbursement rate system. In January 2022, the CDE released management bulletin 22-01, detailing these calculations and informing CSPP providers of the change. The 2021-22 budget package also provided $130 million Proposition 98 General Fund to increase State Preschool slots for school districts and county offices of education.

CSPP Eligible Population and Children served:

Overall, in 2019, there were about 1 million three- and four-year old children eligible for CSPP. Of this, 620,520 of those children were eligible for CSPP based on being from families with incomes below 85 percent of the state median income. This was estimated using data from the 2019 Census' American Community Survey and the specific income thresholds for CSPP and this does not capture children who may be eligible to receive CSPP based on local factors, like whether their program participates in the flexibilities allowed for programs operating in the attendance boundary of an elementary school where 80% or more of students are eligible for free or reduced-price meals.

Overall, about 142,067 three- and four-year old income eligible children were served in October 2019 in CSPP (23 percent of all eligible). Percentage of eligible children served varies by age:

- 40,484 three-year old children served in CSPP out of 303,603 three-year-old children income eligible for CSPP (13 percent)

- 101,583 four-year old children served in CSPP out of 316,917 four-year-old children income eligible for CSPP (32 percent)

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 18, 2022
9:00 a.m.
1021 O Street - Room 2100
Part A- Higher Education

Consultant: Christopher Francis, Ph.D.

Public Comment

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DISCUSSION ITEMS

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1: Higher Education Compacts with UC & CSU and Roadmap with CCC

Panel

- Rebecca Kirk, Department of Finance
- Jennifer Pacella, Legislative Analyst's Office
- Seija Virtanen, University of California
- Lizette Navarette, Community College Chancellor's Office
- Ryan Storm, California State University

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following as it relates to the Higher Education Compacts with UC and CSU & Roadmap with CCC:

- The May Revision maintains the Administration's commitment in the compacts for funding equivalent to a five-percent increase in base General Fund resources annually over five years for UC and CSU, contingent on the ability of each segment to advance the shared goals of the compacts. Additionally, the May Revision maintains the Administration's commitment to invest available Proposition 98 resources for the CCCs to support efforts mutually prioritized in the roadmap, and to provide additional fiscal resources to the Chancellor's Office to better support colleges in meeting these goals.

  According to the Administration, most of the goals articulated for each segment in the Governor's Budget now reflect clear baselines and measurable targets for improvement within defined timelines. In some cases, gaps in currently available data were identified that presented a challenge in establishing reliable baseline information. For these goals, the segments have committed to improving data collection and including reliable baseline information and measurable targets for improvement in early progress reporting. Each segment will report annually—beginning later this year—on specific actions planned and underway to achieve each goal, quantified progress toward achieving each goal, and strategic collaborations with intersegmental partners to advance performance outcomes and benefit students.

Suggested Questions

- For CCC/CSU/UC: In your view, is the amount included in the May Revision enough to cover the ongoing cost pressures at your campuses and to uphold the agreements in the compacts and roadmap?

- Is DOF proposing compact reporting requirements in the budget, or is there anything in the compacts that you are seeking legislative approval of?

Staff Recommendation. Hold Open

6870 CALIFORNIA COMMUNITY COLLEGES

Issue 2: Various Governor's May Revision Proposals

Panel

- Dan Hanower, Department of Finance
- Jennifer Kaku, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, California Community College Chancellor's Office

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Apportionments Cost-of-Living Adjustment and Growth**. The May Revision includes an increase of $83.5 million ongoing Proposition 98 General Fund to reflect a change in the cost-of-living adjustment for apportionments from 5.33 percent to 6.56 percent, and an increase of $1.3 million ongoing Proposition 98 General Fund to sustain 0.5-percent enrollment growth. This amount is in addition to an increase of $409.4 million ongoing Proposition 98 General Fund included in the Governor's budget.

- **Base Increase**. The May Revision includes an increase of $250 million ongoing Proposition 98 General Fund to increase the Student Centered Funding Formula's (SCFF) funding rates for the base, supplemental, and success allocations. Additionally, the May Revision proposes $125 million ongoing Proposition 98 General Fund to augment SCFF basic allocation within the base allocation, in recognition of the significant digital footprints that districts have developed to accommodate long-term shifts in student learning modality demand.

- **Discretionary Block Grants**. The May Revision includes an increase of $750 million one-time Proposition 98 General Fund, attributable to the 2021–22 fiscal year, to community college districts for discretionary block grants to address issues related to the pandemic and to reduce long-term obligations.
- **Foster Youth Support Services**. The May Revision includes an increase of $10 million ongoing Proposition 98 General Fund, above what was provided in the Governor's Budget, to expand availability of foster youth support services offered by the NextUp program. The May Revision also includes statutory changes to reflect various modifications to the NextUp Program, including eliminating of the statutory cap and indicating that funds be provided to specified colleges within a community college district.
- **Augmentation for the Student Equity and Achievement program**. The May Revision includes an increase of $25 million ongoing Proposition 98 General Fund for an approximately five-percent increase to the Student Equity and Achievement program.
- **CCC Chancellor's Office Support.** The May Revision includes $2.6 million ongoing non-Proposition 98 General Fund to support shifting 10 positions proposed in the Governor's Budget for 2023-24 to 2022-23, as well as 7 additional positions to support the implementation of the Cradle-to-Career Data System, assist colleges with affordable student housing, and build capacity to accommodate the increase in contracts and reporting requirements. Combined with Governor's Budget investments, these augmentations provide the CCC Chancellor's Office a total of $3.9 million ongoing non-Proposition 98 General Fund for 26 positions in 2022-23, bolstering capacity to support the system.
- **Classified Employee Summer Assistance Program.** The May Revision includes an increase of $10 million ongoing Proposition 98 General Fund to establish the Classified Employee Summer Assistance Program for community college classified employees.
- **Foster and Kinship Care Education Program.** The May Revision includes an increase of $500,000 ongoing Proposition 98 General Fund to backfill an estimated decrease in federal matching funds provided to Foster and Kinship Care Education programs, maintaining current funding levels.
- **Local Property Tax Adjustment.** The May Revision includes an increase of $113.2 million ongoing Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.
- **COLAs for Select Categorical Programs.** The May Revision includes 6.56 percent COLAs in 2022-23 and ongoing for the Disabled Student Programs and Services Program, Student Services for CalWORKs Recipients Program, and Extended Opportunity Programs and Services Program, Campus Childcare Tax Bailout Program, and Adult Education Program, and Mandate Block Grant program.

- **Extend Sunset Date for the CollegeBuys Program**. The May Revision includes statutory changes to remove the sunset date for the CollegeBuys Program, allowing the continued procurement of goods and services in bulk for the community college system, which is expected to create cost savings for districts.

APPRENTICESHIPS

- **California Healthy School Meals Pathway Program**. The May Revision includes an increase of $45 million one-time Proposition 98 General Fund to support the implementation of the California Healthy School Meals Pathway Program, which is a pre-apprenticeship, apprenticeship, and fellowship workforce training pipeline pilot program for school food service workers.

- **Apprenticeship Program Related and Supplemental Instruction (RSI) Rate**. The May Revision includes an increase of $16.9 million ongoing Proposition 98 General Fund to align the apprenticeship program RSI rate with the SCFF credit rate, as opposed to the noncredit rate.

INFRASTRUCTURE AND MAINTENANCE

- **Deferred Maintenance.** The May Revision includes an increase of $1.1 billion one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges, bringing the cumulative total for Governor's Budget and May Revision investments to more than $1.5 billion, of which $863 million is from 2022-23, $563.5 million is from 2021-22, and $96.5 million is from 2020-21. The Governor's budget originally proposed an increase of $387.6 million one-time Proposition 98 General Fund to support deferred maintenance and energy efficiency projects at community colleges. Of this amount, $109 million is 2022 23 Proposition 98 General Fund and a total of $279 million is Proposition 98 settle up funds ($182 million attributed to 2021 22 and $97 million attributed to 2020 21).

- **CCC Facilities.** The May Revision includes updated General Obligation bond funding of $403 million one-time for the construction phase of 19 projects anticipated to complete design by Spring 2023, the design phases of 2 projects, and both the working drawings and construction for 1 project. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51. The Governor's budget originally proposed General Obligation bond funding of $373 million one-time state general obligation bond funding for the construction phase of 17 projects anticipated to complete design by spring 2023, and the working drawings phase of one project.

Suggested Questions:

- For CCC: Does the COLA for apportionments address the district's fixed cost pressures?
- For CCC: Does the base increase address the districts' concerns with SCFF? What would the basic allocation increase be used for?
- Does the district cap still exist under the May Revise proposal for NextUp or are we to expect amended TBL?
- What are the proposed uses for the discretionary grant? Would it be used for basic needs. mental health needs, etc. or for other purposes?
- CCC Chancellor's Office Support. Please provide a workload justification for the added positions and provide the total staffing and funding package with this shift. Which positions are being shifted to 2022-23?
- Healthy Schools Pathways proposal: Who is imagined to assist in implementing this proposal? What are the expected deliverables after one-year and does the Administration envision continuing this effort in the out years if the initiative proves to be promising? Is there reporting language? What is the proposed implementation plan?
- Apprenticeship Program Related and Supplemental Instruction (RSI) Rate. Can you share more details with us on this proposal?
- Please clarify the total revised amount of General Obligation bonds proposed for Capital Outlay projects as of the May Revision
- How was a five percent increase for Student Equity and Achievement program determined?
- Can you confirm if there is a standard COLA across categorical programs? (If not, can you explain?)

Staff Recommendation. Hold Open

6440 UNIVERSITY OF CALIFORNIA

Issue 3: Various Governor's May Revision Proposals

Panel

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

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Investments in Innovation.** The May Revision includes $500 million one-time General Fund to establish a new Institute for Immunology and Immunotherapy, consisting of $300 million in 2022-23 and an additional $200 million planned for this purpose in 2023-24. The Institute will be established at UC Los Angeles (UCLA), bringing together academics and researchers for collaborative research to maintain California's leading edge in biotechnology. The Institute will also serve as a hub and incubator for firms and entrepreneurs in the biotechnology industry and will expand opportunities for students to connect to careers in biotechnology. This proposal is part of the Administration's climate change research and climate/workforce hubs portfolio for UC.

- **UC Labor Centers**. The May Revision includes an increase of $13 million ongoing General Fund to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system.

- **ASSIST Integration for Independent Institutions**. The May Revision includes an increase of $1.5 million General Fund, $650,000 of which is ongoing, to integrate member institutions of the Association of Independent California Colleges and Universities onto the ASSIST platform. ASSIST provides prospective transfer students with information on course transferability to four-year institutions.

- **Center for Responsible, Decentralized Intelligence**. The May Revision includes an increase of $5 million one-time General Fund to support the Center for Responsible, Decentralized Intelligence at UC Berkeley, which promotes research, education, and entrepreneurship in blockchain and Web3.

- **Ralph J. Bunche Center.** The May Revision includes an increase of $5 million one-time General Fund to support the Ralph J. Bunche Center for African-American Studies at UCLA.

- **Fire Advisors**. The May Revision includes a shift of $2 million one-time General Fund to support UC Fire Advisors, proposed under the California Department of Forestry and Fire Protection in the Governor's Budget. The Administration intends to maintain support for the program at the same level in 2023-24.

- **Prop. 56 Backfill**. The May Revision includes an increase of $2.1 million General Fund compared to the Governor's Budget adjustment for this purpose, to maintain funding for graduate medical education at $40 million annually.

Suggested Questions:

- Investments in Innovation. Please provide a cost breakdown for the $500M by activity. What are the UC's current activities for collaborative research on biotech? Does UC have any incubators for these purposes on any of their campuses? Is this considered to be a facility project? If so, where was this project on UC's priority list for new facilities?

- UC Labor Centers. Is this the same proposal included in the Senate Democrats' Putting Wealth to Work Plan" or is something else altogether envisioned? What is the Administration's envisioned breakdown of costs for the $13 million?

- Center for Responsible, Decentralized Intelligence. Can you provide more information on this request? How does this center usually receive funding?

Staff Recommendation. Hold Open

6610 CALIFORNIA STATE UNIVERSITY

Issue 4: Various Governor's May Revision Proposals

Panel

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

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Capital Outlay.** The May Revision includes several investments in capital infrastructure, including $80 million one-time General Fund to expand the San Diego State University, Brawley Center in Imperial Valley to support a local workforce pipeline to aid the state's goals for development of the Lithium Valley vision. Additionally, the May Revision provides CSU $67.5 million toward construction of the CSU Fullerton Engineering and Computer Science Innovation Hub. The Administration states that these investments in the San Diego State University, Brawley Center and the CSU Fullerton Engineering and Computer Science Innovation Hub will expand campus infrastructure to support the growing need for a highly-skilled, STEM-trained workforce for all industries, expand access to a CSU education, and create California-based collaborative solutions to climate change.

  Additionally, the May Revision includes an increase of $25 million one-time General Fund to support equipment and facilities for CSU University Farms, providing a total of $75 million for this purpose when combined with the Governor's Budget investment.

- **First Star Foster Youth Cohort at CSU Northridge and CSU East Bay.** The May Revision includes $1.48 million one-time General Fund to provide support to establish a First Star Foster Youth Cohort at CSU East Bay and CSU Northridge.

Suggested Questions:

- How did the Administration envision addressing the current compensation and bargaining issues at CSU with faculty and non-faculty staff without a May Revision proposal to augment the base increase?
- Why were the foster youth augmentations specifically at CSU East Bay and Northridge? Were there higher needs at these campuses compared to the others?
- How did DOF choose the capital projects in the May Revision? Is the funding provided enough to support the full project costs, or will CSU use other funding as well?
- For CSU: Where were these capital projects on CSU's prioritization list?

Staff Recommendation. Hold Open

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 5: Various Governor's May Revision Proposals

Panel

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

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Cal Grant Program Caseload Adjustments.** The May Revision reflects updated Cal Grant expenditures based on the latest estimates of enrollment of Cal Grant-eligible students. In total, the May Revision reflects estimated Cal Grant expenditures of approximately $2.2 billion in 2020-21, $2.4 billion in 2021-22, and $2.5 billion in 2022-23.

- **Independent Institutions.** The Administration has determined that a good-faith effort has been made by independent institutions of higher education toward meeting the statutory Associate Degree for Transfer commitment required to maintain the maximum award amount for students attending independent institutions of higher education at $9,220 for the 2022-23 award year.

- **Financial Aid Programs.** The May Revision includes an increase of $410,000 ongoing General Fund for three positions at the California Student Aid Commission to support financial aid programs. Combined with the Governor's Budget, this augmentation provides the California Student Aid Commission $889,000 for eight positions beginning in 2022-23 to support financial aid workload.

Suggested Questions:

- How do the caseload estimates and adjustments compare to January Gov's budget estimates? How does it compare going back the last three years? What are the reasons influencing the changes and adjustments.

- Independent Institutions. What is the standard for a good faith effort? Can we get more detail on what this means going forward? Are you planning to adopt the ICCU's proposed changes regarding targets contained in bills currently moving through the Legislature—such as SB 851?

- Financial Aid Programs. Can you provide the subcommittee members with a new breakdown that reconciles the proposed positions as of May Revision?

Staff Recommendation. Hold Open

6600 HASTINGS COLLEGE OF THE LAW

Issue 6: Various Governor's May Revision Proposals

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David Seward, Chief Financial Officer

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Support for 100 McAllister Street Project**. The May Revision includes an increase of $90 million one-time General Fund to support the facility improvement project at the institution's 100 McAllister Street building. This project will provide for the institution's continued use of 252 campus housing units at below market rents, will add at least 5 additional campus housing units, and will renovate space within the facility to be used for academic purposes.

- **Support for Renaming Costs**. The May Revision includes an increase of $885,000 to support costs associated with changing the name of the institution, conditioned upon enactment of legislation authorizing a name change.

Suggested Questions:

- On renaming costs, how was the amount proposed in May Revision deemed to be sufficient by DOF? Hastings cited around $3M in the May 10 Subcommittee No. 1 hearing.

Staff Recommendation. Hold Open

6120 CALIFORNIA STATE LIBRARY

Issue 7: Various Governor's May Revision Proposals

Panel

- Jennifer Louie, Department of Finance
- Jason Constantouros Legislative Analyst's Office
- Rebecca Wendt, Deputy State Librarian

Governor's May Revision Proposals for 2022-23

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **State Parks Passes**. The May Revision includes an increase of $13.5 million one-time General Fund for the California Department of Parks and Recreation to expand availability of state parks passes offered via local libraries, in partnership with the California State Library.

- **Online Job Training and Workforce Development**. The May Revision includes an increase of $1.4 million one-time General Fund to support online job training and workforce development resources targeting older adults and veterans at California's local libraries, building upon the Governor's Budget investment of $8.8 million to support two additional years of free online job training and workforce development programs available through public libraries.

- **Library Services Modernization and Online Database Subscriptions**. The May Revision includes an increase of $570,000 ongoing General Fund to modernize State Library services with an automated loan system, and provide subscriptions to e-books and specialized online databases.

- **Administrative Workload**. The May Revision includes an increase of $363,000 ongoing General Fund to support increased administrative and personnel workload.

- **Communications and Outreach to Local Libraries**. The May Revision includes an increase of $335,000 ongoing General Fund to expand public outreach and education to California local libraries and patrons in under-served and multilingual communities.

Suggested Questions:

- Park Passes. How many passes are expected to be distributed and how was this determined? What is the outreach strategy associated with the passes?

- Online Job Training and Workforce Development. Can you provide the subcommittee with a new breakdown that reconciles the proposed spending as of the May Revision?

- Communications and Outreach to Local Libraries. How was the ongoing amount determined?

Staff Recommendation. Hold Open

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 18, 2022
9:00 a.m.
State Capitol - Room 2100

Consultant: Yong Salas and Elisa Wynne

PART B

Public Comment

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

6100 Department of Education

The May Revision includes $128.3 billion total funds ($78.4 billion General Fund and $49.9 billion other funds) for all K-12 education programs. K-12 per-pupil funding is $16,991 in Proposition 98 funds, and $22,850 if all funds sources are included.

Issue 1: State of Education

Panel

- Superintendent of Public Instruction, Tony Thurmond

Background

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

Issue 2: Proposition 98 and Discretionary School Funding

Panel

- Amanpreet Singh, Department of Finance
- Kenneth Kapphahn, Legislative Analyst's Office
- Malia Vella, Department of Education

Changes to the Minimum Guarantee. The May Revision provides a substantial increase to Proposition 98 funding of $19.6 billion from the Governor's budget for the three-year period of 2020-21 to 2022-23. More specifically, the May Revision funds the Proposition 98 guarantee for the 2020-21 through 2022-23 fiscal years at $96.1 billion, $110.2 billion, and $110.3 billion, respectively. Compared to January, this reflects the following yearly changes:

- An increase of approximately $137 million in 2020-21.
- An increase of approximately $11.1 billion in 2021-22.
- An increase of approximately $8.4 billion in 2022-23.

These levels reflect the estimated substantial increase in General Fund revenues over the three-year period in comparison with the Governor's budget proposal. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38 percent of General Fund revenues, plus local property taxes).

Public School System Stabilization Account. The May Revision decreases the total payments (and the total account balance) to the Public School System Stabilization Account between 2020-21, 2021-22, and 2022-23 from $9.7 billion to $9.5 billion, due to the decrease in the share of total funds from capital gains revenues. Funds from this reserve account may be expended in years when the Proposition 98 Guarantee does not increase enough to cover year-over-year growth and inflation. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than 3 percent of the total K-12 share of the Guarantee. The balance of $7.3 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

Local Control Funding Formula (LCFF). The bulk of funding for school districts and county offices of education for general operations is provided through the LCFF and is distributed based on the numbers of students served and certain student characteristics. The state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA). The 2022-23 Governor's Budget included an LCFF COLA of 5.33 percent, and the May Revision updates this adjustment to 6.56 percent. In addition to the updated COLA, the May Revision also includes $2.1 billion ongoing Proposition 98 General Fund to increase LCFF funding for school districts and charter schools, and $101.2 million to increase LCFF funding for county offices of education.

The May Revision also proposes allowing all local educational agencies to be funded at the greater of their current year average daily attendance of their current year enrollment adjusted for pre-COVID-19 absence rates in the 201-22 fiscal year, due to the Delta and Omicron surges and the subsequent staff and student absences. The Governor's Budget proposed to amend the LCFF calculation to consider the greater of a school district's current year, prior year, or the average of three prior years' average daily attendance, and the May Revision would conform this proposal to the May Revision adjustment. The total ongoing costs associated with these policies is estimated to be $3.3 billion ongoing Proposition 98 General Fund and $463 million one-time Proposition 98 General Fund. All of these changes bring total LCFF funding to $73.4 billion.

The Senate Budget Plan increased LCFF funding by $5 billion in 2022-23, increasing this amount to $10 billion by 2024-25, in addition to the COLA.

County Offices of Education. In addition to the increase in LCFF funding mentioned above, the May Revision includes trailer bill language that provides funding to county offices of education to provide services to charter schools that qualify for differentiated assistance within the statewide system of support. The May Revision sets aside $2 million for this purpose, and makes other clarifying changes for the role of county offices of education in the statewide system of support.

Local Property Tax Adjustments. The May Revision includes an increase of $10.1 billion and $8.9 billion ongoing Proposition 98 General Fund for school districts, charter schools, and county offices of education in 2021-22 and 2022-23, respectively, with decreased offsetting property tax revenues. Specifically, this includes property tax decreases of $32 million in 2020-21, $659 million in 2021-22, and $804 million in 2022-23.

Cost-of-Living Adjustments. The May Revision includes an increase of $62.1 million ongoing Proposition 98 General Fund to reflect a 6.56 percent COLA for categorical programs that remain outside of the LCFF and Special Education, including Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Discretionary Block Grant. The May Revision includes $8 billion in one-time Proposition 98 General Fund, allocated on a per-pupil basis, with the intent to use these discretionary funds for purposes including, but not limited to, protecting staffing levels, addressing student learning challenges, and supporting the mental health and wellness needs of students and staff, and these funds would offset applicable mandates debt owed to those entities. The Senate Budget proposal included a similar discretionary block grant for $10 billion in one-time Proposition 98 General Fund.

Issue 3: Major Proposition 98 Spending Proposals

Panel

- Alex Shoap, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Sara Cortez, Legislative Analyst's Office
- Malia Vella, Department of Education

Community Schools. The May Revision includes an additional $1.5 billion one-time Proposition 98 General Fund to expand access to the community schools grants that support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.

Expanded Learning Opportunities Program. The May Revision includes an additional $403 million ongoing Proposition 98 General Fund, bringing the ongoing program total to $4.8 billion and full funding implementation four years ahead of schedule, and maintains the year delay in implementation to 2023-24 that was included in the Governor's Budget. The May Revision also proposes an additional $63 million one-time Proposition 98 General Fund.

School Nutrition. The May Revision includes $611.8 million ongoing Proposition 98 General Fund to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in 2022-23. In 2022-23, any unused funds could be redirected for kitchen and infrastructure purposes.

Community Engagement Initiative. The May Revision includes $100 million one-time Proposition 98 General Fund to continue the Community Engagement Initiative, which disseminates best practices for school-community interaction. The 2018-19 Budget Act included $13.3 million one-time Proposition 98 General Fund to create this initiative.

6350 SCHOOL FACILITIES AID PROGRAM

Issue 4: School Facilities and Deferred Maintenance

Panel

- Jennifer Kaku, Department of Finance
- Amy Li, Legislative Analyst's Office

School Facilities. The May Revision includes an additional $1.8 billion one-time General Fund, which would appropriate $2.2 billion one-time General Fund in 2021-22, $1.2 billion one-time General Fund in 2023-24, and $625 million one-time General Fund in 2024-25 for a total appropriation of $4 billion and $1.4 billion in the remaining bond authority. The May Revision also includes $1.8 billion one-time Proposition 98 General Fund for schools to address outstanding school facility maintenance issues.

The Senate Budget Plan included an additional $3.5 billion in one-time General Fund to augment the School Facilities Program for a total appropriation of $5.7 billion General Fund and $1.4 billion in the remaining bond authority, and also included $1 billion one-time Proposition 98 General Fund for deferred maintenance.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 5: Educator Workforce Proposals

Panel

- Megan Sabbah, Department of Finance
- Amy Li, Legislative Analyst's Office
- Mary Vixie Sandy, Commission on Teacher Credentialing

Teacher Training, Recruitment, and Retention. The May Revision includes $1 billion in programs and funds to recruit, retain, and support educators, including:

- $500 million one-time Proposition 98 General Fund to expand residency slots for teachers and school counselors, and also allow school counselors, social worker, and psychologist candidates to be eligible for the Golden State Teacher Grant program.

- $300 million one-time Proposition 98 General Fund to augment resources available to local educational agencies for professional learning through the Educator Effectiveness Block Grant, with a priority for STEM educator supports.

- $85 million one-time Proposition 98 General Fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science

Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

- $80 million ongoing Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides matching funds for intersessional pay for classified employees that work less than 12 months per year.

- $20 million one-time Proposition 98 General Fund to support a K-12 Teacher Residency Program Technical Assistance Center.

- $15 million one-time Proposition 98 General Fund over three years to support 6,000 teachers in completing the coursework necessary to receive a supplementary state certification in reading and literacy.

- $15 million one-time Proposition 98 General Fund to continue the work of the Educator Workforce Investment Grant program in areas of special education and support for English Learners, and $15 million one-time Proposition 98 General Fund to continue the work of the Educator Workforce Investment Grant program in computer science.

6100 DEPARTMENT OF EDUCATION

Issue 6: Early Education

Panel

- Jodi Lieberman, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Malia Vella, Department of Education

Universal Transitional Kindergarten (TK). The May Revision adjusts the costs to expand transitional kindergarten (the 2021-22 Budget Act expands transitional kindergarten from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2 in 2022-23) from $639.2 million at the Governor's Budget to $614 million General Fund to reflect the latest enrollment trends.

Additionally, the May Revision proposes to allow teachers with preschool teaching permits who hold bachelor's degrees that meet basic skills requirements and are enrolled in coursework leading to be assigned as the teacher of record in a credential to teach transitional kindergarten, until June 30, 2026.

Finally, the May Revision allows community colleges to participate in the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program if they operate a preschool program on behalf of, or in lieu of, a school district or county office of education.

The Senate Budget Plan includes $100 million Proposition 98 General Fund for the Pre-Kindergarten Planning and Implementation Grants, as well as $1 billion General Fund for the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

California State Preschool Program. The May Revision provides $21.6 million one-time ($10.8 million General Fund and $10.8 million Proposition 98 General Fund) to extend family fee waivers for CSPP families for the 2022-23 school year. In addition, the May Revision extends hold harmless policies for CSPP providers for the 2022-23 school year; providing funding based on contract amounts rather than attendance. Finally, the May Revision updates a January proposal to increase adjustment factors for students with disabilities and dual language learners to reflect increased costs ($4 million ongoing Proposition 98 General Fund and $30 million ongoing General Fund).

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

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

Consultant: Christopher Francis, Ph.D.

ALL ITEMS HELD OPEN

Item Department Page

Public Comment

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

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

Consultant: Christopher Francis, Ph.D.
OUTCOMES

ISSUES 1-4 HELD OPEN
ISSUES 5-7 REQUIRED NO ACTION

Public Comment

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 16, 2022
9:00 a.m.
State Capitol - Room 4203

Consultant: Christopher Francis, Ph.D.

OUTCOMES
Issues 1-7 Held Open
Issue 8 No Action Needed

Item **Department** **Page**

Public Comment

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Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 23, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Christopher Francis, Ph.D.

OUTCOMES

Issues 1-5, 7-9, and 12 Held Open

Issues 6, 10-11, and 13 No Action Needed

Public Comment

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, March 2, 2022
9:00 a.m.
State Capitol - Room 3191

Consultant: Christopher Francis, Ph.D. and Yong Salas

OUTCOMES

All Issues Held Open

Public Comment

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Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Tuesday, May 3
9:00 a.m.
State Capitol - Room 2100

Consultant: Yong Salas and Elisa Wynne

VOTE ONLY

FOR DISCUSSION

Public Comment

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

VOTE ONLY

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

Issue 1: State Operations

Request.

The Governor's 2022-23 proposed budget includes the following augmentations with General Fund and federal funds:

Issue	**# of Positions**	**2022-23 Funding**	**Purpose**
AB 1505 Continued Verified Data Work 3-0, AAB	-	$500,000	The State Board of Education requests the re-appropriation of one-time General Fund for continued analysis of verified data initially required by Chapter 486, Statutes of 2019 AB 1505.
State Special Schools - Information Security and Infrastructure 3-0, AAB	6.0	$4,251,000	CDE is requesting six permanent positions and $4,251,000 in General Fund (GF) state operations for fiscal year (FY) 2022-23 and $1,022,000 for FY 2023-24 and ongoing. The funds will be used for the procurement of Information Technology (IT) security related hardware/software services and maintenance of hardware and software assets to support information security programs and technical infrastructure improvements for the CDE headquarters and the State Special Schools.
IT Infrastructure and Operational Support 2-0, AAB	2.0	$1,166,000	CDE is requesting two permanent positions and $1,166,000 General Fund in 2022-23 and $266,000 General Fund in 2023-24 and ongoing. The funds will be used to offset the rising cost of Information Technology services.
AB 2083 Implementation 3-0, AAB	1.0	$161,000	CDE requests one permanent positions and $161,000 General Fund in 2022-23 and ongoing support the workload associated with Chapter 815, Statutes of 2018 (AB 2083) to help implement a State Level trauma resolution team to address any local disputes that may occur in the implementation of child welfare reform in California.

Augmentation for the Clearinghouse for Specialized Media and Technology Warehouse 3-0, AAB	-	$106,000 (federal funds)	CDE is requesting an increase of $106,000 in 2022–23, $116,000 in 2023–24, $127,000 in 2024–25, $139,000 in 2025–26, and $151,000 in 2026–27 in federal Individuals with Disabilities Education Act (IDEA) funds spending authority to fully fund the increased warehouse lease costs.
Oversight of the Child Development and Nutrition Fiscal Services office 2-0, AAB	1.0	$157,000	CDE is requesting one permanent position $157,000 General Fund for 2022-23 and ongoing. This position is needed for sufficient management oversight of the Child Development and Nutrition Fiscal Services office and to ensure timely and accurate implementation of policy changes impacting fiscal operations for Preschool contractors.
Support for Budget Management Office 2-0, AAB	2.0	$238,000	CDE is requesting two permanent positions and $238,000 in General Fund in 2022–23 and ongoing to support the workload increase of the Budget Management Office.
AB 1363 Implementation 3-0, AAB	3.0	$458,000	CDE is requesting three positions and $458,000 General Fund in 2022–23 and ongoing. These resources are needed to meet state requirements for implementation of Assembly Bill (AB) 1363, including updating the early education data system consistent with the requirements of the California Cradle-to-Career Data System, developing tools and resources for California State Preschool Program contractors to use for the collection of language information, issuing guidance, and developing regulations.
Stimulus Team Positions 3-0, AAB	2.0	-	CDE is requesting two positions to provide support to the Federal Stimulus Team.
Dual Language Immersion Grant Program Implementation 3-0, AAB	1.0	$161,000	CDE requests one permanent position and $161,000 General Fund through 2023–24 to fully implement the Dual Language Immersion Grant Program.
Ongoing SBE Positions 2-0, AAB	6.0	$1,300,000	The State Board of Education is requesting six permanent positions and $1.3 million ongoing General Fund to maintain funding and positions provided on a one-time basis in the 2021 Budget Act, and provide nominal salary increases for highly impacted staff.

Staff Recommendation. Approve as budgeted.

Issue 2: Model Curricula and Instructional Quality Commission

Request. The Governor's Budget includes $246,000 in one-time General Fund in 2022–23 to fund the activities of the Instructional Quality Commission (IQC). These funds will allow the IQC to continue its work on the Physical Education curriculum framework, the Mathematics curriculum framework, and the English Language Arts/English Language Development curriculum framework.

The Governor's Budget also includes one-time $14 million Proposition 98 General Fund for county offices of education selected to develop the model curricula for Native American studies, the Vietnamese American refugee experience, the Cambodian genocide, and Hmong history and cultural studies. Funding will be split equally among the four model curricula.

Staff Recommendation. Approve as budgeted and adopt placeholder trailer bill language.

Issue 3: Agricultural Career Technical Education Incentive Grant Program

Request. The Governor's Budget includes $2 million ongoing Proposition 98 General Fund to support an augmentation to the Agricultural Career Technical Education Incentive Grant program. The Agricultural Career Technical Education Incentive Grant provides local educational agencies with funds to improve the quality of their agricultural career technical education programs. The program is currently funded at $4.1 million, and this augmentation would bring the program's total funding to $6.1 million.

Staff Recommendation. Approve as budgeted.

Issue 4: 2020 Wildfire Basic Aid Backfill Proposal

Request. The Administration requests trailer bill language that would provide a General Fund backfill for basic aid districts that experience property tax losses in 2020-21 and 2021-22 due to the 2020 Wildfires.

Staff Recommendation. Adopt placeholder trailer bill language.

FOR DISCUSSION

6100 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

Issue 5: COVID Recovery and "Putting Wealth to Work"

Panel:

- Edgar Cabral, Legislative Analyst's Office

Proposal:

Since the declaration of the emergency COVID-19 pandemic in March 2020, California's students have faced challenges that were unprecedented, and the state's education system was tested. National and state-specific research shows the direct and the potential long-term impacts of the pandemic on students. An April 2022 Public Policy Institute of California statewide survey found that more than four in ten parents say their child has fallen behind academically during the pandemic, and that a plurality of adults and public school parents say catching up academically will be the biggest challenge for public school students in the next year.

The 2021 Budget Act provided significant support for COVID-related learning loss, by means of in-person grants, special education learning recovery, and other grant programs that provided additional support as students recover from the pandemic. Building on last year's budget, Senate Democrats are putting forward their "Putting Wealth to Work" Budget Plan, which is providing further opportunity to put California's wealth to work to build a more equitable economy.

Key highlights in K-12 education from the Senate Democrats' Budget Plan include:

- **Ongoing K-12 Discretionary Funding Increases.** Increases to the Local Control Funding Formula, which would total to $5 billion in 2022-23, $7.5 billion in 2023-24, and $10 billion ongoing beginning in 2024-25.

- **COVID-Related Learning Recovery Block Grant.** $10 billion Proposition 98 General Fund for a COVID-related Learning Recovery Block Grant, which will use a formula allocation and would be used by local educational agencies for broad and flexible uses to address unique challenges brought on by the COVID-19 pandemic. Allowable uses will include, but are not limited to, staffing costs (salaries, benefits, retirement costs), targeted interventions such as literacy coaches, and mental health and wellness services.

- **Student Enrichment Block Grant.** $5 billion Proposition 98 General Fund for a block grant for arts, music, and other instructional materials. This block grant will also use a formula allocation, and would be used by local educational agencies for student enrichment, including for items related to arts, music, Science, Technology, Engineering, and Mathematics-related tools, instructional materials including books and other learning tools.

- **Facilities Funding.** $4.5 billion for school facilities, on top of the Governor's January proposal. This includes $1 billion for TK facilities.

Staff Recommendation. Hold open. These issues will be considered as part of a comprehensive budget package after the May Revision.

Issue 6: California State Preschool Program Supports

Panel:

- Edgar Cabral, Legislative Analyst's Office

Proposal:

The Senate Democrats "Putting Wealth to Work" Plan includes the following priority proposals related to supporting the State Preschool Program, including:

- Provides approximately $315 million ongoing (General Fund and Proposition 98) at full implementation for the California Preschool Program share of increasing child care and early education reimbursement rates to the 90th percentile of the Regional Market Rate beginning January 1, 2023.

- Extends the age range of the rate adjustment factor for toddlers to include three year olds, beginning January 1, 2023. At full implementation, this change is estimated at $446 million (General Fund and Proposition 98). Expanding the application of this adjustment would provide additional funding for serving three year olds, which would support the California State Preschool Program as many four years olds move into Transitional Kindergarten.

- Waives family fees for an additional two years and retains hold harmless policies to pay providers based on enrollment for an additional year.

- Expands preschool eligibility for three and four years olds for families at 100 percent of the state median income level, while continuing to serve those with the lowest incomes first (after current designations of high-risk children are served).

- Provides $100 million in non-Proposition 98 planning funds over a three-year period to establish Local Preschool Councils for the Early Care and Education field Programs to plan for continued expansion of preschool education and care in coordination with Local Educational Agencies.

Background

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited. Providers of State Preschool must comply with Title 5 of the California Code of Regulations including requirements, such as development assessments for children, rating scales, and staff development.

Preschool-aged children may also be served in other settings, such as other child care settings, federal Head Start programs, or Transitional Kindergarten if the child is age-eligible.

Funding. As CSPP programs are run by both LEAs and Non-LEAs, the fund sources for the programs have changed over time. However, since the 2019-20 Budget Act all non-LEA state preschool and wrap care are funded with non-Proposition 98 General Fund and LEA state preschool and wrap care are funded with Proposition 98 General Fund. State Preschool providers contract with and receive payments directly from CDE. Prior to 2022, CSPP programs received the same standard reimbursement rate (SRR) no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for children with exceptional needs, severe disabilities, cases of neglect, and English learners.

The Budget Act of 2021, included a provision that required, commencing January 1, 2022, all early education providers would receive the higher of the SRR, adjusted by COLA, or the 75th percentile of the 2018 regional market rate survey. This change was an attempt to better align rates for early care and education across all providers and care types to allow for movement towards a single reimbursement rate system. In January 2022, the CDE released management bulletin 22-01, detailing these calculations and informing CSPP providers of the change. The 2021-22 budget package also provided $130 million Proposition 98 General Fund to increase State Preschool slots for school districts and county offices of education.

CSPP Eligible Population and Children served:

Overall, in 2019, there were about 1 million three- and four-year old children eligible for CSPP. Of this, 620,520 of those children were eligible for CSPP based on being from families with incomes below 85 percent of the state median income. This was estimated using data from the 2019 Census' American Community Survey and the specific income thresholds for CSPP and this does not capture children who may be eligible to receive CSPP based on local factors, like whether their program participates in the flexibilities allowed for programs operating in the attendance boundary of an elementary school where 80% or more of students are eligible for free or reduced-price meals.

Overall, about 142,067 three- and four-year old income eligible children were served in October 2019 in CSPP (23 percent of all eligible). Percentage of eligible children served varies by age:

- 40,484 three-year old children served in CSPP out of 303,603 three-year-old children income eligible for CSPP (13 percent)

- 101,583 four-year old children served in CSPP out of 316,917 four-year-old children income eligible for CSPP (32 percent)

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Tuesday, May 10, 2022
9:00 a.m.
1021 O Street - Room 2100

Consultant: Christopher Francis, Ph.D.

OUTCOMES

Items	*Motion*	*Subcommittee Vote*
2-11, 13-14, and 16-21	Motion to adopt staff recommendation	AYES: 3 NOES: 0
1,12, and 15	Motion to adopt staff recommendation	AYES: 2 NOES: 0 ABSTAIN: 1 (Sen. Ochoa Bogh)

VOTE-ONLY ITEMS

Public Comment

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

VOTE-ONLY ITEMS

6440 UNIVERSITY OF CALIFORNIA

Issues 1-3: UC Vote Only Items

1. **Firearm Research.** The Governor's budget proposes an increase of $2 million ongoing General Fund to support research conducted by the California Firearm Violence Research Center at UC Davis.

Staff Recommendation. Approve as budgeted.

2. **Graduate Medical Education.** The Governor's budget proposes a decrease of $582,000 ongoing General Fund to adjust the Proposition 56 revenue offset amount for a statewide grant program and maintain $40 million ongoing for medical residency slots.

Staff Recommendation. Approve as budgeted.

3. **Dyslexia Research.** The Governor's budget proposes an increase of $10 million one-time General Fund to support the University of California San Francisco Dyslexia Center.

LAO Recommendation:* *Establish Goals and Reporting. Were the Legislature interested in continuing to support this project, the LAO recommends it provide clear statutory direction. At a minimum, the LAO recommends statute define the scope of the project and specify project outcomes (such as having an increasing number of students use the screening tools each year through 2024-25, improving reading test scores in the early grades, and reducing special education referrals). Additionally, the LAO recommends that the Legislature require the program to report by November 1 of each year from 2022 through 2025 on the initiative's activities, outcomes, and long-term plans. This report could help inform future budget decisions.

Staff Recommendation. Approve as budgeted and adopt LAO's recommendation on reporting.

6610 CALIFORNIA STATE UNIVERSITY

Issue 4: CSU Vote Only Item

4. **Construct Energy Innovation Center at CSU Bakersfield.** The Governor's budget provides $83 million one-time General Fund for the proposed building. The *Governor's Budget Summary* indicates that this proposal supports climate change research. The Administration has further specified that the building would allow for research and development on carbon management and clean energy issues, in collaboration with the Kern County energy sector, among other potential collaborators.

Staff Recommendation. Approve as budgeted.

6870 CALIFORNIA COMMUNITY COLLEGES

Issues 5-12: CCC Vote Only Items

5. **CCC Facilities.** The Governor's budget proposes General Obligation bond funding of $373 million one-time for the construction phase of 17 projects.

6. **Emergency Financial Assistance Grants for AB 540 Students**. The Governor's budget proposes an increase of $20 million one-time Proposition 98 General Fund to support emergency student financial assistance grants to eligible AB 540 students.

7. **African American Male Education Network and Development (A^2MEND) Student Charters**. The Governor's budget proposes an increase of $1.1 million ongoing Proposition 98 General Fund to support the expansion of A^2MEND student charters to an increased number of community college districts.

8. **Common Course Numbering.** The Governor's budget proposes an increase of $105 million one-time Proposition 98 General Fund to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.

9. **Program Pathways Mapping Technology.** The Governor's budget proposes an increase of $25 million one-time Proposition 98 General Fund to assist community colleges with the procurement and implementation of software that clearly maps out intersegmental curricular pathways to help students choose their pathway, facilitate streamlined transfer between segments, and reduce excess units taken on the path to degree or program completion.

10. **Implementation of Transfer Reforms.** The Governor's budget proposes an increase of $65 million one-time Proposition 98 General Fund for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.

11. **Financial Aid Administration.** The Governor's budget proposes an increase of $10 million Proposition 98 General Fund to augment resources provided to community college financial aid offices.

12. **Equal Employment Opportunity (EEO) Programs.** The Governor's budget proposes an increase of $10 million Proposition 98 General Fund to support the sustainable implementation of EEO best practices to diversify community college faculty, staff, and administrators.

Staff Recommendation. Approve items 5-12 as budgeted.

6600 HASTINGS COLLEGE OF THE LAW

Issues 13: College of the Law Vote Only Item

13. **Base Adjustment**. The Governor's budget proposes an increase of $2 million ongoing General Fund to support operating costs. The budget also assumes Hastings increases resident tuition by three percent in 2022-23, representing the first increase since 2011-12. Consistent with previous years, the Governor's budget does not set an enrollment target for Hastings or designate funding for enrollment growth.

Staff Recommendation. Approve as budgeted.

6120 CALIFORNIA STATE LIBRARY

Issues 14-17: State Library Vote Only Items

14. **Digitization of Significant Materials.** The Governor's budget includes a total of $14 million General Fund support and nine additional permanent State Library positions for enhanced digitization activities. The Department of Finance (DOF) indicates that $11 million of the one-time funding would be available over five years (through 2026-27) and the remaining $1.7 million in one-time funding supporting cataloging activities and equipment purchases would be available through the budget year. (DOF indicates it will add this expenditure period to provisional budget language at May Revision.)

LAO Recommendation: ***If More Digitization Is a High Priority, Adopt Reporting Requirement.*** If the Legislature would like to support more digitization at the State Library, the LAO recommends it require the State Library to report on its digitization activities as a condition of receiving an associated augmentation. Specifically, the LAO recommends that the State Library be required to submit a first report by November 1, 2023 (around halfway through the initiative) and a second report by November 1, 2026 (toward the end of the initiative). The recommended reports would include the amount spent, specific activities undertaken, and the number of resources digitized each year. The LAO recommends the reports to also include an assessment as to the remaining number of State Library items to be digitized and the associated cost.

Staff Recommendation. Approve as budgeted and adopt LAO's recommendation on reporting.

15. **Online Job Training and Workforce Development.** Governor Proposes $8.8 Million General Fund Over Two Years to Continue Recent Initiative. Proposed budget bill language states that the funds would support library-based online job training and educational upskilling programs over two years. Though not specified in the proposed language, the State Library indicates the funds would continue supporting the six platforms listed above that were originally supported with one-time federal relief funds. The State

Library indicates its intention to spread the funds evenly over the next two years (with $4.4 million spent each year).

***<u>LAO Recommendation:</u>* Reject Proposal.** Given the risks and uncertainties around program cost, participation, and outcomes, the LAO recommends that the Legislature reject the proposal. Even if this proposal were rejected, the State Library would continue implementing its current federally funded initiative. The State Library indicates that it plans to collect better data on that initiative. Were this forthcoming data to adequately address the concerns raised earlier and demonstrate the initiative's added benefit to the state's existing workforce programs, the Legislature could consider supporting the initiative in future years. (If the Governor's proposal were approved for 2022-23, the LAO recommends adding an evaluation to ensure the cost-effectiveness of the state.

Staff Recommendation. Approve as budgeted

16. **Lunch at the Library.** The Governor's budget proposes an increase of $5 million ongoing General Fund and two positions to expand the number of library jurisdictions providing summer meal programs for students in low-income communities. Of this amount is: 1) a General Fund state operations appropriation of $314,000, including two positions (two Library Programs Consultants) in fiscal year 2022-23 and ongoing; and 2) a General Fund local assistance appropriation of $4.7 million in fiscal year 2022-23 and ongoing to expand the number of library jurisdictions providing summer meal programs for students in low-income communities through the Lunch at the Library program. According to the State Library, the proposal would result in local libraries increasing the number of summer meals they serve by about 10 percent each year for the next five years, with the library summer meal count reaching approximately 500,000 by 2026.

***<u>LAO Recommendation:</u>* Modify Proposal to Be Limited Term.** Given the proposal's uncertain impact on summer food insecurity and the notable expansion in summer attendance underway at schools, the LAO recommends that the Legislature modify the proposal by making it limited term. For example, the Legislature could provide the program $5 million one-time General Fund over three years. At the end of this period, the Legislature would have better information on the Lunch at the Library's impact, as well as ELOP's impact, on summer meal participation. The Legislature could then better assess whether an ongoing augmentation for the Lunch at the Library program is warranted.

***<u>LAO Recommendation:</u>* Adopt Statutory Parameters, Reporting, and Evaluation.** To assist legislative oversight over the proposed augmentation and inform future budget decisions in this area, the LAO recommend establishing parameters over the grants. Helpful parameters would include designating amounts for each grant purpose (such as start-up grants and grants to pilot new meal delivery approaches), prioritization criteria (such as prioritizing grants to libraries in counties with high rates of food insecurity), and performance milestones (such as achieving a 10 percent annual increase in the number of library sites and summer meals). Additionally, the LAO recommends requiring the State Library to collect and report certain data each November 1 over the initiative's funding period. At a minimum, the LAO recommends the report include the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of non-library meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites. The LAO recommends that the report also include an evaluation component that would seek to assess the cost-effectiveness of the additional library summer meal sites relative to schools and other community-based sites.

Staff Recommendation. Approve as budgeted and adopt LAO's specific recommendation on reporting.

17. **Re-benching State Library's Rental Budget.** The proposed amount—$2.2 million ongoing General Fund—would close the shortfall between actual rental costs and the State Library's base rental budget beginning in 2022-23. The amount is tied to the estimated funding shortfall in 2021-22.

Staff Recommendation. Approve as budgeted

6980 California Student Aid Commission

Issues 18-21: Student Aid Commission Vote Only Items

18. **Cash for College Program.** The Governor's budget includes an increase of $500,000 one-time General Fund to expand and supplement existing Cash for College Regional Coordinating Organizations that offer technical assistance to help complete college financial aid applications.

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

Staff Recommendation. Approve as budgeted and adopt LAO's recommendation on reporting.

19. **Learning-Aligned Employment Program.** The Governor's budget proposes an increase of $300 million one-time General Fund for the Learning-Aligned Employment program, which provides a two-year total of $500 million when combined with funds provided to establish the program in the 2021 Budget Act. This augmentation was included in the 2021-22 budget agreement.

20. **Financial Aid Programs.** The Governor's budget proposes an increase of $479,000 ongoing General Fund for five positions at the California Student Aid Commission to support financial aid programs.

Staff Recommendation. Approve items 19-20 as budgeted

21. **Increase Dreamer Service Incentive Grant Award Amount and Redirect Unspent Funds to Dream Loan Program.** The proposed trailer bill language would increase the maximum DSIG award amount from $1,500 to $2,250 per semester (or from $1,000 to $1,500 per quarter). Under this proposal, full time students would in effect earn $15 per hour of service—equivalent to the state minimum wage for larger employers. Part time students would continue to receive prorated awards. In addition, the proposed language would lower the limit on program participants from 2,500 students to 1,667 students at any one time to keep program costs within the current funding level.

    The proposed trailer bill language would also allow the Director of Finance to transfer any unspent funds for the DSIG program beginning in 2021-22 to UC and CSU to support the Dream Loan program. These funds would be allocated to UC and CSU based on each segment's share of Dream Loan recipients in the most recent year for which this data is available. Based on 2020- 21 data, about two thirds of the redirected funds would go to UC.

LAO Recommendations:* *Modify Proposed Increase in DSIG Award Amounts. The LAO thinks that the Governor's proposed increase to the maximum award amount is a reasonable way to increase participation in an undersubscribed program. However, the LAO recommends amending the language to remove the proration of awards for part-time students, as this would address an additional disincentive for these students to participate. With this amendment, the program would compensate both part- and full-time students at an hourly rate equivalent to the state minimum wage.

Reject Redirection of Unspent Funds to Dream Loans. Given that current funding for the Dream Loan program is sufficient to meet demand, the LAO recommends rejecting the redirection of unspent DSIG funds to Dream Loans. Instead, the Legislature could allow unspent DSIG funds to revert to the General Fund. In future years, as more data becomes available on DSIG participation, the Legislature could revisit the ongoing funding level to align it better with demand, thus minimizing the amount of unspent DSIG funds.

Add Reporting Requirement for DSIG Program. To inform future funding decisions, the LAO recommends further amending the proposed trailer bill language to require CSAC to submit a report annually starting November 1, 2022 on the DSIG program. At a minimum, the LAO recommends this report include the number of program recipients and the total amount of aid provided in the previous award year, by segment. The Legislature may also wish for the report to include a list of organizations providing service opportunities under the program and the number of hours served at each organization.

Staff Recommendation. Adopt placeholder trailer bill language that includes, but is not limited to, the LAO recommendations to add a reporting requirement for DSIG, a modification of the proposed increase in DSIG award amounts to cover part-time students, and language that authorizes re-direction of unspent funds to Dream Loans.

DISCUSSION ITEMS

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 22: Higher Education Student Housing Grant Program

Panel

- Jennifer Kaku, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California
- Lizette Navarette, Community College Chancellor's Office
- Vi San Juan, California State University

Background

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

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

On-Campus Housing Is Most Common at UC. All UC and CSU campuses have on-campus housing programs, whereas only 12 (of 115) community colleges have student housing programs. Systemwide, UC houses the greatest share of its undergraduate students—37 percent in 2021-22. Among UC campuses, the share of undergraduate students housed ranges from 22 percent (Irvine) to 51 percent (Los Angeles). Based on the number of on-campus beds at each segment, we estimate approximately 15 percent of all CSU students systemwide and less than one percent of CCC students systemwide live in on-campus housing.

CCC Housing Is Mostly at Rural Colleges and Decades Old. Prior to 2019, 11 community colleges had student housing programs. Almost all of these colleges were located in rural areas and had longstanding housing programs. In 2019, Orange Coast College opened a student housing facility with 800 beds. This student housing facility is the largest among the community colleges (more than four times larger than at any other, accounting for about one-third of all community college beds in the system). Santa Rosa Junior College recently secured financing for a 352-bed project through the California School Finance Authority. The authority completed a $68.3 million revenue bond sale in summer 2021 for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize local general obligation bonds, which could be used to support housing projects if local voters approve. Data compiled by the Chancellor's Office indicates that students pay on average about $5,800 per year in a two-person room. These costs do not include food.

Higher Education Student Housing Grant Program, and Capacity Expansion Grant Program created in 2021 Budget Act. SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021 created two new programs to support affordable student housing at the UC, CSU and CCC, and campus expansion projects at UC and CSU. SB 169 appropriates $500 million one-time General Fund in 2021-22 for student housing projects and includes legislative intent to provide $750 million in 2022-23 and $750 million in 2023-24 for this purpose. This appropriation and proposed funding will be divided as follows: 50 percent to CCC, 30 percent to CSU, and 20 percent to UC. The law created a process for campuses to propose housing projects by October 2021 for inclusion in the subsequent budget act. The law also created the campus expansion program with legislative intent language to provide funding for this program in the future. Of the total $2 billion one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, $25 million is available for CCC planning grants for student housing. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation.

State Funds Must Be Used to Add Affordable Student Housing Units. Statute sets forth a number of requirements for projects to qualify for grant funding. Most notably, rents for the state-funded on-campus housing units cannot exceed 30 percent of 50 percent of a campus's area median income. This is a measure used in various federal and state affordable housing programs to gauge housing affordability for low-income residents. (Prior to the state adopting the new student housing grant program, campuses did not use this measure to set on-campus housing rental rates.) Campuses can co-locate units with rents above the statutory limit in the new buildings, so long as these standard-rent units are supported with nonstate funds. Other grant requirements include prioritizing affordable beds for low-income students and requiring students renting the affordable beds to enroll full time.

Statute Suggests Several Factors to Consider When Prioritizing Projects. Statutory intent language indicates that the grants are to be allocated "to increase the current stock of affordable student housing, for purposes of supporting low-income students and facilitating low-income student access to higher education." Beyond this basic direction, statute suggests seven additional factors to prioritize projects, such as unmet student housing demand for a campus or service area and whether the projects are intersegmental. These seven criteria are outlined below.

Higher Priority May Be Given to the Following Types of Projects

1. ***Commercial Space Renovations.*** Projects that convert commercial space into student housing.
2. ***Share of Low-Income Students.*** Projects serving higher shares of a campus's low-income student population.
3. ***Housing Demand.*** Projects at campuses with relatively higher unmet demand for student housing.
4. ***Construction Time Line.*** Projects with earlier construction start dates.
5. ***Geographical Coverage.*** Projects that ensure representation of the state's various regions and campuses.
6. ***Intersegmental Housing.*** Projects affecting at least two campuses from different segments.
7. ***Enrollment Capacity.*** Projects that expand enrollment capacity at the universities.

Legislature and Governor Determine Grant Awards. In contrast to most other grant programs, the Legislature and Governor, rather than a state agency, are tasked with administering the program and awarding grants. As specified in statute, this process begins with campuses submitting their applications to the Department of Finance (DOF). DOF then reviews the applications and submits its proposed list of projects to the Legislature. For the first round, statute required campuses to submit their applications to DOF by October 31, 2021, and DOF to submit its proposed list of projects to the Legislature by March 1, 2022. Due dates for subsequent rounds are not specified in statute. Ultimately, both the Governor and Legislature must agree to the final list of projects and appropriate funds for each project in the annual budget act. Thereafter, the segments must report annually on the status of their approved projects. For completed projects, the segments must also report annually for a five-year period on each project's "public benefit" as related to the selection criteria described earlier.

Administration Proposed List for 2021-22. On March 1, 2022 DOF provided the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The DOF's proposed list of projects totalled $488 million for the first round of funding.

State Received More Applications Than Available Funding. DOF received 115 applications for the first round of funding, consisting of 73 planning grant applications and 42 construction grant applications. As the figure from the LAO below shows, the applications in total requested $3 billion in grant funding, surpassing both the $500 million designated for the first round and the $2 billion designated for all three funding rounds combined.

Figure 1: Housing Applications Exceeded Program Funding

First Round of Applications (Dollars in Millions)

	Number of Applications	State Funding Requested	Total Statutory Allotment
	Planning Grants		
CCC	71	$187	$25
Intersegmental[a]	2	4	—
Subtotals	**(73)**	**($191)**	**($25)**
	Construction Grants		
CCC	22	$1,382	$975[c]
CSU	9	526	600
UC[b]	9	816	400
Intersegmental[a]	2	108	—
Subtotals	**(42)**	**($2,832)**	**($1,975)**
Totals	**115**	**$3,023**	**$2,000**

[a]Funding for intersegmental projects are split evenly between the participating segments' statutory allotments.

[b]Includes one application from Hastings College of the Law ($219 million state funding).

[c]Assumes planning grant allotment comes out of the CCC total program allotment.

State Share of Cost Varies Across Projects. Of the 42 applications submitted for construction grants, 23 proposed covering all project costs using state funding and constructing only units that met the statutory affordability requirement. The remaining 19 projects proposed covering a portion of project costs with non-state funds (generally housing reserves or, for some CCC projects, local revenues), with 12 proposing to construct affordable beds only and 7 proposing to construct a mix of affordable and standard-rent beds. The share of project costs covered by non-state funds varied considerably by segment. For example, all ten CSU applicants (including one intersegmental project between Imperial Valley College and CSU San Diego) proposed covering 65 percent of project costs from state funding and 35 percent from non-state funding, regardless of whether the project consisted of 100 percent affordable beds or a mix of affordable and standard-rent beds. The share of cost covered by non-state funds at UC and CCC varied by campus, with the share generally greater for projects with a mix of affordable and standard-rent beds.

Administration Proposes Allocating $488 Million for First Round. This amount consists of $18 million for initial planning at CCC and $470 million for construction projects. According to DOF, it selected construction projects based on three factors: (1) whether the project was intersegmental (with all eligible intersegmental projects automatically receiving top rank), (2) state funding per bed (with a lower amount yielding a higher rank), and (3) proposed rents of the new housing facilities relative to the statutory limit (with a lower share yielding a higher rank). The administration used this approach to sort projects into three groups: (1) projects proposed for first-round funding, (2) projects that were eligible for first-round funding but lower priority, and (3) projects that were ineligible for funding.

Many Construction Projects Deemed Lower Priority. Of the remaining 34 construction project applications, 17 were considered eligible for a grant but deemed lower priority. That is, they met the statutory requirements of the program but were not intersegmental and had higher combined costs per affordable bed and rents than the proposed first-round projects. DOF plans to consider these projects for future funding rounds without the requirement that campuses resubmit their applications (though applicants can choose voluntarily to change and resubmit their proposals).

Remaining Construction Projects Deemed Ineligible. DOF deemed the remaining 17 projects ineligible and excluded them from the project ranking process. Reasons why these projects were deemed ineligible include: (1) the campus applied for both planning and construction grants (thus signaling the project was not yet ready for construction), (2) the campus did not demonstrate the project would be financially feasible, (3) the project did not meet required parameters (such as by proposing rents above the statutory maximum), or (4) the application was submitted to DOF past the October 31 deadline. Projects initially deemed ineligible may address any identified shortcomings and resubmit their applications for future rounds of funding.

Governor's Budget Proposal for 2022-23

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

Legislative Analyst's Office Assessment and Recommendations

The LAO believes that the new grant program and the Administration's recommended list of projects raise three main areas of consideration for the Legislature. The first area revolves around the approach the Legislature could take to prioritize among projects. The second area involves project risks. Many proposed projects could face higher-than-expected costs, potentially undermining their impact, affordability, and even feasibility. The third area involves the many substantial issues that remain unresolved around student affordability and higher education facilities. In the following sections, the LAO discusses each of these areas and offers associated recommendations.

Alternative Approaches to Selecting Projects Exist

Administration's Approach to Selecting Projects Is Reasonable. The LAO thinks that the Administration's approach to selecting first-round projects generally is reasonable. The factors DOF uses to rank projects (primarily state funding per bed and the proposed rents) align with the program's intent. The LAO further thinks the Administration's approach of funding only the initial planning activities of the planning grant applications is reasonable, as most college applicants are in the very early stages of developing their projects. Moreover, the LAO thinks the Administration's approach appropriately excludes projects from the first round that do not meet the statutory requirements or are not yet at the construction stage.

Recommend Legislature Weigh Governor's Approach Against Alternative Approaches. Although the LAO thinks that the Administration's approach is reasonable, it is only one of many approaches the Legislature could take to select projects. Given the broad and varied guidance offered in statute, the Legislature could take many other approaches to selecting projects that still meet the program's objectives. Ultimately, the Legislature's goals and priorities will determine whether modifications to the Governor's prioritization approach are warranted. Below, the LAO offer four ways the Legislature could consider modifying the Governor's approach.

Legislature Could Consider Other Approaches to Measure Project Affordability. Because 13 (of the 25) eligible projects proposed charging rents at 100 percent of the statutory limit, they all ranked equally affordable under the administration's approach. One alternative that would yield more nuanced rankings would be to compare a project's proposed on-campus rent to off-campus housing costs in the nearby community. Based on an initial review of data on off-campus rental rates submitted by the universities, the LAO found that this alternative approach could boost the rankings of a few projects at campuses in particularly expensive housing markets, such as those at UC Berkeley and UC Santa Cruz. It also lowers the rankings of several projects in lower-cost areas of the state. (As of the timing of the LAO's brief, only a few community colleges had submitted to the LAO data on off-campus housing costs.)

Legislature Could Consider Other Factors Too. DOF only directly considered one of the seven additional prioritization factors specified in statute—whether the project is intersegmental. (As DOF's approach yields projects located throughout the state, it also aligns with the statutory factor of ensuring geographic coverage.) The Legislature might wish to incorporate other factors in lieu of or in addition to the factors used by the Administration. For example, the Legislature might wish to prioritize projects in areas with particularly constrained housing markets and high unmet demand for student housing. If so, the Legislature could use measures of unmet housing demand to rank projects, such as waitlists for on-campus housing or off-campus housing vacancy rates in the surrounding area. The Legislature might also prefer prioritizing projects with relatively early construction start dates. For example, the joint Imperial Valley College-CSU San Diego project, which DOF ranks first in its list, is not scheduled to begin construction until early 2024, whereas other lower-ranked projects are scheduled to begin construction as early as 2022.

Legislature Could Prioritize Projects That Leverage Non-state Funds. Though several applicants proposed covering a portion of their project costs with non-state funds, more than half of applicants did not do so. Encouraging more non-state funding contributions could permit some projects to construct additional affordable beds. It also might encourage some projects to construct more standard-rent beds. In either case, the overall stock of on-campus housing could be increased. Were the Legislature interested in encouraging more non-state funding, it could provide higher ranking for projects with non-state funding. Alternatively, it could direct first-round grantees to submit an adjusted proposal that meets some minimum threshold (for example, 10 percent of project costs covered with non-state funds). Given the end of this year's budget cycle is just a few months away, the Legislature would want initiate this request soon if it were interested in pursuing it. The Legislature also could influence applications in future rounds by amending statute to include specific expectations regarding non-state funding contributions.

Legislature Could Award More Grant Funding This Budget Cycle. The Legislature could alter statute to support more than $500 million in projects this year. On the one hand, approving more projects this year would enable campuses to commence with projects sooner, thereby increasing housing stock more quickly and avoiding higher construction costs in future years. The Legislature might find this approach particularly appealing given the relatively high inflation the state currently is experiencing. On the other hand, the Legislature might prefer to hold off on approving more projects and instead allow campuses more time to submit better applications in future rounds. According to the segments, some campuses already have expressed interest in revising their projects to make them more competitive and correct for any deficiencies.

Proposed Housing Projects Come With Risks

Cost Overruns Could Undermine Objectives of Grant Program. Though all capital projects are susceptible to cost overruns, the LAO views this risk as particularly salient for the proposed student housing projects. These risks are highest for CCC, as most community colleges have no experience constructing and operating any on-campus housing facilities. Given this lack of experience, campuses might be more likely to misjudge their projects' financial feasibility, construction costs, or student demand. Cost overruns could put campuses and the state in a difficult situation. Campuses might face pressure to cover the higher costs by raising rents or constructing fewer affordable beds, thereby undermining the program's intent. Alternatively, the state could face pressure to cover cost overruns to preserve a project's feasibility and affordability, thereby potentially increasing program costs significantly.

Recommend Requiring Projects to Have Contingency Plans. Given the risks present with these projects, the LAO thinks the Administration's approach of ensuring minimum funding amounts for contingency is warranted. To further protect the state, we recommend requiring first-round award recipients to submit plans documenting non-state fund sources they would use to cover any further cost overruns. This action would better signal legislative intent that campuses, rather than the state, bear the risks of their projects. (The LAO also note sthat UC, CSU, and CCC campuses already tend to cover cost overruns from non-state sources for their state-funded academic facility projects.) Looking ahead to the remaining grant rounds, the LAO recommends the Legislature adopt in statute minimum project contingency expectations (for example, five percent for UC and CSU and 10 percent for CCC) and intent language specifying that campuses cover any further cost overruns from nonstate sources.

Recommend Adopting Notification Process. The LAO further recommends that the Legislature take measures to improve its oversight of project cost and scope changes. Specifically, the LAO recommends granting the Administration the ability to authorize changes to a project's cost or scope, but only with 30-days advance notification to the Legislature. To ensure campuses have adequate flexibility to manage their projects, the LAO recommends only triggering this notification process when the change is greater than 10 percent over what was projected in the original application (that is, if costs are more than 10 percent higher than expected and/or affordable beds are 10 percent lower than expected). This process would allow both the Legislature and the administration to be active participants in the project implementation process, ensuring that the selected projects continue to align with program goals. The LAO also notes that other state capital outlay programs have similar notification processes for cost and scope changes.

Recommend Strengthening Reporting Requirements. Finally, the LAO recommend the Legislature strengthen the program's existing statutory reporting requirements in two ways. First, the LAO recommend specifying what the segments must include in their annual program reports. Currently, statute offers little guidance on the content of the reports, instead giving the segments flexibility to determine the content and thus potentially undermining the Legislature's ability to compare progress across segments and projects. At a minimum, the Legislature could require these annual reports to include updated project construction costs, updated project time lines, projected or actual rents of the new housing facilities, the projected or actual number of affordable beds, and occupancy rates for completed projects. In addition to providing consistent project-level information, this information would provide the Legislature better data moving forward on the kinds of projects that are particularly susceptible to cost and scope changes. Second, the LAO recommends requiring the segments to submit their reports each November, ahead of the upcoming legislative session.

Many Notable Issues Remain Unresolved

State Lacks Integrated Framework for Assessing Housing Affordability in College Context. The new student housing grant program is modeled off of programs generally intended to gauge housing affordability for low-income families living in the community. College students, however, can be dependents of their parents. In these cases, households already must cover housing costs for their primary residences and thus likely cannot afford to allocate an additional 30 percent of their income to house their respective college students on campus. Moreover, housing is only one of the costs that traditionally have been embedded within the concept of college affordability. In the college context, policymakers have long focused on students' total cost of attendance (tuition and living costs). Moving forward, the Legislature may wish to work with the segments, student groups, policy experts, and other stakeholders to develop a more integrated framework that considers student housing affordability within the broader context of overall college affordability and student financial aid programs.

Difficult to Assess Initiative's Impact on College Affordability. Many UC, CSU, and CCC campuses are located in areas with particularly constrained housing markets and relatively high housing costs. Efforts to construct housing in these areas—whether on-campus student housing or off-campus housing—will help mitigate these constraints. Based on the low thousands of affordable beds to be constructed in the first round, relatively few of the millions of students across the three systems, however, are likely to benefit directly from the program. That said, as the cost and scope of many projects likely will change, it is too early to assess how many students ultimately will benefit from the program or measure the overall reduction in living costs for low-income students.

Low-Income Students Likely Will Continue to Have Substantial Unmet Financial Need. Even if the new affordable housing units successfully offer some students lower-cost housing options, many low-income students at CSU and CCC likely will continue to face affordability challenges. This is because financial aid at these segments primarily focuses on covering the cost of tuition, providing substantially less coverage for living costs. (In contrast to CSU and CCC, UC fully covers financial need for its students, after assuming students cover a portion of total attendance costs from parent contributions, working part time, and borrowing.) Previous analyses have estimated the cost to cover remaining financial need to be in the low billions of dollars. Though the state recently revamped the Middle Class Scholarship program to substantially increase living cost aid for low- and middle-income students at UC and CSU, the revamped program has no set time line for reaching full implementation.

Legislature Also Faces Substantial Academic Facility Issues. Traditionally, the state has focused its higher education capital funding on academic facilities (such as classrooms, lecture halls, and laboratories), which are not self-funded from student charges but rely primarily on state funding. The state continues to face many substantial academic facility budget priorities. For example, all three segments report substantial academic facility maintenance backlogs (UC with $7.3 billion, CSU with $5.8 billion, and CCC with $1.2 billion). Moreover, the segments have billions of dollars in seismic safety upgrades they could make. As we have noted previously, campuses at all three segments also do not spend enough money to keep their facilities in good condition and prevent their backlogs from growing. Addressing these existing critical capital issues is important—potentially mitigating life-safety hazards, avoiding disruptions to state programs, and minimizing future escalation in repair costs. Funding student housing projects leaves less budget capacity to support these and other high-priority academic facility issues.

Recommend Legislature Keep Key Trade-Offs in Mind Moving Forward. The Legislature likely does not have enough budget capacity to fully address all of the above issues over the coming years. The LAO therefore recommends the Legislature to begin thinking about which of its higher education objectives are of highest priority relative to other areas of the state budget, then pursue the most cost-effective, efficient, and equitable activities to accomplish these objectives. For example, should the Legislature spend its next dollar to support more affordable housing projects, expand need-based financial aid, or address the segments' substantial maintenance backlogs? The LAO thinks that reflecting now on the difficult trade-offs raised by these choices will help focus the Legislature's higher education budget decisions in the coming years.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposal

In recognition that the housing applications exceeded program funding, and the need to avoid cost overruns by not funding shovel ready projects, the Senate's spending plan proposes to include an additional $1.5 Billion one-time non-Proposition 98 General Fund in 2022-23 to increase the available funding in the Higher Education Student Housing Grant Program. This would increase the total amount available for grants from $2 billion to $3.5 billion. The Senate also expresses the intent to appropriate the 2021-22 and 2022-23 funding to cover all eligible projects from the initial round of applications and have remaining funds cover the next round of applications.

The Senate proposes adoption of trailer bill to make refinements to subsequent rounds of the program's application process, including but not limited to, the LAO's recommendations to address cost overruns, project requirements to have contingency plans, a notification process, and reporting requirements for all projects funded in the first application round and any submitted project proposals in subsequent rounds.

Suggested Questions:

- We ask CSU, CCC, UC, and Administration to comment on the LAO recommendations and analysis.
- What was DOF's rationale for selecting projects?
- CCC, CSU, and UC: What challenges, if any, did you observe during this application process? In addition to LAO's suggested refinements, do you have any suggestions for improving this process going forward?
- DOF and LAO: Do you have any analysis or comments on the effectiveness of another state agency for this implementing this program?

Staff Recommendation. Hold Open.

Issue 23: Higher Education Compacts with UC & CSU and Roadmap with CCC

Panel

- Rebecca Kirk, Department of Finance
- Jennifer Pacella, Legislative Analyst's Office
- Seija Virtanen, University of California
- Lizette Navarette, Community College Chancellor's Office
- Ryan Storm, California State University

Background

The Governor's budget includes multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges (CCCs) that focus on shared priorities benefitting students.

Under these compacts, the Governor proposes to provide CSU and UC with five percent annual base increases over each of the next five years. Whereas the Governor proposes enrollment growth funding on top of the base increases in 2022-23, the universities would be required to accommodate one percent annual resident undergraduate enrollment growth within their base increases over the remainder of the compact period (2023-24 through 2026-27).

The roadmap for CCC is somewhat different than the compacts for CSU and UC. For CCC, the Governor announced his interest in establishing a multiyear "roadmap," but this roadmap does not commit to future base increases for the colleges. Instead, it leaves these base increases to be determined depending upon available Proposition 98 funds in future years.

Governor Sets Many Expectations for the Segments. The *Governor's 2022-23 Budget Summary* specifies a total of 55 expectations for the segments (15 for CCC, 22 for CSU, and 18 for UC). As part of his multiyear CCC roadmap and university compacts, the segments would have up to five years to meet most of the expectations. As Figure 3 shows, these expectations focus on student access, student success and equity, college affordability, intersegmental collaboration, workforce alignment, and online education. Some of the expectations build off existing initiatives developed by the segments. For example, all the segments have initiatives with graduation and equity goals that are the same or similar to those in the Governor's compact. Other expectations, however, are driven primarily by the administration. For example, the Governor would like the universities to use a common integrated admissions platform, a common learning management system, and a common tool for measuring equity gaps. Though the Governor lists his expectations in his budget summary, he does not intend to have them codified. Moreover, to date, the Administration has set forth no specific repercussions were a segment to miss one or more of the expectations. The Department of Finance (DOF) indicates that the Administration reserves discretion to propose smaller future base increases were a segment not to demonstrate progress in meeting its expectations.

Figure 3: Expectations Specified in Governor's 2022-23 Budget Summary

	CCC	CSU	UC
Access			
Increase resident undergraduate enrollment annually		X	X
Maintain minimum proportion of new transfer students		X	X
Increase graduate enrollment			X
Student Success and Equity			
Increase student completions rates by specified amounts	X	X	X
Decrease average units to completion and time to completion	X		
Increase number of students transferring to CSU and UC	X		
Annually publish specified student completion rates	X		
Advance re-enrollment campaigns and establish retention goals		X	
Expand credit opportunities in intersessions and summer sessions		X	
Provide every student access to digital degree planner		X	
Close specified achievement gaps for underrepresented and Pell Grant students	X	X	X
Close equity gaps in dual enrollment programs	X		
Affordability			
Create debt-free pathway for every undergraduate student			X
Reduce textbook and instructional material costs		X	X
Increase proportion of new tuition revenue set aside for financial aid			X
Include student housing projects in capital campaigns		X	X
Intersegmental Collaboration			
Fully participate in implementation of the Cradle-to-Career data system	X	X	X
Support campuses in adopting a common learning management system	X	X	X
Develop common tool to identify trends to address equity gaps	X	X	X
Support efforts to establish common integrated admissions platform	X	X	X
Workforce Alignment			
Increase percentage of high school students completing a semester of college credit through dual admission	X		
Establish baseline for prior-learning credit and launch new direct-assessment competency-based education programs	X		
Increase percentage of completing students earning a living wage	X		
Establish/expand programs in early education, education, health care, and climate action fields	X		
Establish coordinated educational pathways for high school students in education, health care, technology, and climate action fields	X	X	X
Develop new transfer pathways in education, health care, technology, and climate action fields		X	X
Increase number of early education degree pathways available to students		X	

Increase number of students enrolling in early education, education, STEM, and social work fields		X	
Increase number of students graduating with early education, education, STEM, and academic doctoral degrees			X
Establish goal to enable all students to participate in at least one semester of undergraduate research, internships, or service learning		X	X
Double opportunities for students who want research assistantships or internships		X	
Online Education			
Increase online course offerings above pre-pandemic levels		X	X
Increase concurrent online enrollment		X	
Expand digital tools for students to access online learning materials		X	
STEM = science, technology, engineering, and mathematics.			

Legislative Analyst's Office Assessment and Recommendations

Legislature Has Various Budget Options. The Legislature may want to consider some different budget options than those proposed by the Governor. Overall, the LAO continues to recommend the Legislature take a more transparent budget approach—one that links state funding increases with clear spending priorities. For the community colleges, the Legislature could consider redirecting some of the funds the Governor proposes for new activities, including new one-time activities, toward addressing colleges' core underlying cost drivers, including rising pension costs and unfunded pension liabilities. For CSU, the Legislature could consider a somewhat higher base increase for 2022-23 among its spending priorities, if revenues allow. In the outyears, the Legislature could consider the potential benefits of tuition increases in helping all the segments cover core cost drivers.

Compacts Historically Have Not Been Accurate Guide for the Future. The LAO cautions the Legislature against putting too much stake in the Governor's outyear commitments to the universities. Former governors rarely been able to sustain their compacts over time. In some cases, changing economic and fiscal conditions in the state have led governors to suspend their compacts. For example, in 2009-10, Governor Schwarzenegger proposed eliminating all of his higher education compact funding "as part of solutions to address the fiscal crisis." Though compacts sometimes are thrown off course by adverse state fiscal conditions, they also can be altered due to improved state fiscal conditions. For example, in 2015-16—a year of notable state revenue growth—the Legislature approved ongoing funding increases beyond those proposed under Governor Brown's compact.

Odd Inconsistencies in Expectations Across Segments. As described by DOF, the Administration established expectations in coordination with each of the three segments individually. This segment-specific development of the expectations might account for the odd inconsistencies evident in the list. One of the major oddities is that some expectations apply to only one rather than all of the segments. For example, the Governor expects only UC to offer its undergraduates a debt-free college pathway by 2030. Only CSU is expected to establish retention goals for continuing students, and only CCC is expected to increase the percentage of completing students who go on to earn a living wage. Another oddity is that some of the expectations are much more ambitious for some segments. For example, the Governor has no expectation that community colleges reduce their textbook and instructional material costs, whereas he expects CSU "to reduce the cost of instructional materials by 50 percent by 2025" and UC "to eliminate textbook costs for all lower-division undergraduate courses."

Key Cost Data Is Missing. Typically, when the state wants to accomplish a policy objective, it specifies the objective in statute, estimates the cost of achieving the objective, and provides funding to meet the objective. In contrast, the Governor's 55 expectations are not linked directly with cost estimates. For example, the Governor provides no estimate of the amount it would cost UC to provide every undergraduate a debt-free education pathway or the amount it would cost CSU to ensure "every student has access to appropriate technology for online learning." Especially given some of the expectations likely have high costs, the segments could face difficult fiscal choices in meeting expectations within their base funding allotments. These choices could become even more difficult were a segment to have its base funding reduced unexpectedly due to not meeting one or more of its goals. Moreover, some of the choices the segments ultimately might make could run counter to legislative priorities.

Compact Undermines Legislative Authority. Though the inconsistencies in the expectations and lack of cost data are troubling, more troubling is the Governor's overall approach of building a compact. The Governor's approach of working directly with each of the segments to build multiyear budget agreements and establish performance expectations has the fundamental problem of sidestepping the legislative branch of government. The Legislature is responsible both for enacting annual state budgets and crafting policy aligned with those budgets. Throughout the upcoming 2022-23 budget process (as with any annual budget process), the Legislature will set the segments' funding levels and decide what conditions to attach to that funding. Moreover, the Legislature can identify areas of common interest with the Governor and segments and then work with them collaboratively over the coming months to make progress in these areas.

Linking Expectations to Appropriate Repercussions Requires More Deliberation. If the Legislature is interested in creating additional ways to improve the segments' performance through stronger fiscal hooks, then it likely would need to dedicate substantial time and deliberation to the endeavor. Over the years, the Legislature has considered many ways of incentivizing the segments to improve their outcomes, ranging from requiring performance reporting to creating categorical programs linked to specific improvement objectives to developing new funding formulas with performance components. One of the more notable and recent of these efforts occurred in 2018-19 when the Legislature adopted a new budget formula that linked a portion of apportionment funding to community colleges' performance. As with this new budget formula, past legislative efforts have entailed complex deliberations about what performance to measure, how to measure it, what benchmarks to set, and what enforcement mechanisms to institute. The Governor's CCC roadmap and university compacts foray into some of these areas (such as what to measure), but other areas (such as enforcement and fiscal repercussions) remain unaddressed.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

Over the course of this agenda, the Senate's spending plan includes additional proposes that strengthen the higher education compacts and roadmap with segments to advance student outcomes, reduce time to degree, continue enrollment of CA students, and recruitment and retention of low-income and first-generation students.

Suggested Questions for the Administration:

- Walk us through how this compact will work? How are the segments overseen for non-compliance to the compacts?
- What updates and refinements should the Legislature expect to see at the May Revision?
- What are the Administration's goals and expectations for intersegmental collaboration?

- On UC and CSU related to enrollment growth, what percentage of their base allocation does DOF expect either UC or CSU to use to pay for more students? How does this affect its ability to hire staff to offer more course offerings to meet the needs of additional students – particularly reducing time to degree?
- We would like more specifics on out-year growth anticipated as part of this compact. How many students account for one percent growth as part of the expected CSU and UC enrollment increases? How was this expected growth determined?
- Can you provide us with an update on the CCC enrollment trends, proposed enrollment growth, and the retention strategies that the CCC expects to take in addition to those proposed in the Governor's budget? How are these factors in the CCC roadmap?

Staff Recommendation. Hold Open until after May Revision

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
6870 CALIFORNIA COMMUNITY COLLEGES
6980 CALIFORNIA STUDENT AID COMMISSION

Issue 24: Senate "Putting Wealth to Work" Proposals for Financial Aid Reform

Panel

- Lisa Qing, Legislative Analyst's Office

Background

On February 1, 2022 Subcommittee No. 1 began its higher education slate of discussions with robust conversation on the state of financial aid. In that hearing, the subcommittee discussed multiple outstanding remaining barriers to financial aid.

Student Debt in CA as of 2020. Students that attend California public colleges and universities have some of the lowest debt in the nation upon graduation. According to the Project on Student Debt, by The Institute on College Access and Success (TICAS), average student debt at graduation in 2020 ranged from $18,350 in Utah to $39,950 in New Hampshire, and new graduates' likelihood of having debt varied from 39 percent in Utah to 73 percent in South Dakota. In nineteen states, average debt was more than $30,000, and it was over $35,000 in six states.

In 2019-20, 46 percent of California college graduates had student loan debt. The average debt load of a California college graduate in 2019-20 was $21,125, placing the state third lowest in the nation on this measure. In 2019-20, 44 percent of students graduating from UC had some form of student loan debt, with an average amount of $18,101. At CSU, 49.8 percent of students who graduated in 2016-17 had some form of student loan debt, with an average amount of $17,346.

Middle Class Scholarship Program (MCS) 1.0 and 2.0. MCS started in 2014, and is only available to eligible students attending UC or CSU. Under the first iteration of the program, MCS 1.0, students with household incomes and assets each under a certain ceiling (currently $191,000 in 2021-22) may qualify for an award that covered a portion of their tuition and systemwide fees (when combined with all other public financial aid). CSAC provided these scholarships to eligible students who fill out the FAFSA. This program significantly changed as part of the 2021 Budget Act in the following ways:

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

The law also requires UC and CSU to report on information regarding program participation, student loan amounts, and cost-of-attendance, among others, as specified. The law also clarifies the award amount for students enrolled part-time.

Another key difference from the original MCS program is that UC and CSU students receiving tuition coverage through Cal Grants or other financial aid programs (who typically are lower-income students) will be newly eligible for MCS awards under the revamped program. Middle- and higher-income UC and CSU students generally will remain eligible for MCS awards. The revamped program generally maintains the income and asset ceilings in the original program, adjusted for inflation. For 2022-23, the maximum annual household income to qualify for an MCS award will be $201,000 for dependent students. (For context, about 90 percent of tax filers in California are beneath this cap.)

Revamped MCS Program Is Much Costlier Than Original Program. In fall 2021, CSAC prepared a cost estimate for the revamped MCS program using more detailed student-level data than was available when the 2021-22 budget was enacted. Based on CSAC's estimate, it would cost $2.6 billion to cover 100 percent of each student's remaining costs after accounting for the students' available resources (other gift aid, a student work contribution, and any applicable parent contribution). This is about $300 million more than the initial cost estimate at the time of budget enactment. At full implementation, the MCS revamped program would cost about 20 times more than the original program and only slightly less than the Cal Grant program.

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

Cal Grant Equity Framework, AB 1456 Veto, and AB 1746 (2022). In the fall of 2019, CSAC – pursuant to a request from state legislative leaders who focus on higher education access and affordability issues – convened a Cal Grant Reform Work Group (Work Group) to make policy and fiscal recommendations for modernizing state financial aid. On March 6, 2020, CSAC released a follow-up publication entitled "Cal Grant Modernization: A Vision for the Future" that incorporated the recommendations of the Work Group. The new Cal Grant Equity Framework proposed by the Student Aid Commission would establish a "Cal Grant 2" for to provide a non-tuition award for CCC students and a "Cal Grant 4" to provide a tuition award for students at public universities or defined award amounts for students at private institutions.

- Cal Grant/2 was proposed to expand grant aid for low-income CCC students who meet specified requirements by starting at the 2020-21 level ($1,648) and adjusting the level annually with a COLA. Access grants were proposed to help defray non-tuition costs, such as housing, food, transportation and other educational expenses. The proposed Cal Grant/2 also included access for returning adults and students with dependents.

- Cal Grant/4 was proposed to guarantee financial aid to cover tuition and fees for low to middle-income students who meet specified requirements and attend a qualifying four-year college or university (UC, CSU, or Cal Grant eligible private institution). Cal Grant/4 was proposed to increase access to baccalaureate pathways for returning adults. Cal Grant/4 provides awards regardless of year in school and urges colleges and universities to target institutional financial aid resources to fund non-tuition access awards for the highest need students.

AB 1456 (Medina, McCarty, and Leyva) would have enacted the Cal Grant Equity Framework for financial aid awarded during the 2022-23 academic year. However, citing "significant cost pressures to the state, likely in the hundreds of millions of dollars annually," as well as the investments and agreements made in the 2021 Budget Act, the Governor vetoes the bill. Since then a new policy vehicle, AB 1746 was introduced and it contains several reforms also contained within AB 1456.

Student Success Completion Grant (SSCG). The Student Success Completion Grant (SSCG) is a financial aid program for Cal Grant B and C recipients attending a California Community College full-time (12 units or more). The purpose of the SSCG grant award is to provide the student with additional financial aid to help offset the total cost of community college attendance, and to encourage full time attendance and successful on-time completion. SSCG pays a maximum of $1,298 annually at $649 per semester for eligible students who enroll and attend 12 through 14.99 units per term and a maximum of $4,000 annually at $2,000 per semester for eligible students who enroll and attend 15 units or more per term.

Remaining Gaps in Financial Aid Reform. The following gaps were identified and highlighted on February 1, 2022 in Subcommittee No. 1:

1. **Total Cost of Attendance, COVID-19 Impacts, and Federal Assistance.** While California has one of the country's most robust financial aid systems, it is primarily focused on covering tuition costs.

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

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

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

4. **Time out of high school requirement for incoming students who go directly to UC, CSU, and private institutions.** Students must still apply for aid within one year of high

school graduation to qualify for a Cal Grant entitlement if they enroll at a four-year institution.

5. **Age cap on transfer student access to Cal Grants. S**tudents that do not receive a Cal Grant while at CCC or that transfer to a private institution are only eligible for a Cal Grant entitlement if they are under age 28 by Dec. 31 of the award year. This creates a barrier to financial aid access for adult learners or students that are advised to retain their Cal Grant eligibility until they enroll at a four-year institution.

6. **Supplemental Cal Grant support for foster youth and students with dependent children lacking for those attending an independent nonprofit college or university.** Over the past two years, the state has created $6,000 supplemental Cal Grant awards for these students; however, that eligibility is currently limited to such students attending a University of California, California State University, or California Community College.

7. **Transfer entitlement portability for community college transfer students to cover students transferring to an independent nonprofit college or university.** The elimination of age and time out of high school restrictions for community college students to access a Cal Grant award led to the expansion of access for these awards. If a CCC student transfers to a private university, then they are unable to bring their CCC Expanded Entitlement award with them however.

<u>Governor's Budget Proposals</u>

Relevant financial aid proposals include the following:

Middle Class Scholarship 2.0 proposal funds 24 percent of program costs. The Governor's budget proposes an increase of $515 million ongoing General Fund, for a combined total of $632 million, to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student's total cost of attendance. As previously mentioned, this augmentation was included in the 2021-22 budget agreement. The table below shows recipients, total spending, and average award amount. The increase in recipients and total spending reflect changes due to the 2021 Budget Act.

Middle Class Scholarships

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

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

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

Cal Grants

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

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

CCC Student Success Completion Grant Adjustments. The Governor's budget includes $100 million Proposition 98 General Fund ongoing as a caseload adjustment to cover the increased number of students eligible for the award because of last year's CCC Entitlement Expansion. As a result of this proposal, funding would increase for this program to $263M ongoing.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

The Senate's spending plan includes the following proposals in addition to the Governor's January Budget proposals.

Cal Grant Improvements. $176 million in 2022-23, $185 million in 2023-24, $192 million in 2024-25, and $193 million in 2025-26 and ongoing for Cal Grant improvements as transition to broader reforms, including increasing the non-tuition award for Cal Grant B and C students, to help offset growing costs of living, and extending elements of last year's improvement for low-income students attending independent, nonprofit colleges and universities. This specifically includes the following:

1. $149 million General Fund in 2022-23, $159 million in 2023-24, $166 million in 2024-25, and $167 million in 2025-26 and ongoing to increase Cal Grant B awards by $500 and increase the maximum Cal Grant C book and supply award would increase by $332 at CCC and $166 at all other segments.
2. $5.5 million General Fund in 2022-23 and ongoing to provide an increase in the award amount, from $9,220 to $9,358 for the approximately 28,000 Cal Grant students attending an independent, non-profit California College and Universities (ICCU).
3. $10 million General Fund in 2022-23 and ongoing to extend supplemental Cal Grant support for foster youth and students with dependent children to those attending an ICCU.
4. $10.4 million General Fund in 2022-23 and ongoing to improve regional transfer for low-income students by extending transfer entitlement portability for community college transfer students to those transferring to an ICCU.

Double CCC Student Success Completion Grant. $250 million Proposition 98 General Fund in 2022-23 and ongoing to double the Student Success Completion Grant (SSCG)--specifically to provide a total of $8,000 for students taking 15 units and $2,600 for students taking 12 units. The SSCG offsets total cost of college attendance, to encourage full time attendance, and successful on-time completion. This proposal with the Governor's proposal would raise the ongoing funding to $513 Million Proposition 98 ongoing.

Debt Free College by 2025-26. $227 million additional General Fund in 2022-23 for next step in funding the Middle Class Scholarship at 33 percent of program costs to reduce student debt, and growing to an additional $2 Billion General Fund to fully fund MCS beginning in 2025-26 to provide Debt Free College for all lower and middle income CSU and UC students.

Staff Recommendation. Hold Open

6440 UNIVERSITY OF CALIFORNIA
6600 HASTINGS COLLEGE OF THE LAW

Issue 25: Various Senate "Putting Wealth to Work" Proposals

Panel

- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California
- David Seward, Hastings College of the Law

Background

On February 9, 2022, Subcommittee No. 1 discussed the UC's proposed budget, one-time and ongoing cost considerations, and Governor's proposed budget for UC.

Governor's Proposed Budget for UC in 2022-23. The Governor's budget increases ongoing General Fund for UC by $307.3 million and provides a total of $295 million for one-time initiatives. Base increases and enrollment growth account for nearly all new proposed ongoing spending for UC and deferred maintenance ($100 million) accounting for about one-third of proposed one-time spending.

UC Budget Request for 2022-23. UC requested an increase of $422.1 million General Fund ongoing. Specifically, UC requested an additional: (1) $251.5 million ongoing General Fund to sustain core operations such as address retirement and health benefit increases, faculty merit increases, contractually committed compensation, salary increases, and capital outlay debt service, (2) $ 129.1 million to close equity gaps in graduation, offset lost nonresident tuition revenue, and cover 2022-23 enrollment growth, and (3) $41.5 million to cover high-priority initiatives such as converting one-time Student Academic Preparation and Educational Partnerships funds to ongoing, support programming for Foster/Undocumented /Carceral system-impacted students, and the UC Cancer Consortium.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor's January budget.

Ongoing Proposals for UC		
Proposal Name	**Amount**	**Purpose**
Ongoing Base Augmentation	$200 Million General Fund in 2022-23 and ongoing	An unrestricted increase in addition to the Governor's budget for operating costs that will result from goals and expectations of higher education compacts.
UC Underground Scholars Student Support	$4 Million General Fund in 2022-23 and ongoing	To provide ongoing and full support for recruitment, retention, permanent staffing, and expansion of the Underground Scholars Initiative across UC campuses for both undergraduate and graduate students.
Serve Undocumented Students Program	$5 Million General Fund in 2022-23 and ongoing	To continue to operate and provide necessary support for California's undocumented UC students.
Student Academic Preparation and Educational Partnerships	$22.5 Million General Fund in 2022-23 and ongoing	This partnership comprises 13 educational programs administered by UC to increase the diversity of UC's student body and close access gaps for underrepresented and underserved communities across California. The ongoing funding will provide stability to the partnership by

		enabling the hiring of permanent professional staff and additional resources to help underrepresented students and close equity and achievement gaps.
UC Worker Rights Policy Collaborative	$13 Million General Fund in 2022-23 and ongoing	Strengthen and expand the future of labor research and education to advance labor and employment policy, workforce development, education and training. Annual augmentation would be split between the established programs at UC Berkeley ($3 million), UCLA ($3 million), UC Merced ($3 million), the UC Berkeley Labor Occupational Health program ($500,000), the UCLA Labor Occupational Safety and Health Program ($500,000), and new initiatives on other UC campuses ($3 million).
UC Resident Undergraduate Enrollment Target for Academic Year 23-24	$23 Million General Fund in 2023-24 and ongoing	Sets an enrollment target of one percent for academic year 2023-24 in addition to the Governor's enrollment targets set forth in higher education compact.
UCLA Anderson School forecasting the time path of the economic impact of climate change	$379,000 General Fund in 2022-23 and $75,000 General Fund in 2023-24 and ongoing	Create a module to be appended to the UCLA Anderson Forecast economic forecasting model for California, which will embody a set of dynamic trajectories for climate change affecting wildfires, drought, sea level rise, and extreme weather events. This module would then be used to provide an updated timeline on how climate change will affect the California economy over time, and how different assumptions/interventions will change the forecast.
UC Agriculture and Natural Resources (UC ANR) Cost of living adjustment (COLA)	$5.39 million General Fund in 2022-23 and ongoing	Provide a five percent COLA to UC ANR.
University of California Nutrition Policy Institute in the Division of	$2.4 million in General Fund in 2022-23 and	Multiple-year funding for evaluation of Free School Meals for All. The University of California's Nutrition Policy Institute in the Division of Agriculture and Natural Resources, was funded for year one in SB 170, Budget Act of 2021, to collect

Agriculture and Natural Resources for School Meals for All Research	$1.3 million in each of 2023-24 to 2025-26	formative data and plan a comprehensive evaluation. Funding will be used for further research and evaluation to follow participation data over time. Data will be drawn from the 2022-23 school year and then compared to data from SY 2024-25 as well as years prior to and during the COVID-19 pandemic. The evaluation will examine how well the program works for schools of different grade levels and sizes, and for students of diverse race and ethnicity, English language proficiency, and geographic location, among other characteristics.

One-Time Proposals for UC		
Proposal	**Funding**	**Purpose**
Additional funding for deferred maintenance, modernization, and capital outlay	$900 million General Fund one-time	In addition to Governor's proposal, in recognition of UC's outstanding facility needs, and to strengthen the Administration's higher education compacts, this additional funding will bring total one-time deferred maintenance, modernization, and capital outlay for UC to $1 billion in 2022-23.
UC Irvine (UCI) Leveraging Inspiring Futures Through Educational Degrees (LIFTED) Program	$1.5 million General Fund one-time	Started in November 2021 with philanthropic funding, LIFTED will enable incarcerated students at Richard J. Donovan Correctional Facility (RJD) in San Diego to earn a Bachelor of Arts degree in Sociology from UCI after earning their Associate of Arts degree from Southwestern College. State funding will support the following: 1) Personnel costs associated with compensation for professional staff as well as UCI faculty who teach courses at RJD; 2) Student support, such as the purchase of books and other instructional materials as well as bridge programs to aid matriculation and retention; 3) Travel expenses associated with faculty and staff commuting from UCI to RJD; 4) funding to contract for an independent assessment of LIFTED; and 5) engagement with higher

		education, community, and policy stakeholders to expand such programming across the state.
UC Berkeley Latinx Research Center	$3 million General Fund one-time	To support new and ongoing research initiatives that will help inform policy, leverages the complexity of the Latinx experience in the United States, and elucidate the myriad factors affecting the distribution of material, cultural, social, and political opportunities impacting Latinx Californians.
AMEND program at UCSF	$3 million General Fund one-time	AMEND is a program based at UCSF medical school and its staff works with prisons and jails to reduce the debilitating health effects of these facilities on residents and staff alike, while simultaneously joining policy makers and community leaders to demand a better, new system of accountability and healing with human rights and health at its center. Funding would be used for training, research, criminal justice policy analysis and evaluation, and correctional healthcare system quality improvement.
UC Hastings Name Change	$3 million General Fund one-time	As the school's current name is codified in state law, an official name change would require legislation. According to Hastings' staff, the school likely will incur certain one-time costs from changing its name, such as updating building signs.

Misc. Proposals for UC		
Proposal	**Funding**	**Purpose**
Umbilical cord blood collection program sunset extension	N/A, trailer bill language	Extend the University of California administered umbilical cord blood collection program (UCBCP) until January 1, 2027. Currently, as highlighted in the Feb 9, 2022 Subcommittee No. 1 hearing, the UCBCP sunsets on January 1, 2023.

Staff Recommendation. Hold Open

6610 CALIFORNIA STATE UNIVERSITY

Issue 26: Various Senate "Putting Wealth to Work" Proposals

Panel

- Lisa Qing, Legislative Analyst's Office
- Ryan Storm, California State University

Background

On February 1, 2022, Subcommittee No. 1 discussed the CSU's proposed budget, one-time and ongoing cost considerations, and Governor's proposed budget for CSU.

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

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

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

The 2021 Budget Act provided $2 million one-time General Fund to the CSU Chancellor's Office, in consultation with the Department of Finance's Office of State Audits and Evaluations, to support a study on CSU non-faculty salary structure, salary inversion and to provide any recommendations for alternative salary models. The CSU was directed report to the Department of Finance and the Legislature by April 30, 2022 on the findings and recommendations. Moreover, budget bill language stated the intent of the Legislature that the recommendations and transitional and ongoing cost information from the evaluation will be incorporated into the CSU annual budget request. In July and August of 2021, CSUEU (CSEA SEIU 2579) and the Teamsters served on the CSU Request for Proposal Committee to select an independent research firm to perform the Salary Study, ultimately selecting Mercer due to their experience, capacity, and ability to work on labor-management partnerships. Mercer began work in November 2021. In December 2021, Mercer conducted extensive focus groups to develop their recommendations, receiving input from over 5,000 employees in the staff bargaining units. The study is now complete, and Mercer has determined that the CSU's wage structure issues can be addressed through a $288 million budget augmentation.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor's January budget.

Ongoing Proposals for CSU		
Proposal Name	**Amount**	**Purpose**
Ongoing Base Augmentation	$400 Million General Fund in 2022-23 and ongoing	An increase in addition to the Governor's budget for operating costs that will result from goals and expectations of higher education compacts and to fund the fair and competitive compensation increases with faculty and non-faculty staff.
CSU Graduation Initiative 2025	$25 million General Fund in 2022-23, growing to $45 million in 2023-24, growing to $75 million in 2024-25 and ongoing	To allow campuses to accelerate existing Graduation Initiative 2025 efforts and scale programs that have demonstrated success to ensure all California students have the opportunity to earn a degree.
CSU Basic Needs	$20 million ongoing General Fund in 2022-23 and ongoing	To sustain and expand CSU's Basic Needs initiatives in support of Graduation Initiative 2025 and strengthen higher education compacts. Strategies supported by this funding are intended to

		support students experiencing food and housing insecurities, unanticipated financial distress, mental health concerns and overall health and safety challenges that could disrupt their timely pathways to degree.
CSU Resident Undergraduate Enrollment Target in 2023-24	$34 Million General Fund in 2023-24 and ongoing	Sets a resident undergraduate enrollment target increase of one percent for academic year 2023-24 in addition to the Governor's enrollment targets set forth in higher education compact.
CSU and CCC Collaborative to serve Asian American and Native American Pacific Islander students	$8 million General Fund in 2022-23 and ongoing. (Staff notes that funding for CCC is documented in Issue 6)	Funding for a consortium and on-campus student support programs to fund Asian American and Native American Pacific Islander-Serving colleges and universities.

One-Time Proposals for CSU		
Proposal	**Funding**	**Purpose**
Additional funding for deferred maintenance, modernization, and capital outlay	$900 million General Fund one-time	In addition to the Governor's proposal, in recognition of CSU's outstanding facility needs, and to strengthen the Administration's higher education compacts, this funding will bring total one-time deferred maintenance, modernization, and capital outlay for CSU to $1 Billion in 2022-23.
California Council on Science and Technology (CCST)	$20 million General Fund one-time	To permanently fund the CCST Science Fellows program.
CSU Asian Bilingual Teacher Education Program Consortium	$5 million General Fund one-time	To support the pipeline for Asian language teacher bilingual accreditation. As dual immersion programs have increased in their numbers across the state, the supply of teachers has not been able to keep up with the demand especially for Asian languages that face even more barriers.

Cal Poly's Swanton Pacific Ranch rebuild after CZU Complex Fire	$20.3 million General Fund one-time	To assist with rebuild and capital outlay efforts at Swanton Pacific Ranch.
CSU San Bernardino Physician Assistant Program	$10 million General Fund one-time	For CSU San Bernardino to complete the establishment of a Master's of Science in Physician Assistant (MSPA) program. In the 2021-2022 budget, the state allocated $1.8 million in planning funds for this effort and this new funding will assist with the start-up costs for the program. This will be the first MSPA program offered by a public university in Inland Southern California and will provide healthcare provider training opportunities in historically underserved communities of the state.

Staff Recommendation. Hold Open

6870 CALIFORNIA COMMUNITY COLLEGES

Issue 27: Various Senate "Putting Wealth to Work" Proposals

Panel

- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, Community College Chancellor's Office

Background

On February 16, 2022, Subcommittee No. 1 discussed the CCC's proposed budget, one-time and ongoing cost considerations, and Governor's proposed budget for CCC.

Governor Has 21 CCC Proposition 98 Proposals. Of these proposals, 10 are new ongoing spending commitments (totaling $843 million) and 11 are one-time initiatives (totaling $983 million). (One proposal—technology security—includes both an ongoing and one-time spending component.) The largest ongoing proposal is to provide the Student Centered Funding Formula (SCFF) a 5.33 percent cost-of-living adjustment (COLA), the same rate as proposed for the K-12 Local Control Funding Formula-a $409.4 million ongoing Proposition 98 General Fund increase.

<u>Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposals</u>

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor’s January budget.

- **Apportionments Increase.** $700 Million Proposition 98 General Fund in 2022-23 and ongoing in addition to the Governor’s budget for operating cost pressures that will result from goals and expectations of higher education roadmap, to fund compensation, pension, and fixed operating costs.

- **Additional funding for deferred maintenance.** $812 million Proposition 98 General Fund one-time scored to 2021-22.

- **Flexible Block Grant.** $450 million Proposition 98 General Fund one-time scored to 2021-22 for basic needs, mental health needs, and COVID-19 related supports.

- **NextUp for current and foster youth.** $20 million Proposition 98 General Fund in addition to Governor’s budget proposal. As well, trailer bill language expands authorization for the program by removing the 20 community college district limit and authorize the Chancellor of the California Community Colleges to enter into agreements with community college districts to provide, and allocate to selected community colleges within a community college district, funds for services in support of postsecondary education for foster youth.

- **Puente Project.** $3 million Proposition 98 General Fund ongoing for the Puente Project.

- **Healthy Schools Pathways.** $1.45 million Proposition 98 General Fund in 2022-23, $2.42 million Proposition 98 General Fund in 2023-24 and $2.12 million Proposition 98 General Fund in 2024-25 for pre-apprenticeship, apprenticeship, and fellowship opportunities to lead to support education and workforce development and healthy foods. These initiatives would be implemented by the Chef Ann Foundation.

- **Mathematics, Engineering, Science, and Achievement Program (MESA).** $25.7 million Proposition 98 General Fund in 2022-23 and ongoing to support expansion of programming at all 116 colleges.

- **Native American Student Support and Success Program.** $15 million Proposition 98 General Fund scored to 2021-22 and 2022-23 for the creation a Native American Student Support and Success Program at 20 colleges.

- **Extended Opportunity Programs and Services (EOPS) program.** $25 million Proposition 98 General Fund in 2022-23 and $10 million Proposition 98 General Fund in 2023-24 and ongoing for targeted enrollment recruitment and ongoing support.

- **Cooperative Agencies Resources for Education.** $10 million Proposition 98 General Fund in 2022-23 and ongoing to support students who are also working parents receiving CalWORKS aid.

- **Disabled Students Program.** $100 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.

- **Student Equity and Achievement Program.** $125 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.

- **Hunger and Homelessness Initiatives.** $20 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.

- **CSU and CCC Collaborative to serve Asian American and Native American Pacific Islander students**. $8 million Proposition 98 General Fund in 2022-23 and ongoing for a consortium and on-campus student support programs to fund Asian American and Native American Pacific Islander-Serving colleges and universities.

- **Project Change.** $10 million Proposition 98 General Fund one-time in 2022-23 to expand this program, administered by Rising Scholars Network, to ten CCCs to support young adults specifically coming out of the juvenile justice system.

- **Umoja Program Support.** $1 million Proposition 98 General Fund in 2022-23 and ongoing for support in addition to the Governor's budget proposal.

Staff Recommendation. Hold Open

Issue 28: Cybersecurity at CCC

Panel

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, Community College Chancellor's Office

Background

Colleges Are Largely Responsible for Their Cybersecurity. The state subjects most state agencies, including the CCC Chancellor's Office, to cybersecurity standards developed by the California Department of Technology (CDT) and federal government. In addition, CDT and the California Military Department (and, in some cases, third party vendors) conduct audits to bolster state agencies' compliance with cybersecurity standards. In contrast, the state does not require community colleges to follow specific standards, and community colleges are not routinely subject to oversight or audits of their cybersecurity programs and processes. As locally governed entities, community colleges also make their own decisions about budgeting for technology and data security, including setting their associated staffing levels and deciding how much to spend on hardware and software purchases. Colleges typically use apportionments (general-purpose monies) to fund cybersecurity costs.

CCC Information Security Center Offers Some Assistance to Colleges. Though colleges manage their own information security, certain systemwide resources and tools are available to them through the CCC Technology Center, which is administered by Butte College. This center is funded by the state through a technology categorical program supported with ongoing Proposition 98 General Fund. In 2016-17, the center added a division, the Information Security Center, focused primarily on cybersecurity issues. In 2021-22, the Information Security Center is receiving $3 million ongoing Proposition 98 General Fund from the categorical program. The Information Security Center's services include making available sample security plans for colleges to adopt, offering vulnerability scans and risk analyses, providing recommendations to colleges in the event of a data breach, and enhancing colleges' security monitoring and "threat intelligence" (knowledge that helps identify security threats). The funding also supports a CCC systemwide committee that discusses current cybersecurity threats facing colleges.

Colleges Have Seen a Recent Surge in Fraud Attempts. CCC has a common online admissions application known as CCCApply. The Chancellor's Office contracts with the CCC Technology Center to administer the application platform. Colleges upload completed applications and process them. Through CCCApply, bad actors attempt to submit fraudulent applications—sometimes hundreds at a time at multiple colleges using automated technology. Upon acceptance, these bad actors can register for classes, allowing them potentially to gain access to certain financial aid benefits. Though some fraudulent activity occurred prior to the pandemic, such attempts increased notably with the availability of a significant amount of federal relief funds for student emergency financial aid.

Colleges Face Other Threats to Information Security. Colleges maintain databases with sensitive information on students (and their families) and staff. In addition, colleges operate other technology such as e-mail and phone systems. These types of systems are routinely the subject of cyberattacks, ransomware, and other malware of varying scales. Recently, several community colleges reported major cyberattacks on their information and other technology systems.

Governor's Budget

Governor Proposes a Package of Cybersecurity Upgrades for Colleges. The package totals $100 million Proposition 98 General Fund, consisting of $25 million ongoing and $75 million one time. The $25 million ongoing is primarily for college cybersecurity staffing, whereas the $75 million one-time is primarily for security network upgrades, general security software, and anti-fraud technology. Of the proposed funding, $92 million would be allocated directly to colleges. The Chancellor's Office would award the remaining $8 million via contracts with certain districts to provide specified systemwide services and oversight. The main goal of this package of proposals is to enhance colleges' information security to protect against enrollment scams and hacking. A secondary goal is to improve the user experience for students applying to CCC. Figure 1 details the various components of the Governor's CCC cybersecurity package and describes how funds would be allocated for each component.

Figure 4: Governor Provides Mix of Ongoing andOne-Time Funds for Local and State-Level Purposes

Proposition 98 General Fund (In Millions)

Description	Proposed Amount	Purpose of Funding	Funding Allocation Method
Ongoing Funds			
District cybersecurity staff	$23.0	Hire staff to monitor and combat cyberattacks and fraud. (Districts with limited access to these staff may share staff on a regional basis.)	Funding for each district. (No specific formula is proposed.)
Statewide cybersecurity teams	1.0	Contract with independent consultants to assess district compliance with cybersecurity standards.	Chancellor's Office to contract with a district to administer on behalf of CCC system.
System-level oversight	0.5	Provide direction and oversight to district (and regional) staff and statewide cybersecurity teams on cybersecurity standards and incidence response. Provide support to colleges needing assistance.	Chancellor's Office to contract with a district to administer on behalf of CCC system.
CCCApply operations	0.5	Cover hosting and maintenance costs.	Chancellor's Office to contract with CCC Technology Center (Butte College).
Subtotal	**($25.0)**		
One-Time Funds			
College network security upgrades	$40.0	Obtain assessments of system vulnerabilities. Purchase hardware and software to prevent cyberattacks.	Funding for each college based on enrollment size, with larger colleges receiving a larger amount.
College enrollment	29.0	Purchase fraudulent application detection software. Provide anti-fraud training for staff.	Funding for each college based on enrollment size, with

anti-fraud technology			larger colleges receiving a larger amount.
CCCApply upgrades	5.0	Redesign platform (with input from student focus groups), adding and testing security features. Streamline number of questions applicants are required to answer. Add capacity to report data on applicants that started but did not complete application.	Chancellor's Office to contract with CCC Technology Center (Butte College).
CCCApply training	1.0	Once CCCApply upgrades are completed, provide training to college staff.	Chancellor's Office to contract with a district to administer on behalf of CCC system.
Subtotal	**($75.0)**		
Grant Total	**$100.0**		

Colleges Would Have to Meet Certain Requirements to Receive Funds. Although not specified in budget or trailer bill language, the Chancellor's Office indicates that it plans to require districts to meet certain requirements as a condition of receiving any of the proposed ongoing or one-time cybersecurity funding. Specifically, colleges would be required to (1) complete an annual cybersecurity self-assessment based on state and national standards and identify needed improvements; (2) submit quarterly status updates on progress toward meeting state and national standards; (3) submit a monthly report on any incidents of application, enrollment, and financial aid fraud; and (4) submit a report of all cybersecurity incidents that resulted in a breach of personally identifiable information or disruption of services (such as through ransomware). The Chancellor's Office indicates that these requirements would be made through both systemwide guidance and changes in CCC regulations.

Budget Includes Two Proposed Positions at the Chancellor's Office in Support of Initiative. In addition to the $100 million Proposition 98 General Fund, the Governor's budget includes a proposal to add two new positions at the Chancellor's Office and an associated $314,000 non-Proposition 98 General Fund to support CCC cybersecurity efforts. This staffing proposal is part of a larger package of staffing proposals that the LAO analyzes in a separate analysis but is covered in Issue 8.

Legislative Analyst's Office Assessment and Recommendations

Given State's "Fifty Percent Law," Merit to Having an Ongoing Cybersecurity Categorical Program. Given the highly sensitive nature of the data that colleges maintain, together with the recent cyberattacks, colleges have a local interest in dedicating staff to cybersecurity issues and putting in place robust defensive systems. Colleges, however, receive no state funding specifically for these purposes. Moreover, under state law, colleges must use at least half of their general-purpose funding on salaries and benefits of classroom faculty and aides. Spending on other college staff, including information technology (IT) personnel, counts against the 50 percent requirement, as do other costs, such as anti-fraud software licenses and consulting services with cybersecurity experts. Colleges that fall below the 50 percent mark can be subject to financial penalties by the Chancellor's Office. Because of this law, some colleges might refrain from using sufficient apportionment funding to achieve adequate ongoing cybersecurity protection. Given this consideration, the LAO thinks the Governor's proposal to provide ongoing cybersecurity categorical program funds, which would not be subject to the fifty percent law, is reasonable.

Merit to Enhanced Ongoing State-Level Role for CCC Cybersecurity Issues... Beyond bolstering local cybersecurity staffing on an ongoing basis, we believe a stronger state-level role also is worth considering. While CCC has an advisory committee to discuss cybersecurity threats and incidents systemwide, community colleges currently lack a strong central information hub to detect patterns and promote coordination. Colleges do not have to report incidents of cyberattacks or suspected fraud to the Chancellor's Office. This is the case even though scams and cyberattacks often target multiple colleges simultaneously. Currently, districts also do not need to show that they are either meeting state and national cybersecurity standards or have adopted plans and are making progress toward meeting these standards. Providing more state direction and support in these areas could lead to overall improvements in colleges' cybersecurity programs and processes.

...But Potential Issues With How New Oversight and Support Model Would Work. The Governor's ongoing cybersecurity components include (1) creating statewide cybersecurity teams, (2) funding a system-level entity that oversees both local colleges and the statewide cybersecurity teams, and (3) providing two new positions at Chancellor's Office. This approach creates a complex organizational structure in which exactly what functions and role each entity would have is unclear. In some cases, the roles and responsibilities of the various entities appear to overlap. For example, under the Governor's proposal, the statewide cybersecurity teams would monitor colleges' compliance with cybersecurity standards. Yet, the system-level oversight entity also would be charged with monitoring standards and providing support to colleges, in addition to providing direction and oversight to the statewide cybersecurity teams. Moreover, the Chancellor's Office indicates it too would be charged with overseeing the statewide cybersecurity teams. The LAO also has concerns that the Administration's proposal could create a conflict of interest for the system-level oversight entity, which, as characterized by the Chancellor's Office, would help colleges with implementation while at the same time monitoring and holding colleges accountable for what they implement. Moreover, it is unclear if the Chancellor's Office's goal is for the statewide cybersecurity teams to assess all colleges annually or instead some subset of districts, with a focus on high-risk colleges.

Merit to Funding Cybersecurity Upgrades at Colleges... Based on anecdotal information, the Chancellor's Office has heard that community colleges vary in terms of their cybersecurity preparedness and anti-fraud detection capabilities. Whereas some colleges have staff dedicated to cybersecurity and relatively sophisticated defensive systems in place, other colleges rely on IT generalists that lack expertise in cybersecurity. Potentially, the state could strategically allocate funding, including the proposed one-time funding, to assist colleges in obtaining a certain level of cybersecurity preparedness.

...But Opportunities to Improve How One-Time Funds Would Be Allocated to Colleges. The Governor's proposed approach of allocating the one-time funds to colleges based on enrollment size has some merit, as potential cybersecurity and fraud risks can increase based on the technology usage at a college. A better approach, though, would be to base allocations on need as well—providing more funding to colleges that need more cybersecurity upgrades. Though there currently is no inventory of where each college is relative to state and national standards and what each would need to do to meet standards, the Chancellor's Office is in the process of identifying the current preparedness level for each college. The Chancellor's Office believes it might have the initial inventory prepared by June 2022. Such an inventory could be used to track need and allocate a share of 2022-23 funding accordingly.

Governor Proposes One-Time Funds for Ongoing Purposes. Though some initial one-time funding could help with initial cybersecurity upgrades among colleges, much of what the Governor has proposed as one-time costs are more likely ongoing costs. Typically, a college would be expected to undergo independent security assessments every few years, pay for network security and anti-fraud software licenses annually, and make network upgrades periodically. As a result of these factors, the proposed level of ongoing funding for college cybersecurity and anti-fraud detection likely is underestimated. Importantly, the administration and the Chancellor's Office have not yet identified what they believe to be entailed in terms of funding to ensure colleges have a minimum level of ongoing cybersecurity and fraud detection. Lacking clarity in this area, the existing budget back-up is inadequate, as it neither clearly distinguishes one-time from ongoing costs nor includes detailed cost estimates.

Administration Has Provided Incomplete Information on CCCApply Proposal. The Governor's cybersecurity packages includes $6 million one time primarily to upgrade CCCApply's anti-fraud features and provide related college training, as well as $500,000 ongoing for hosting and maintenance of the redesigned portal. The LAO concurs with the Administration that such enhancements are warranted and would have systemwide benefits for colleges and students. The amounts proposed by the administration, however, have only been partially justified. Specifically, of the $6 million proposed for one-time purposes, the administration has only provided workload justification for $3.4 million. The remaining $2.6 million in proposed costs either have no backup details or are labeled in documents provided to the LAO as "TBD" (to be determined). The Administration does not provide any backup on how it estimated the ongoing cost. Without such information, the Legislature is unable to determine whether the proposed amount is justified to accomplish the Administration's objectives for CCCApply.

Recommendations

Approve Funds for College Cybersecurity Staff. As a starting point, the LAO recommends the Legislature approve the $23 million in ongoing funding for district cybersecurity staff. The LAO thinks the state has an interest in making sure every district has at least one staff person dedicated to cybersecurity. Multi-college districts, however, may warrant more funding. The LAO recommends directing the Chancellor's Office to develop an allocation method for these funds that ensures a minimum level of funding for each district while accounting for any other relevant factors. (Districts with existing cybersecurity staff could be permitted to use their allocations to increase their number of staff or improve their cybersecurity preparedness in other ways.)

Request Better Information on Proposed State-Level Structure. The LAO recommends that the Legislature postpone consideration of the $1.8 million in ongoing funding for the proposed state-level cybersecurity structure ($1.5 million Proposition 98 General Fund and $314,000 non-Proposition 98 General Fund) pending receipt of better information. Specifically, the LAO recommends the Legislature request the Administration and Chancellor's Office to clarify the specific role and functions of: (1) the existing staff at the Information Security Center, (2) the proposed statewide cybersecurity teams, (3) the proposed system-level oversight body, and (4) the proposed two additional cybersecurity positions at the Chancellor's Office. As part of this reporting, the Chancellor's Office should clarify how the statewide cybersecurity teams would prioritize their work and how much workload they are expected to accomplish annually given the proposed funding.

Modify Allocation Methodology of One-Time Funding for Colleges. The LAO recommends that the Legislature appropriate the $69 million in one-time funding for the colleges but direct the Chancellor's Office to allocate this funding in a way that accounts not just for enrollment but also for need, with less prepared colleges receiving somewhat more funding than more prepared colleges of the same size. Colleges could use their allocations for independent security assessments, network upgrades, software licenses, and related technology costs. The Chancellor's Office's initial inventory of colleges' cybersecurity preparedness levels could be used as a basis for the allocation of the one-time funds. As discussed below, the LAO recommends requiring the Chancellor's Office to work with districts and submit certain information to the Legislature prior to release of the one-time funding.

Use Additional Information From Chancellor's Office to Guide Allocation and Future Funding Decisions. Specifically, the LAO recommends requiring the Chancellor's Office to submit documentation on (1) the basic requirements for colleges to achieve a minimum level of security, (2) estimates of the associated one-time and ongoing costs, and (3) a proposed formula for distributing the one-time funding to colleges in accordance with size as well as identified needs and costs. The LAO recommend requiring the Chancellor's Office to provide this documentation to the administration and Legislature by October 15, 2022, with the findings informing release of the one-time funds as well as potential 2023-24 budget decisions. With better information, the Legislature not only could identify how much one-time funding colleges need but also the annual amount of state funding needed to cover colleges' ongoing cybersecurity costs. If more ongoing funding is provided in the future, we recommend the Legislature consider at that time how best to allocate the additional funding among colleges. Ideally, over the next few years, the Chancellor's Office and colleges will learn more about the main risk factors underlying cyberattacks and enrollment fraud, such that the Legislature can align funding increases with those risk factors and potential cost drivers.

Direct Administration to Provide Cost Detail for CCCApply. Given the Administration has provided workload justification for only $3.4 million in costs for CCCApply, the LAO recommends the Legislature treat this amount as a starting point. The LAO recommends the Legislature direct the Administration to provide full justification for the remaining $2.6 million one-time funding it proposes as well as the $500,000 in proposed ongoing costs. The Legislature could give the Administration until the May Revision to provide such information and use it to determine the amount to provide for 2022-23.

Suggested Questions:

- We ask the CCC Chancellor's Office and Administration to comment on the LAO recommendations and analysis.

Staff Recommendation. Hold Open

Issue 29: CCC Chancellor's Office Staffing

Panel

- Jennifer Kaku, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, Community College Chancellor's Office

Background

Chancellor's Office Has Several Key Systemwide Responsibilities. Located in Sacramento, the Chancellor's Office is led by a Chancellor who has overall leadership and responsibility for the office. The Chancellor is appointed by the Board of Governors—the governing body entrusted with overseeing the CCC system. (The CCC system consists of 72 local districts and 115 local community colleges, along with the state-level Calbright College.) The Chancellor continues to serve as long as he or she remains in good standing with the board. Key responsibilities of the Chancellor's Office include:

- Setting and enforcing minimum standards for districts (such as student graduation requirements).
- Allocating state funds to districts and monitoring district fiscal health.
- Monitoring district compliance with state and federal law.
- Centrally collecting and reporting student data (such as enrollment and graduation rates).

Chancellor's Office Is Organized Into Units by Programmatic and Functional Areas. The Chancellor's Office is organized into nine divisions, each of which is led by a vice chancellor. The divisions are: (1) College Finance and Facilities Planning, (2) Communications and Marketing,

(3) Digital Innovation and Infrastructure, (4) Educational Services and Support, (5) General Counsel, (6) Governmental Relations, (7) Institutional Effectiveness, (8) Internal Operations, and (9) Workforce and Economic Development.

Non-Proposition 98 General Fund Is Chancellor's Office's Main Source of Support. In 2021-22, the Chancellor's Office is budgeted $30 million (all funding sources) for personnel and other operational expenses (including its office lease and supplies). The Chancellor's Office's largest single funding source for its operations is non-Proposition 98 General Fund ($21 million in 2021-22). (Historically, the Chancellor's Office has not directly received Proposition 98 funds for its operations.) The Chancellor's Office operating budget also relies on reimbursements from other departments (such as a contract with the California Department of Education to provide technical assistance for the federal Perkins program) as well as certain fee-for-service agreements with districts (totaling $6.8 million in 2021-22). In addition, the Chancellor's Office received $2.5 million from bond funds and one-time funds for specified programs in 2021-22.

Chancellor's Office Staffing Has Increased Over Past Decade. Figure 5 shows that the Chancellor's Office currently has 177 authorized positions. Staffing increased by 31 positions (21 percent) over the past decade. During this period, the Chancellor's Office's vacancy rate has ranged between 7 percent to 22 percent. As of December 31, 2021, 154 of its authorized positions were filled, reflecting a 13 percent vacancy rate.

Figure 5: Chancellor's Office Has Grown Somewhat in Recent Years

	Authorized Positions	**Filled Positions**	**Vacancy Rate**
2012-13	146	136	7%
2013-14	151	139	8
2014-15	160	144	10
2015-16	166	140	16
2016-17	166	141	15
2017-18	172	141	18
2018-19	172	134	22
2019-20	176	137	22
2020-21	177	146	18
2021-22	177	154[a]	13

[a]Through December 31, 2021.

Chancellor's Office Workload Has Been Increasing. The increase in workload is primarily due to the Chancellor's Office having to administer the many new programs the state has established for community colleges. For example, the state has funded the Guided Pathways initiative, which creates a comprehensive framework for colleges to improve student outcomes. The Chancellor's Office assists colleges in implementing this initiative by running workshops and reviewing college improvement plans, among other activities. The state also approved a complex new general-purpose funding formula (known as the Student Centered Funding Formula) and many new categorical programs (including basic needs, mental health, and various other student support programs) that require administrative support from the Chancellor's Office. The Legislature also has passed policy legislation requiring the Chancellor's Office to participate in certain systemwide improvement efforts. For example, Chapter 566 of 2021 (AB 928, Berman) requires the Chancellor's Office to do certain things relating to improving the transfer process for students.

State Has Provided Chancellor's Office With Some Additional Staff to Address Higher Workload. To help with general office support, the state has provided the Chancellor's Office new attorney and accountant positions, among others. The state also has provided the Chancellor's Office with additional programmatic support upon creating or expanding certain categorical programs. For example, the Legislature authorized an additional administrator position at the Chancellor's Office to oversee the Guided Pathways initiative. In other cases, the state has created a new program but not authorized any new positions at the Chancellor's Office. For example, in 2021-22, the state provided ongoing funding for the CCC basic needs program without authorizing any additional positions at the Chancellor's Office.

<u>Governor's Budget</u>

Governor Proposes Two-Year Staffing Plan. As Figure 6 shows, the Governor proposes a total of 19 new permanent Chancellor's Office positions and an associated $2.8 million ongoing non-Proposition 98 General Fund augmentation spread over the next two fiscal years. Of the new positions, the Governor proposes adding nine in 2022-23 and ten in 2023-24. In 2023-24, Chancellor's Office staffing would be 11 percent higher than in 2021-22. As the figure shows, the new positions would be added within several divisions of the Chancellor's Office. The *Governor's Budget Summary* indicates that the administration and Chancellor's Office are considering requesting further positions, with additional proposals potentially made as part of the May Revision.

Figure 6: Governor Proposes a Total of 19 New Chancellor's Office Positions Over Next Two Years

General Fund (In Thousands)

Division	**Proposed Positions**	**Cost[a]**
2022-23 (Nine Positions)		
Digital Innovation and Infrastructure	Information Technology Specialist II	$170
	Specialist	157
	Specialist	157

	Research Data Specialist II	139
Educational Services and Support	Specialist, Academic Affairs	157
	Specialist, Academic Affairs	157
	Specialist, Academic Affairs	157
	Program Assistant II	136
	Program Assistant II	136
Subtotal		**($1,366)**
2023-24 (Ten Positions)		
College Finance and Facilities Planning	Specialist	$157
	Specialist	157
	Associate Governmental Program Analyst	116
Digital Innovation and Infrastructure	Research Data Specialist II	139
	Research Data Specialist I	127
Educational Services and Support	Specialist, Student Services	157
	Specialist, Student Services	157
	Staff Services Analyst	88
General Counsel	Attorney III	213
Governmental Relations	Staff Services Manager I	136
Subtotal		**($1,447)**
Total		**$2,813**
[a]Reflects salary, benefits, and operating/equipment costs associated with each position.		

New Positions Are Associated With Various Workload. According to the administration, the new positions are intended to accommodate new workload demands and enhance the office's leadership so as to improve the functioning of the CCC system. Figure 7 describes the main responsibilities for each proposed position.

Figure 7: New Chancellor's Office Positions Would Be Charged With Various Responsibilities

Division	**Proposed Position**	**Key Responsibilities**
2022-23		

Digital Innovation and Infrastructure	IT Specialist II	Oversee upgrades to Chancellor's Office's data system and monitor quality of data submitted by districts.
	Research Data Specialist II	Develop new data metrics, perform program evaluations, create and analyze student and college surveys, and manage data dashboards.
	Specialist (2)	Support systemwide cybersecurity efforts. Oversee entity responsible for redesigning CCCApply. Serve as a point person for CCC on state's Cradle to Career data system.
Educational Services and Support	Program Assistant II	Provide general support on systemwide implementation of common course numbering and transfer reforms.
	Specialist (2)	Coordinate systemwide transfer reform efforts in support of Chapter 566 of 2021 (AB 928, Berman).
	Program Assistant II and Specialist	Provide support on new ethnic studies course requirement. Provide support for initiatives on developing competency-based education and credit for prior learning.
2023-24		
College Finance and Facilities Planning	Specialist (2)	Monitor fiscal health of districts. Review accuracy of fiscal and attendance data provided by districts. Develop alternative attendance accounting methodology for competency-based education programs.
	Associate Governmental Program Analyst	Provide support on Student Centered Funding Formula (SCFF), including the hold harmless transition and updating SCFF dashboards.
Digital Innovation and Infrastructure	Research Data Specialist II and Research Data Specialist I	Develop new data metrics, perform program evaluations, create and analyze student and college surveys, and manage data dashboards.
Educational Services and Support	Specialist (2)	Provide continued support for Guided Pathways initiative as well as new state-funded programs, such as basic needs, mental health services, and the Rising Scholars Network.

	Staff Services Analyst	Provide general support for entire division's workload.
General Counsel	Attorney III	Draft regulations. Aid in contract procurement and review. Monitor districts' implementation of equal employment opportunity plans.
Governmental Relations	Staff Services Manager I	Manage staff that perform bill analysis and write legislative reports.
IT = information technology.		

<u>**Legislative Analyst's Office Assessment and Recommendations**</u>

Proposal Has Some Merit and Some Shortcomings. As described below, the Governor's proposal to fund 19 new positions over the next two years is a mixed bag. The LAO finds a few of the proposed positions to be justified, though not as permanent positions or in the fiscal year proposed by the Governor. The Governor's other proposed positions either are not justified or to date have not been sufficiently justified to warrant legislative approval. Figure 8 summarizes our recommendations.

Figure 8: Summary of LAO Recommendations

Division	Proposed Position	LAO Recommendation
2022-23		
Digital Innovation and Infrastructure	IT Specialist II	Withhold recommendation.
	Research Data Specialist II	Withhold recommendation.
	Specialist (2)	Withhold recommendation.
Educational Services and Support	Program Assistant II	Withhold recommendation.
	Specialist (2)	Convert to limited-term positions (through 2024-25).
	Program Assistant II and Specialist	Reject.
2023-24		
College Finance and Facilities Planning	Specialist (2)	Withhold recommendation.

	Associate Governmental Program Analyst	Withhold recommendation.
Digital Innovation and Infrastructure	Research Data Specialist II and Research Data Specialist I	Withhold recommendation.
Educational Services and Support	Specialist (2)	Fund positions one year sooner (in 2022-23).
	Staff Services Analyst	Withhold recommendation.
General Counsel	Attorney III	Withhold recommendation.
Governmental Relations	Staff Services Manager I	Withhold recommendation.
IT = information technology.		

Two Positions Justified but Not as Permanent, Recommend Making Limited Term. The LAO find that the two Specialist positions proposed in 2022-23 for supporting implementation of certain transfer reforms (as required by AB 928 (Berman), Chapter 566, Statutes of 2021) are justified. Figure 9 highlights the new workload stemming from the legislation. In particular, the new positions would support the Chancellor's Office in chairing the first two years of a statutorily required transfer-reform implementation committee, as well as provide assistance to colleges on complying with the legislation. Although the LAO thinks the positions are needed given the additional workload stemming from the legislation, the LAO thinks do not think permanent authority is justified. Statute requires the relevant activities be completed by July 2025, with AB 928 sunsetting at that time. For these reasons, the LAO recommends the Legislature approve these positions and the associated funding but only on a three-year, limited-term basis (through 2024-25).

Figure 9: AB 928 Contains Several Requirements Over Next Few Years

Requirement	**Time Frame**
CCC Chancellor's Office and other specified educational entities designate representatives to serve on Associate Degree for Transfer (ADT) Intersegmental Implementation Committee ("implementation committee").	March 1, 2022
Chancellor's Office representative chairs implementation committee.	First two years of convening
Implementation committee submits report to Legislature setting annual transfer goals and goals for closing equity gaps, among others. Committee also is tasked with making recommendations in various areas, including how to re-engage ADT earners who do not transfer.	December 31, 2023

If designated faculty organizations cannot decide on single general education course pattern, Chancellor's Office and other administrators from public higher education segments set the course pattern.	December 31, 2023
Default placement for CCC transfer students becomes the ADT pathway.	August 1, 2024
Implementation committee to develop statewide communications and outreach plan on student transfer, along with meeting certain other requirements.	December 31, 2024
Implementation committee sunsets.	July 1, 2025

Two Proposed 2023-24 Positions Are Justified, but Recommend Funding in Budget Year. The LAO sees merit for two of the proposed positions in the Educational Services and Support Division. Specifically, the two Specialist positions proposed for 2023-24 would help the Chancellor's Office administer the recently created ongoing basic needs program and other student service programs. Because these programs are already authorized and currently being developed by community colleges, the LAO is unclear as to why the administration postpones funding the associated staffing positions until 2023-24. The LAO recommends that the Legislature modify the Governor's proposal by approving these positions and the associated funding beginning in 2022-23.

Given Chancellor's Office Existing Staff, Recommend Rejecting Two Positions. The Governor's budget proposes two other positions—a Program Assistant II and a Specialist—in the Educational Services and Support Division that would work on ethnic studies curriculum and competency-based education. Chancellor's Office documentation provided to our office shows that the agency already assigns two staff to overseeing those issues. Given the Governor's proposal appears to duplicate already authorized and assigned positions, the LAO recommends that the Legislature reject these proposed positions.

Insufficient Detail on Remaining Positions, Withhold Recommendation. The Chancellor's Office may need some of the remaining requested positions but without better back-up and justification, the Legislature is unable to make this determination. For example, a proposed Information Technology Specialist II position would support "critical upgrades" to CCC's centralized data system. The administration, however, has provided no information on what the critical upgrades are, how long they will take, and how often they need to occur. Similarly, a proposed Staff Services Analyst position in the Educational Services and Support Division would "provide administrative and staff support services associated with the entire division's workload." No detail, however, is provided on current unmet workload needs in the division and what workload the proposed position would cover. In the case of the attorney position, the administration identifies the general nature of the work the attorney is to undertake but provides no backup information suggesting that the current number of attorneys in the Chancellor's Office is insufficient given workload. Rather than rejecting the remaining positions at this time given this lack of specificity and justification, the Legislature could give the administration an opportunity to submit improved proposals before the May Revision. Such proposals should include more details on the specific workload the proposed positions would undertake and why current staffing levels in those areas is insufficient. Until such proposals are provided, the LAO withholds recommendation on the associated positions.

Suggested Questions:

- We ask CCC, and Administration to comment on the LAO recommendations and analysis.

Staff Recommendation. Hold Open

6120 CALIFORNIA STATE LIBRARY

Issue 30: Senate "Putting Wealth to Work" Proposals

Panel

- Jason Constantouros Legislative Analyst's Office
- Greg Lucas, California State Librarian

Background

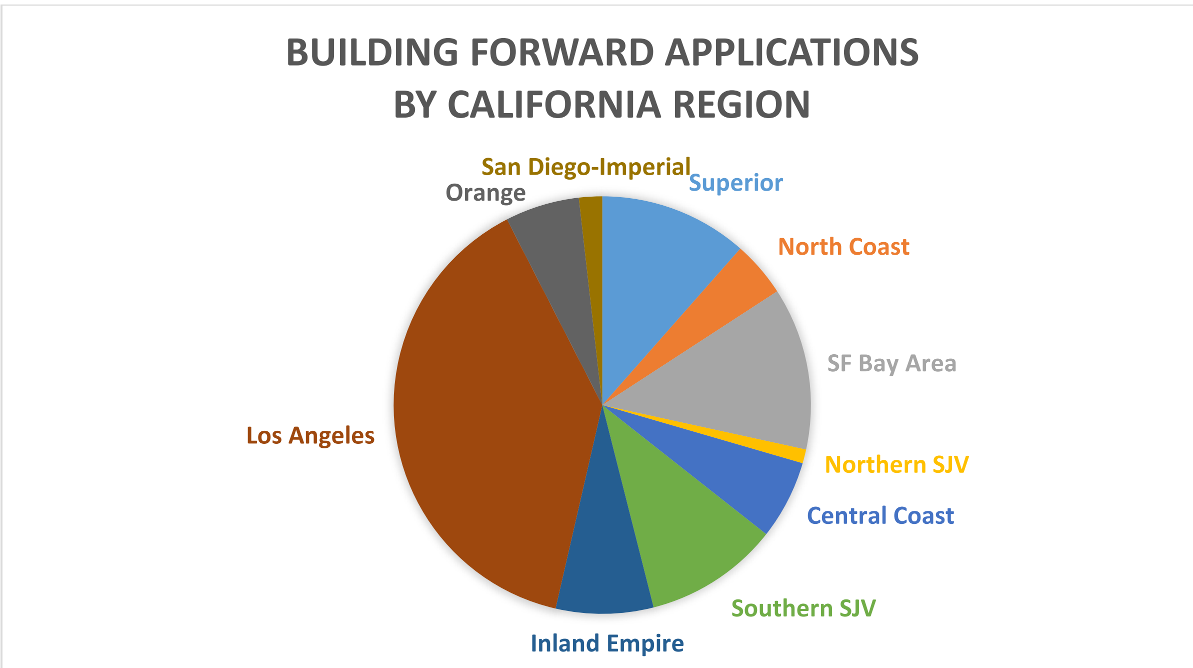
The Budget Act of 2021 included various new initiatives for the State Library. Most notably, it created the Library Infrastructure Grant Program. The 2021 Budget Act specifically included $439 million one-time General Fund for grants for local library infrastructure improvements, broadband and technology upgrades and purchasing of devices. The 2021 Budget Act specified that no grant amount shall exceed $10 million, and the State Library shall prioritize life-safety and other critical maintenance and infrastructure projects. The law specified that the State Library shall require a local match; however, the match may be reduced if library jurisdiction can demonstrate financial need. The law required the State Library to submit a report on the grant recipients, information about the grant and status reports on the project starting in April 1, 2022. These funds are available for encumbrance until June 30, 2024. The following paragraphs are descriptions of the application process, demographics, and demand for funding per the State Library's status report.

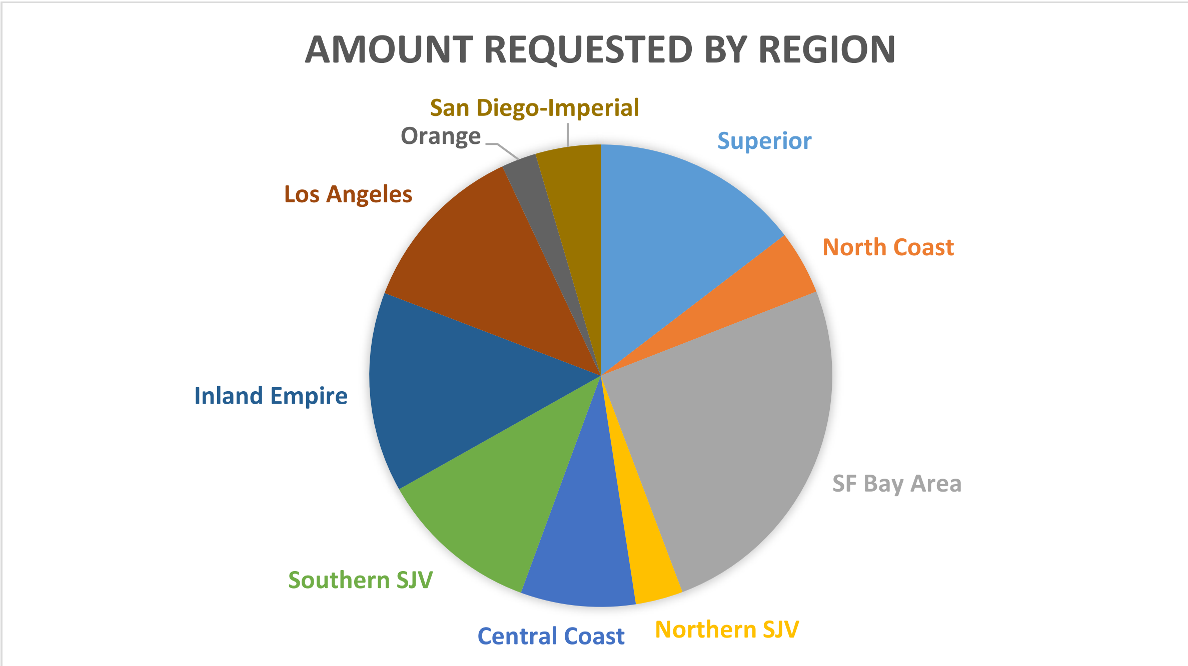
Total requested funding exceeds the amount included in 2021 Budget Act. A pre-application process began in September 2021 to gauge demand, scope of projects, and uncover any unanticipated needs. The results were used to help shape the current application process. The official application period then began in February 2022.

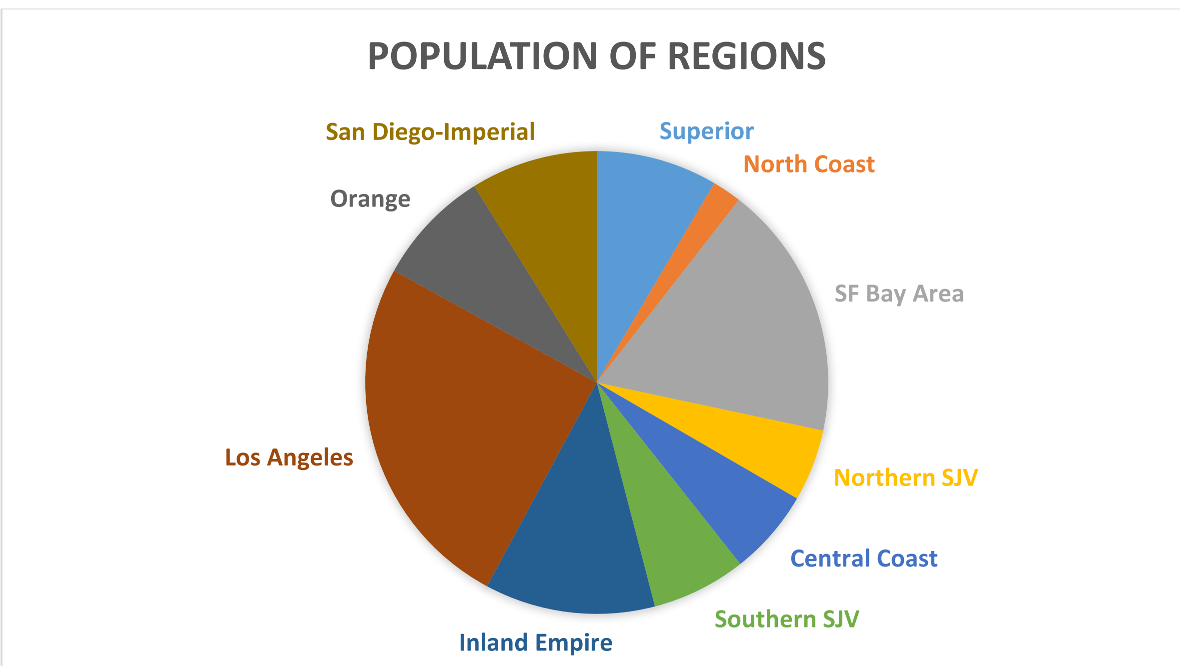
The grant application window closed on March 21, 2022. The State Library received 278 applications from 97 local jurisdictions seeking $548.5 million in state grant funding for projects totaling $1.1 billion. The applications are being reviewed by an independent advisory board chaired by the former State Librarian of Texas and including a variety of library facilities and 9 experts from around the country.

Further analysis of applications. At the close of the application process on March 21, 52 percent of California's 189 library jurisdictions had applied. Applications received represented only 25 percent of library buildings in the state. Thirty-seven applications involved improvements to leased facilities.

Analysis of Grant Applications. According to the State Library, out of the 278 applications received from communities throughout California, the largest percentage came from the Los Angeles area – home to 25 percent of the state's populations. 39 percent of applications submitted were from the Los Angeles region representing 111 total projects. The San Francisco region, which makes up 18 percent of the state's population, submitted 25 percent of applications received. The following chart further illustrate applicant distribution throughout California.







The State Library indicates that despite the unprecedented investment in the 2021 Budget Act, there is a total need of $5 billion for modernization, rehabilitation, renovation, and replacement of California's 1,130 local libraries, as identified in surveys conducted by the State Library, the

California Research Bureau and others. The Library also raises that solely addressing "life-safety and other critical maintenance" needs does not create libraries capable of meeting the needs of 21st Century California communities. Although the budget allows for consideration of "more significant modernization and construction capital projects" it does so only "if funding remains after supporting life-safety and other critical projects."

The State Library has fielded nearly 200 inquiries from library directors, city managers, local elected officials and others regarding grant eligibility. Many of the projects their communities seek are not prioritized under the guidelines of the program.

Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposals

- In response to the State Library's analysis of applications and recommendations going forward, the Senate's spending plan includes $750 million one-time General Fund in 2022-23 for Library Infrastructure Grant Program. This proposed appropriation, as well as the adoption of provisional budget bill language, will focus on local library capital outlay and broadens the project eligibility to include improving energy efficiency and sustainability, expanding access digitally and physically and supporting community resiliency. The funds appropriated shall be available for encumbrance or expenditure until June 30, 2027 and will be subject to similar annual status reports as those included in the 2021 Budget Act.

- As well, the Senate's spending plan includes $3 million General Fund one-time to renovate and enhance Jewish Family and Children's Services (JFCS) Holocaust Library Holocaust Center Library and Archives building. This is California's preeminent Holocaust library, serving more than 375 California public schools and 28,000 students, educators, and community members annually.

Staff Recommendation. Hold Open