

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Scott Wilk



Thursday, March 7, 2024
9:30 a.m. or Upon Adjournment of Session
1020 O Street, Room 2100

Consultants: Christopher Francis, Ph.D.

Items for Discussion

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Public Comment

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DISCUSSION ITEMS

6440 UNIVERSITY OF CALIFORNIA (UC)
6610 CALIFORNIA STATE UNIVERSITY (CSU)
6870 CALIFORNIA COMMUNITY COLLEGES (CCC)
6980 CALIFORNIA STUDENT AID COMMISSION

Overview

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

Commission Total Budget. The below table from the LAO details the Commission’s budget in 2022-23 and 2023-24 as well as the proposed budget in 2024-25. The Governor’s budget assumes total financial aid expenditures of \$3.3 billion, of which \$2.5 billion supports the Cal Grant Program, and \$636 million supports the Middle Class Scholarship Program. The two main fund sources for the Commission are state General Fund and federal Temporary Assistance for Needy Families (TANF). In 2023-24, state General Fund would comprise 87 percent of Commission funding and federal TANF would comprise 12 percent. The remainder would come from various sources, including reimbursements from other departments.

Table 1: California Student Aid Commission Budget (*Dollars in Millions*)

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
Spending					
Local assistance					
Cal Grants	\$2,211	\$2,393	\$2,541	\$148	6.2%
Middle Class Scholarships	568	847 ^a	636	-211	-25
Learning-Aligned Employment Program	300	—	—	—	—
Golden State Teacher Grants ¹	137	177	134	-43	-24
Other programs	56	38	39	1	1.6
Subtotals	(\$3,272)	(\$3,456)	(\$3,351)	(-\$105)	-3.0%
State operations	\$28	\$26	\$24	-\$3	-10%
Totals	\$3,300	\$3,482	\$3,374	-\$108	-3.1%

1. **Staff Comment:** Staff notes a Subcommittee No. 1 hearing on April 11, 2024 will cover the Golden State Teacher Grants program.

Issue 1: Cal Grant and Middle Class Scholarship Programs**Panel**

- Amanpreet Singh, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- Shawn Brick, University of California
- Noelia Gonzalez, California State University
- Gina Browne, California Community Colleges

Governor's Budget

Governor's Budget Reflects Spending Increase in 2024-25 for Cal Grant Spending. The Governor's budget revises 2023-24 Cal Grant spending upward by \$83 million (3.6 percent) to align with the Commission's most recent cost estimates. From the revised 2023-24 level, it further increases Cal Grant spending by \$148 million (6.2 percent) in 2024-25 to reflect projected growth in recipients and award amounts. These adjustments bring total Cal Grant spending to \$2.5 billion in 2024-25. These cost estimates underlying the Governor's budget were prepared in October 2023 and the Student Aid Commission plans to update its estimates based on more recent program data for 2023-24 in the Spring. The Administration is expected to update its Cal Grant spending levels at the May Revision accordingly.

Governor Proposes No Changes to Cal Grant Equity Framework Provisions. The Governor's budget does not include any changes to the Cal Grant reforms included in the 2022 Budget Act.

Governor Proposes To Forego A Planned One-Time Middle Class Scholarship Increase. Under last year's budget agreement, the state would have provided a total of \$926 million General Fund (consisting of \$637 million General Fund ongoing and \$289 million General Fund one-time) for the program in 2024-25. Due to the state budget condition, the Governor's budget forgoes the one-time funds but retains the ongoing funds. Specifically, the Governor's budget proposes to forego the MCS planned appropriation of \$289 million in 2024-25. As a result, the proposed funding level would cover 24 percent of students' remaining costs in 2024-25—down from 36 percent in 2023-24.

Background

Over the last three years, the subcommittee and Legislature discussed the future of financial aid for Californians, ongoing challenges, and significant reforms for Cal Grants and Middle Class Scholarships—the with two largest state financial aid programs.

Cal Grant Program

The Cal Grant program, the state's largest financial aid program, is intended to help students with financial need cover college costs. The program offers multiple types of Cal Grant awards. The amount of aid students receive depends on their award type and the segment of higher education they attend. Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities. Cal Grant B provides the same amount of tuition coverage as Cal Grant A in most cases, while also providing an "access award" for nontuition expenses such as food and housing. Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award

amounts for tuition and nontuition expenses. Across all award types, larger amounts of nontuition coverage are available to students with dependent children as well as current and former foster youth.

Table 2: Estimated Cal Grant Recipients between 2022-23 and 2024-25

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent (%)
Total Recipients	383,666	404,132	418,015	13,883	3.4
By Segment:					
California Community Colleges	136,579	149,616	159,528	9,912	6.6
California State University	137,777	139,688	140,014	326	0.2
University of California	78,166	83,642	87,362	3,720	4.4
Private nonprofit institutions	25,709	24,773	24,530	-243	-1.0
Private for-profit institutions	5,413	6,394	6,561	167	2.6
Other public institutions	24	18	19	1	5.8
By Award Type:					
Cal Grant B	261,616	275,841	282,496	6,655	2.4
Cal Grant A	119,619	125,252	132,378	7,126	5.7
Cal Grant C	2,433	3,038	3,140	102	3.3
By Renewal or New:					
Renewal	224,305	226,828	234,698	7,870	3.5
New	159,361	177,304	183,317	6,013	3.4
Data reflect California Student Aid Commission estimates.					

Cal Grant Equity Framework in 2022 Budget Agreement. The 2022 Budget Act included the Cal Grant Equity Framework subject to state General Fund availability over the multi-year forecasts beginning in fiscal year 2024-25. The reform would be triggered in 2024-25 if the state determines in Spring 2024 that sufficient General Fund is available to support these actions over a multiyear period. If “triggered on” the budget agreement will provide \$364.8 million General Fund in 2024-25, \$348.8 million in 2025-26 and ongoing for this reform.

The reform will restructure the Cal Grant program. Specifically, it would replace the existing award structure with a Cal Grant 2 award that provides nontuition coverage to California Community College (CCC) students and a Cal Grant 4 award that provides tuition coverage at all other segments. The eligibility requirements of the new program would differ in several ways from those of the current program. First, whereas the current Cal Grant program has its own income and asset ceilings, the new program would have the same income ceilings as the federal Pell Grant program. Because of the change, the new income ceilings generally would be lower than the current ones. Second, whereas the current program provides only a limited number of awards to older students attending the universities, the new program would have no age or time-out-of-high-school restrictions at any segment. Third, whereas the current program requires students to have a minimum grade point average (GPA), the new program will not have a GPA requirement for CCC students. These program changes are projected to lead to a net increase of 150,000

award offers in 2024-25, at an estimated additional net cost of \$365 million. The reform also expresses legislative intent that UC and CSU use institutional aid to cover non-tuition costs for its students.

Cal Grant Trigger Agreement for Independent, Non-Profit Colleges and Universities in 2022 Budget Agreement. The 2022 Budget Act also included changes to improve regional transfer for low-income students by extending transfer entitlement portability for community college transfer students to those transferring to an independent, non-profit California college or university. If “triggered on,” then the agreement would provide \$10.4 million General Fund in 2024-25, \$16.4 million General Fund in 2025-26 and ongoing to support this portability.

Middle Class Scholarship (MCS)

MCS provides undergraduate students, including students pursuing a teaching credential, with a scholarship, recently revamped to account for cost of attendance, to attend a UC, CSU or CCC Bachelor’s degree program. Students with family income and assets up to \$201,000 may be eligible.

MCS Significantly Reformed in 2021 Budget Act for Cost of Attendance. The original MCS program was enacted in 2014 to help middle-income UC and CSU students, who are part of households with incomes and assets each under \$171,000, not receiving tuition coverage through the Cal Grant program receive partial tuition coverage. The Commission provided these scholarships to eligible students who fill out the FAFSA. Awards covered between 10 percent and 40 percent of systemwide tuition and fees, with the percentage graduated downward as household income increases. State law capped spending on the original MCS program at \$117 million annually.

The revamped program assists CSU and UC students with their total cost of attendance. To determine each student’s award amount, the Commission will first determine each students’ remaining cost of attendance, after accounting for other available gift aid, a student contribution from part-time work earnings, and a parent contribution for dependent students with a household income of more than \$100,000. Then, the Commission will determine what percentage of each student’s remaining costs to cover based on the annual appropriation for the program.

MCS Implementation Costs and Budget Act Investments. In 2022-23 the Commission determined that program funding, \$568 million General Fund, was sufficient to cover 26 percent of each recipient’s remaining costs for the first year of the revised program. The 2023 Budget Act included additional \$227 million one-time General Fund for the program, bringing the total funding level to \$864 million. The Commission initially estimated this funding level would cover about 36 percent of each recipient’s remaining costs. The Governor’s budget revises this funding level downward by \$17 million (1.9 percent) to align with the most recent cost estimates for covering 36 percent of each students’ remaining costs. Based on CSAC’s cost estimates, this is the maximum percentage of coverage possible without going over the budget act appropriation. The 2023 Budget Act also included an agreement to provide \$289 million one-time General Fund in 2024-25 to cover a similar percentage of each recipient’s costs that year.

Table 3: Middle Class Scholarship Program Information by Segment

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change from 2023-24	
				Amount	Percent
Recipients					
CSU	205,037	215,889	233,161	17,272	8%
UC	90,060	91,849	99,197	7,348	8

CCC ^a	37	40	43	3	8
Total	295,134	307,778	332,401	24,623	8%
Spending (Dollars in Millions)					
CSU	\$419	\$617	\$463	-\$154	-25%
UC	150	230	173	-57	-25
CCC ^a	— ^b	— ^b	— ^b	— ^b	-25
Total	\$568	\$847	\$636	-\$211	-25%
Average Award					
CSU	\$2,041	\$2,858	\$1,987	-\$871	-30%
UC	1,663	2,506	1,742	-764	-30
CCC ^a	2,622	5,325	3,725	-1,600	-30
Data for 2022-23 and 2023-24 reflect California Student Aid Commission estimates. Data for 2024-25 reflect Commission estimates adjusted by LAO to align with the proposed funding level in the Governor's budget.					
^a In addition to undergraduate students at UC and CSU, CCC students in bachelor's degree programs are eligible for the Middle Class Scholarship program.					
^b Less than \$500,000.					

Staff Comments. Recent changes at the federal level are causing delays and creating barriers for students seeking financial aid.

Free Application for Federal Student Aid (FAFSA) Simplification Act. On Dec. 27, 2020, the United States Congress passed the Consolidated Appropriations Act, which included the FAFSA Simplification Act. Implemented by the United States Department of Education, the Simplification Act makes significant changes processes and systems used to award federal student aid starting with the 2024-25 award year. Representing the first major redesign of the FAFSA in 40 years, the initiative intends to create a more streamlined and accessible process through a reduction in the amount of questions asked to filers and use of previously collected data, expanded eligibility for federal Pell Grants and other federal aid, and revisions to methodologies that determine student aid eligibility.

Initial Federal Student Aid FAFSA Simplification Act Concerns and Legislative Response in 2023 Budget Act. Traditionally, October 1, 2023 would be the launch date for the 2024-25 FAFSA period but communications between state and federal officials suggested that a delay to January 1, 2024 could occur. Because of the delayed launch and uncertainty, a filing period that is up to three months shorter may occur and result in more students without Cal Grant that would have otherwise qualified. In response to these concerns, SB 117 (Committee on Budget), Chapter 50, Statutes of 2023 extended the priority deadline from March 2, 2024 to April 2, 2024 for every financial aid program administered by the Commission, including the Cal Grant and Middle Class Scholarships programs. In subsequent years, the deadline will revert to March 2.

In December 2023, the Department of Education announced a soft launch for the new FAFSA from December 2023 through late January 2024. After the launch of the revised applications, multiple issues surfaced that impacted students, families, and campuses that rely on receipt of information from the Department of Education to create financial aid packages.

New FAFSA Simplification Act Implementation Issues and Impacts on CA First-Time College and University Applicants. Two issues with the new FAFSA undermine student accessibility to financial aid.

First, the Department of Education announced on January 30, 2024 that it would not send students' data from FAFSA to colleges and universities until the first half of March 2024. Because of this delay, which is approximately two months later than initially planned, campus financial aid offices will receive pertinent information and package financial aid offers much later than usual. Students, particularly new first-time, first-year admitted students whom rely on financial aid packages to inform their enrollment decisions, will have less time to contemplate their admissions offers as a result. As of this subcommittee hearing, the UC and CSU responded by extending their enrollment commitment deadlines. All nine UC undergraduate campuses extended their Statement of Intent to Register (SIR) deadline for first-year undergraduate students to May 15. CSU extended the SIR deadline to no earlier than May 15, 2024 for all 23-university campuses.

Another prominent issue is that students with contributors who do not have a social security number (SSN) are unable to start or access the FAFSA form. This issue affects students from mixed status families and puts them at risk of missing the recently extended priority application deadline for California financial aid programs. On February 20, 2024, the Department of Education announced that it would resolve the SSN issue permanently in the first half of March 2024 while also offering an interim “workaround” solution until the permanent fix becomes available to filers. The “workaround” solution, however, introduces additional complications to students and contributors. For example, this “workaround” only enables students to obtain a submission date based on when they complete that step but neither generates a Student Aid Index nor yields a complete application. As a result, the Student Aid Commission is unable to inform students about their financial aid eligibility without further action by the students and contributors to finalize their FAFSAs. This delay could impact at least 100,000 students who had a parent that did not report an SSN on the FAFSA.

The Legislature may wish to consider immediate solutions to alleviate these issues for California students, families, colleges and universities. Any continued challenges could lead to fewer state financial aid applications in 2024-25.

Suggested Questions on FAFSA issues

- **CA Student Aid Commission:** Please provide an update on FAFSA filings for the 2024-25 school year. How many students are impacted by these FAFSA issues?
- **CA Student Aid Commission, CCC, CSU, & UC:** Do you have any recommendations that the Legislature should consider to address these issues?

Suggested Questions on Middle Class Scholarship

- **CA Student Aid Commission, CSU, & UC:** Please provide an on implementation of revamped program. When did UC and CSU students receive scholarship funding for Fall 2023? Are there any administrative challenges and additional issues that require the Legislature’s attention?
- **Administration, CSU & UC:** What was the Administration’s rationale for eliminating the 2024-25 planned augmentation for the Middle Class Scholarships? How will this affect the segments and their progress towards debt free college for its students?

Suggested Questions on Cal Grant

- **CA Student Aid Commission:** Please provide an update on potential implementation and cost estimates of Cal Grant Equity Framework in 2024-25. If there are revised costs then please explain, at a high-level, the causes for this revision.
- **CA Student Aid Commission:** With a budget deficit and limited funding available, what are some ways to phase-in the Cal Grant Equity Framework? Why are these ways most critical? Who would be most impacted if this approach was taken?
- **CCC, CSU, & UC:** How are you thinking about the implementation of the Cal Grant Equity Framework, if funding is included in the 2024-25 Budget Act? What challenges do you anticipate? Do you have recommendations or thoughts on a phase-in approach?

Staff Recommendation. Hold Open.

6600 UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)**Issue 2: CLSF Base Adjustment and Updates****Overview**

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 is affiliated with UC but operates independently in many respects, having its own governing board (known as the Board of Directors). The institute was founded by, and initially named after, Serranus Clinton Hastings, the first Chief Justice of the State of California.

Mission and Responsibilities. UC College of the Law, San Francisco, as recently re-named, is the oldest law school and one of the largest public law schools in the United States. CLSF’s 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. CLSF’s affiliation with UC offers it certain benefits. For example, CLSF uses UC’s payroll processing and investment management services. Additionally, CLSF’s employees participate in UC’s employee health and pension programs.

The mission of the CLSF is to train students for the legal profession with a comprehensive understanding and appreciation of the law. CLSF is the oldest law school 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. CLSF 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. CLSF 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 the College of the Law, San Francisco.

Of the school’s more than 1,000 students, approximately 95 percent are enrolled in the Juris Doctor (JD) program (the most common degree students pursue to enter the legal field). The school also offers three master’s programs, one of which is a joint Health Policy and Law program with UC San Francisco (UCSF).

Name Change. In November 2021, the school’s Board of Directors voted to authorize its leadership to work with state legislators and other stakeholders to change the College’s name after the discovery that the school’s founder committed genocidal acts against Native Californians in the Round and Eden valleys during the 1850s. In January 2022, Board of Directors approved an initiative to change the school’s name. An official name change required legislation, passing in 2022. The 2022 Budget Act appropriated \$885,000 General Fund to support costs associated with changing the name of the institution, conditioned upon enactment of legislation authorizing a name change. As of March 2024, the school has incurred \$2.4 million in costs associated with its name change due to external contracts with several firms to implement needed changes relating to its internet domain and other re-branding efforts and legal costs.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5530	Support	269.2	277.3	284.8	\$233,582	\$127,971	\$125,620
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		269.2	277.3	284.8	\$233,582	\$127,971	\$125,620
FUNDING				2022-23*	2023-24*	2024-25*	
0001	General Fund			\$112,762	\$27,052	\$26,273	
0814	California State Lottery Education Fund			288	234	233	
0993	University Funds--Unclassified			120,532	100,685	99,114	
TOTALS, EXPENDITURES, ALL FUNDS				\$233,582	\$127,971	\$125,620	

Panel

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst’s Office
- David Faigman, Chancellor and Dean, UC College of the Law, San Francisco

Available for additional details and questions: David Seward, Chief Financial Officer, UC College of the Law, San Francisco

Governor’s Budget

Base Adjustment. The Governor’s budget proposes an increase of \$2.2 million General Fund ongoing to support operating costs. This represents a three percent increase base augmentation.

UC College of the Law Spending Plan

UC Law SF Is Budgeting for Several Cost Increases. As is detailed below, UC Law SF is planning for several cost increases in 2024-25. Core funds support UC Law SF’s core operations, including faculty and staff compensation. The school also uses core funds to provide merit-based student financial aid. UC Law SF currently spends around 30 percent of the tuition revenue it generates from each JD cohort on financial aid. The largest planned expense is for student financial aid. Beyond these expenses, UC Law SF intends to increase to its overall employee salary pool by three percent as well as cover employee benefit cost increases.

School’s Spending Plan Supports Several Increases

Core Spending Increases, 2024-25 (In Thousands)

Spending Component	Amount
Student financial aid	2,256
Faculty hiring	1,890
Salary pool increase (three percent)	1,032
Benefit cost increases	100
Operating expenses and equipment ^a	-2,138
Total	\$3,141

^aReflects One-time renaming costs, legal, 100 McAllister Tower Office Space Rent, 198 McAllister Street new academic building rents and common area charges, Adjustment of lease revenue expenditures, related to the Academic Village 333 Golden Gate

Background

Tuition Revenue Is Law School’s Largest Fund Source. Of the school’s core funding, just over 70 percent comes from student tuition revenue and one-quarter comes from state General Fund. Remaining core funding comes from investment income, scholarly publication income, fee revenue, and the State Lottery Fund. Beyond core funding, UC Law SF receives noncore funding from certain self-supporting auxiliary programs (including its housing and parking programs). In addition, the school receives noncore funding from private donations as well as external grants and contracts.

UC Law SF Increased Tuition Charges in 2022-23. From 2012-13 through 2021-22, UC Law SF held enrollment fees flat at \$43,486 for resident students. For the 2022-23 academic year, the UC Law SF Board of Directors increased tuition charges for resident students by three percent to \$44,791. The board also increased supplemental tuition charges for nonresident students. After holding the supplemental tuition charge flat at \$6,000 from 2012-13 through 2021-22, the board increased the supplemental charge by seven percent to \$6,420 in 2022-23.

Student Enrollment. After hovering at approximately 950 full-time equivalent (FTE) students from 2016-17 through 2020-21, the school grew its enrollment notably in 2021-22. That year, it enrolled 151.3 additional FTE students, with its total enrollment reaching 1,101.3 students. The bulk of the came from CLSF’s JD program and the remaining growth came from its master’s degree programs. In 2022-23, CLSF experienced higher-than-typical growth, with total enrollment reaching 1155.2 FTE students. The bulk of this growth also came from the school’s JD program. The below table documents the estimated 2023-24 and projected 2024-25 enrollment outlook, which shows a slight decrease from 2022-23 levels.

	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25¹</u>
Full-Time Equivalent Students			
Juris Doctor Program (JD).....			
Resident Students.....	1,015.4	993.0	988.0
Non-resident Students.....	87.6	89.0	86.0
Total Juris Doctor Program (JD) Students.....	1,103.0	1,082.0	1,074.0
Master of Laws Program (LL.M.).....	30.3	30.0	31.5
Master of Studies in Law Program (MSL).....	8.7	13.0	13.7
Master of Science, Health Policy and Law Program (HPL).....	13.2	17.0	20.0
Totals, Full-Time Equivalent Students.....	1,155.2	1,142.0	1,139.2

Though still relatively small, the CLSF’s master’s degree programs roughly doubled in size between 2020-21 and 2023-24. This is partly attributable to the addition of the new Master of Science in Health Policy and Law program launched in 2022-23.

State Often Provides the School With General Fund Base Increases. Each year, the law school faces pressure to cover cost increases associated with employee compensation, OE&E, student financial aid,

and enrollment growth, among other factors. Over the past decade, the primary way the school has covered its core operating cost increases is through state General Fund base augmentations. (The school also receives state General Fund adjustments for its lease revenue bond debt service and, in certain years, specific program initiatives.) As Table 4 shows, the size of UC Law SF's base adjustments has varied since 2015-16. Average annual growth in the school's General Fund support during this period (excluding 2020-21) was roughly 10.6 percent.

Table 4: State Has Provided Law School with Base Augmentations in Most Years
(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Base General Fund adjustment	\$1.0	\$1.0	\$1.1	\$1.1	\$1.4	-\$0.5	\$2.1	\$2.0	\$2.2
Percent change in General Fund	11.0	10.0	9.0	9.0	10.0	-4.0	14.0	12.0	10.0
Percent change in ongoing core funds	1.9	1.9	1.9	1.9	2.5	-0.9	3.5	3.0	4.5

School Is Responsible for Campus Safety. UC Law SF is located in downtown San Francisco between the Civic Center and the Tenderloin District. Over the years, the school has faced public safety issues. It has contracted with the UCSF police department for campus patrols and responses to security issues. The school also has used UCSF Public Safety Ambassadors, who lack police powers, to staff its buildings and security posts and report issues as appropriate to police personnel. The school has paid for these contract costs using its ongoing core funds. In August 2020, the Urban Alchemy nonprofit organization received funding from UC Law SF for a program to further promote campus safety. This program relies less heavily on traditional methods of policing in favor of sidewalk safety services (including interrupting public drug usage, noise disturbances, and public urination and defecation). The program prioritizes employing individuals who were formerly incarcerated or homeless in their programming. The school has been using \$1.4 million annually of its ongoing core funds redirected from the UCSF contract for Urban Alchemy to provide its programming. The school has supplemented this funding with \$3 million one-time General Fund that the state provided in 2021-22, to be spent evenly over three years (through 2023-24). The 2023 Budget Act provided an additional \$3 million, available over three years, for the program.

Student Housing Updates as of March 2024. The 2022 Budget Act appropriated \$90 million General Fund to support the facility improvement project at the institution's 100 McAllister Street building. This project includes seismic structural upgrades conforming to UC Law's Seismic Safety Policy, maintaining 252 campus housing units at below-market rents that would otherwise no longer be available the 198 McAllister structure completed in 2023, renovating space within the facility for academic purposes, and adding an estimated five new campus housing units for a total of 257 units at below-market rents. UC Law SF indicated that the remaining project costs will be split between conventional debt-financing and the historic tax credit equity program, which is a federal program focused on the rehabilitation of certified historic buildings.

"The Academe at 198" launched in Fall 2023 and is a 656-unit structure includes three levels of academic- and community-serving space with two courtrooms, meeting spaces, a café, and street-level retail space.

The project broke ground in September 2020 and completed work in Summer 2023. Apartments are provided at below-market rates to UC Law and other partner institution students, including more than 230 graduate students and trainees from UC San Francisco.

Legislative Analyst's Office Comments and Recommendations

LAO Recommendation: Reject Proposed General Fund Base Augmentation. As discussed in the LAO's overview of the Governor's budget, the state faces large projected operating deficits over the next few years. Providing CLSF with an ongoing General Fund base augmentation when the state is facing projected budget deficits would only further exacerbate those deficits. The LAO recommends the Legislature reject this proposal and retain state funding for CLSF at its existing level. While they recommend against providing CLSF with a General Fund base augmentation, they note that the college could use other core fund sources to pay for some of its anticipated cost increases. The \$2.3 million that CLSF anticipates collecting in additional tuition and fee revenue in 2024-25 is sufficient to cover nearly half of the school's anticipated operating cost increases.

Suggested Questions for CLSF updates

- **CLSF:** Please provide status updates on your current and future student housing projects, enrollment outlook, capital outlay projects, and Urban Alchemy program.

Staff Recommendation. Hold Open

6120 CALIFORNIA STATE LIBRARY

Overview

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.

State Library Oversees Both State-Level and Local Initiatives. The State Library's main state-level functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing state literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local

libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, internet services, and resource sharing, among other activities.

Public Libraries Are Run and Funded Primarily by Local Governments. In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. Currently, 185 library jurisdictions with 1,130 sites (including central libraries and their branches) are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to books, media, and other informational material as a core part of their mission. Around 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
5310	State Library Services	113.4	146.1	146.1	\$28,339	\$33,755	\$46,284
5312	Library Development Services	30.3	30.0	31.0	480,201	73,099	178,942
5314	Information Technology Services	10.9	12.8	12.8	3,200	3,673	3,683
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		154.6	188.9	189.9	\$511,740	\$110,527	\$228,909

Issue 3: Governor’s Proposals for the State Library

Panel

- Devin Mitchell, Department of Finance
- Ian Klein, Legislative Analyst’s Office
- Rebecca Wendt, Deputy State Librarian

Available for additional questions or details: Chris Ferguson, Department of Finance

Governor’s Budget Proposals

Reducing Support for Local Library Infrastructure. The Governor’s budget proposes to pull back \$131 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021 and forego \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects.

Reducing Support for Statewide Library Broadband Services. The Governor’s budget proposes to pull back \$29 million General Fund of the \$35 million General Fund to expand broadband access to isolated and under-served communities. The Governor’s budget also rescinds \$29 million of the \$35 million one-time General Fund provided in the 2021-22 Budget Act to expand local library broadband access to isolated and under-served communities. The Governor’s budget redirects \$4.9 million of the remaining program funding to the California Department of Education for broadband infrastructure grants.

Tribal and Rural Libraries Library Programs Consultant. The Governor’s budget includes permanent position authority for one Library Programs Consultant in fiscal year 2024-25 and ongoing to provide Library services to Tribal and Rural Libraries. The position will be paid for with federal funds provided annually to the State Library by the Institute of Museum and Library Services.

Background

Library Infrastructure Grant Program and Previous Budget Actions. The Budget Act of 2021 provided \$439 million General Fund one-time for a local library infrastructure grant program to support infrastructure improvements, broadband and technology upgrades and purchasing of devices. In a February 23, 2022 Subcommittee No.1 hearing, the State Library identified the total need identified for modernization, rehabilitation, renovation, and replacement of the state’s library system and its network of 1,130 local libraries as \$5 billion. The Budget Act of 2022 subsequently included an additional \$50 million General Fund in 2022-23 and assumed \$100 million General Fund in 2023-24 to support local library infrastructure projects. Due to the budget deficit for 2023-24, the Budget Act of 2023 delayed the \$100 million earmarked for 2023-24 to the 2024-25 (\$33 million), 2025-26 (\$33 million), and 2026-27 (\$34 million) fiscal years.

Implementation Update on Grant Program. In a status update to the subcommittee, the State Library noted that \$484 million of the \$489 million appropriated in fiscal years 2021-22 and 2022-23 has been committed to a project. Specifically, the State Library reported that a total of \$312 million went to 246 projects in 182 cities across 34 counties in 2022. In October 2023, the State Library reported an additional \$172 million in library facilities improvement grants will be awarded to 34 local libraries in 29 cities across 18 counties. The State Library noted that it implements payment plans for large scale grants to ensure that funds are being used properly and projects are progressing prior to the release of the total award. Of the \$484 million in committed project funding, \$236 million has been expended to libraries and the remaining \$248 million has been awarded to and is encumbered for specific projects.

Library Broadband. The 2021 Budget Act included \$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 funded through the proposed program are 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 Administration reports that the State Library connectivity program has allocated only approximately \$250,000 to date.

Tribal and Rural Libraries Library Programs. Previously the State Library had a dedicated Library Consultant position the creation of grant programs and communication and outreach specific to tribal communities. Upon the retirement of that consultant, duties were reassigned to existing library consultants in 2018-19. A significant increase in total number of local assistance programs and the reassignment of these responsibilities meant that the State Library no longer had a dedicated position to strengthen tribal and rural library engagement and capacity.

Currently, there federally funded grant programs to assist Native American tribes with improvement of library services for their communities. Most prominently, the Institute of Museum and library Services (IMLS) administers Native American Library Services enhancement grants of which the typical award amount varies from \$10,000 to \$150,000 per grantee. Funding is awarded to projects that include some or all of the following: “Educational programming for all ages; oral history collection and documentation; digital media and technology enhancements; institutional planning and policy development; professional training, internships, and mentorships; supporting and engaging with cultural practitioners and scholars; research and development of language and cultural material and tools; digitization and digital asset management, and retrofitting of library spaces for staff and public.” Despite this grant and non-competitive

grants, the State Library estimated that only 24 of 109 eligible federally recognized tribes in California submitted applications for IMLS grants.

Suggested Questions on Local Library Infrastructure Reduction

- **DOF:** Explain the rationale behind this reduction.
- **State Library:** What are most common types of projects funded by the grant program? If the Governor's proposal is included in the final budget agreement, then what will be the impact on the program? Will awards be pulled back?

Staff Recommendation. Hold Open.