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.

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Public Comment

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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 $250 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	Change Over 2021-22 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**

Suggested Questions

- 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.

LAO Recommendation: ***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.

LAO Recommendation: ***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.

Suggested Questions

- 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

Panel

- 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.

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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.)

Governor's UC Climate Technology Incubators Proposal

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.

Legislative Analyst's Office Assessment and Recommendation: UC Climate Technology Incubators Proposal

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.

LAO Recommendation: ***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.

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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

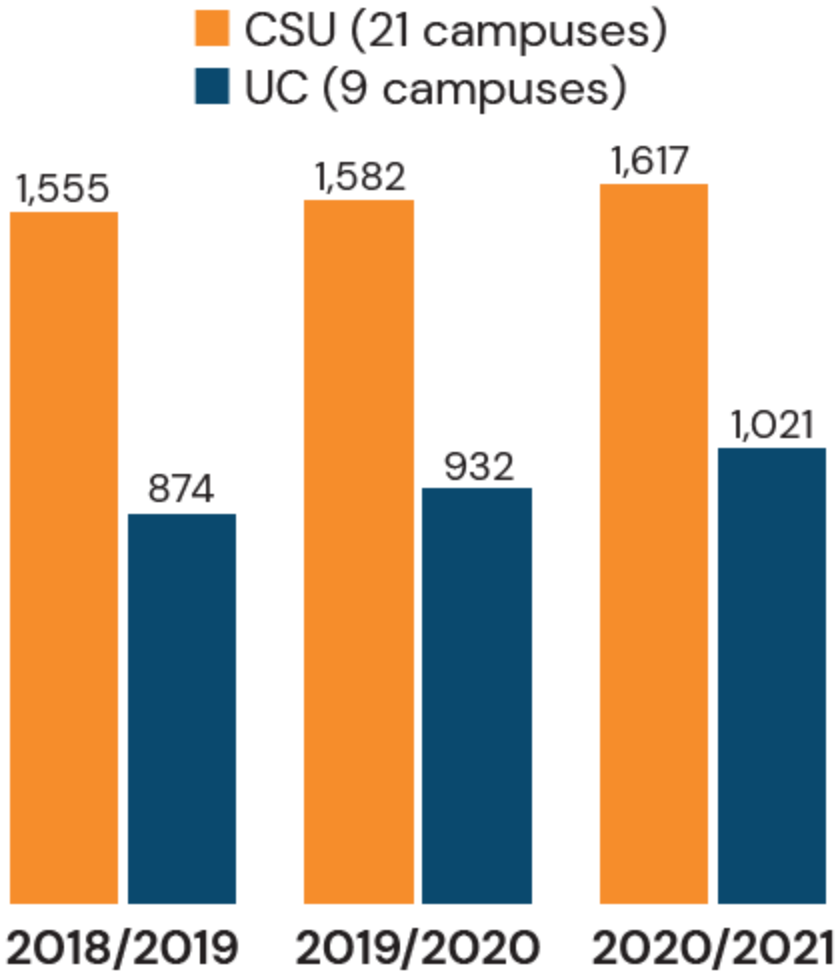
Background

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.

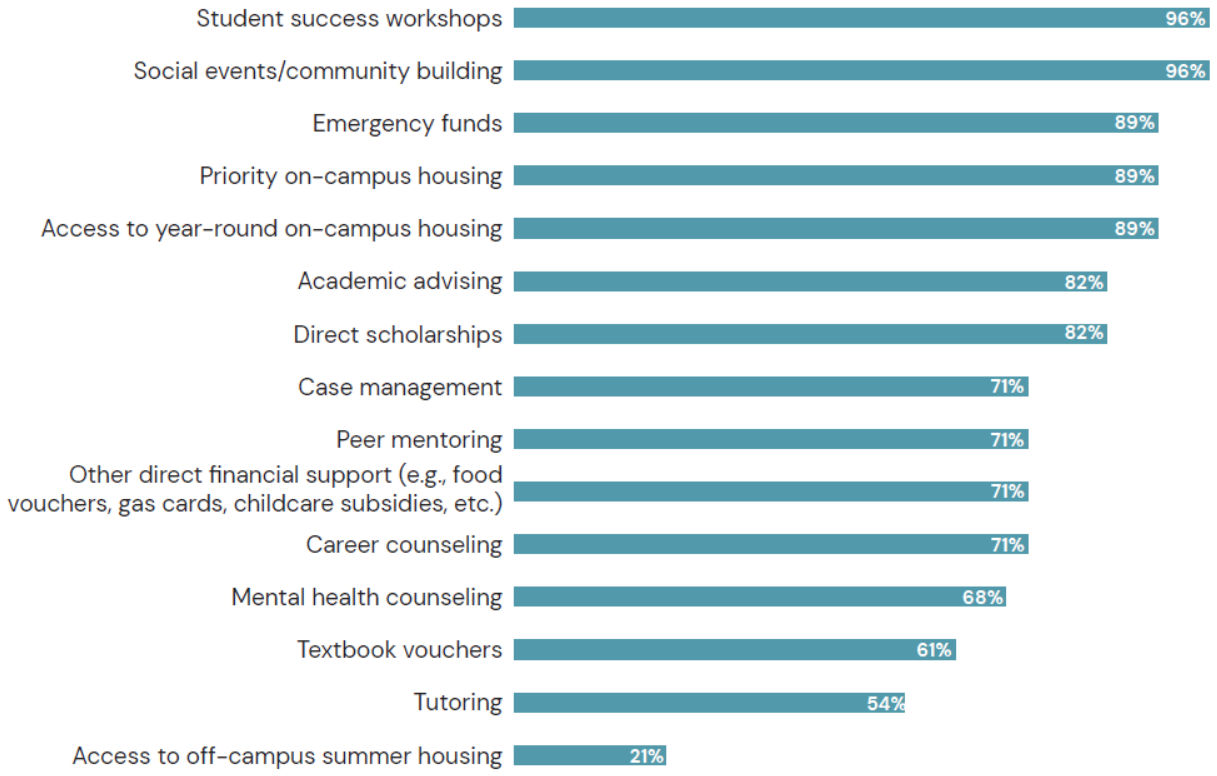


This diverse group of students presents with life circumstances outside the norm for most other students, and even for those who are low-income or first-generation. Trauma, homelessness, food insecurity, a lack of adult support, academic deficiencies, and mental and physical health challenges are among 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.

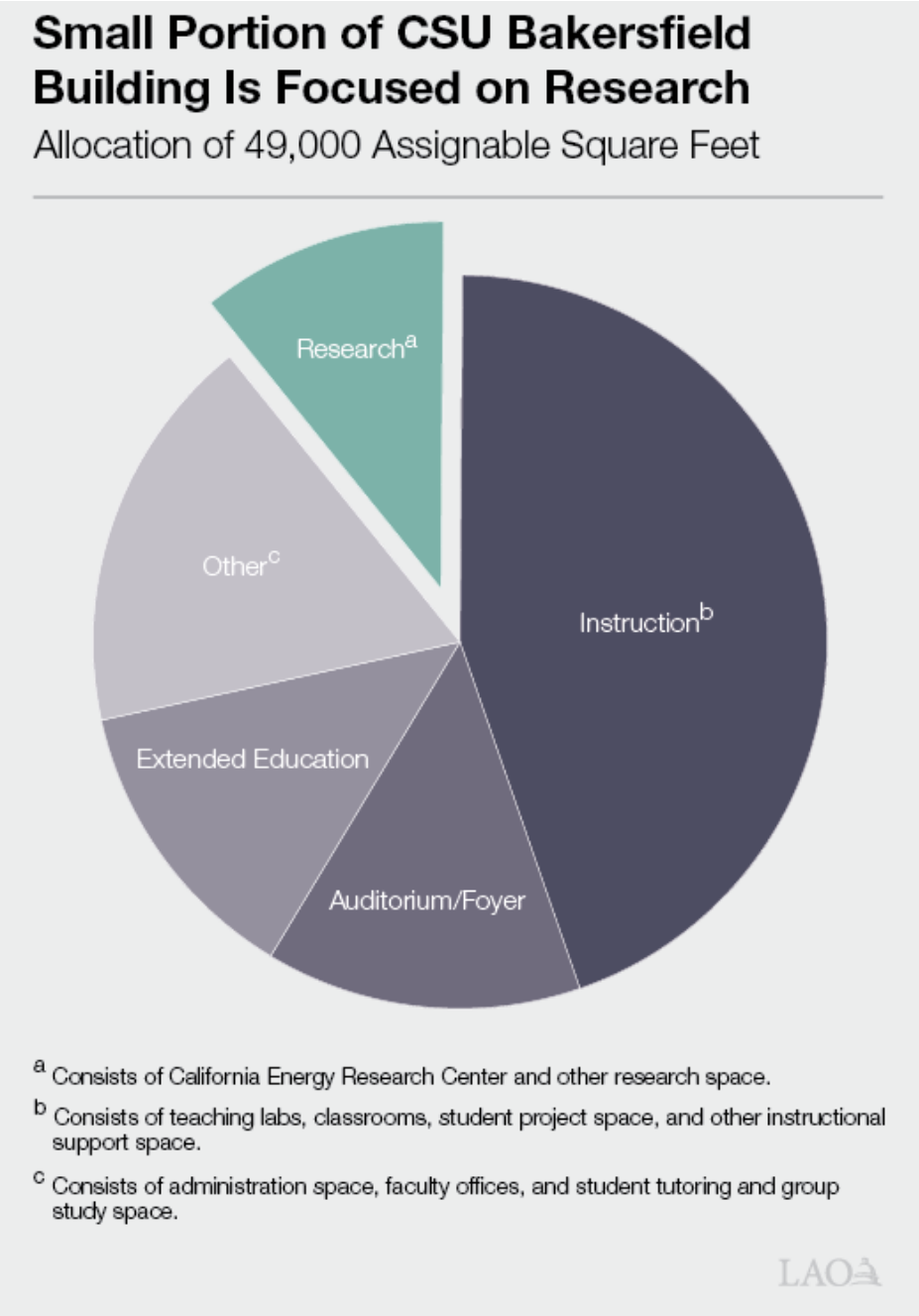
Governor's Budget Proposals

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.



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:

- 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.