

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair
Senator Connie M. Leyva
Senator Mike Morrell



Thursday, March 12, 2020
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

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Public Comment

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6440 UNIVERSITY OF CALIFORNIA

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

There are ten UC campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of these are general campuses and offer undergraduate, graduate, and professional education. The San Francisco campus is devoted exclusively to the health sciences. The UC operates five teaching hospitals in Los Angeles, San Francisco, Sacramento, San Diego, and Orange counties. The UC has more than 800 research centers, institutes, laboratories, and programs in all parts of the state. The UC also provides oversight of one United States Department of Energy laboratory and is in partnerships with private industry to manage two additional Department of Energy laboratories.

The UC is governed by the Board of Regents which, under Article IX, Section 9 of the California Constitution, has "full powers of organization and governance," subject only to very specific areas of legislative control. The article states that "the university shall be entirely independent of all political and sectarian influence and kept free therefrom in the appointment of its Regents and in the administration of its affairs." The Board of Regents consists of 26 members, as defined in Article IX, Section 9, each of whom has a vote (in addition, two faculty members — the chair and vice chair of the Academic Council — sit on the board as non-voting members):

- 18 regents are appointed by the Governor for 12-year terms.
- One is a student appointed by the regents to a one-year term.
- Seven are ex officio members — the Governor, Lieutenant Governor, Speaker of the Assembly, Superintendent of Public Instruction, president and vice president of the Alumni Associations of UC and the UC president.

The Governor is officially the president of the Board of Regents; however, in practice the presiding officer of the regents is the chairman of the board, elected by the board from among its members for a one-year term, beginning each July 1. The regents also appoint its officers of general counsel; chief investment officer; secretary and chief of staff; and the chief compliance and audit officer.

Issue 1: Capital Outlay and Deferred Maintenance

Panel

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

Background

Capital Outlay. Prior to 2013-14, the state funded construction of state-eligible projects by issuing general obligation and lease-revenue bonds and appropriated funding annually to service the associated debt. General obligation bonds are backed by the full faith and credit of the state and require voter approval. Lease-revenue bonds are backed by rental payments made by the segment occupying the facility and only require a majority vote of the Legislature. The debt service on both is repaid from the General Fund. State-eligible projects are facilities that support the universities' core academic activities of instruction, and in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

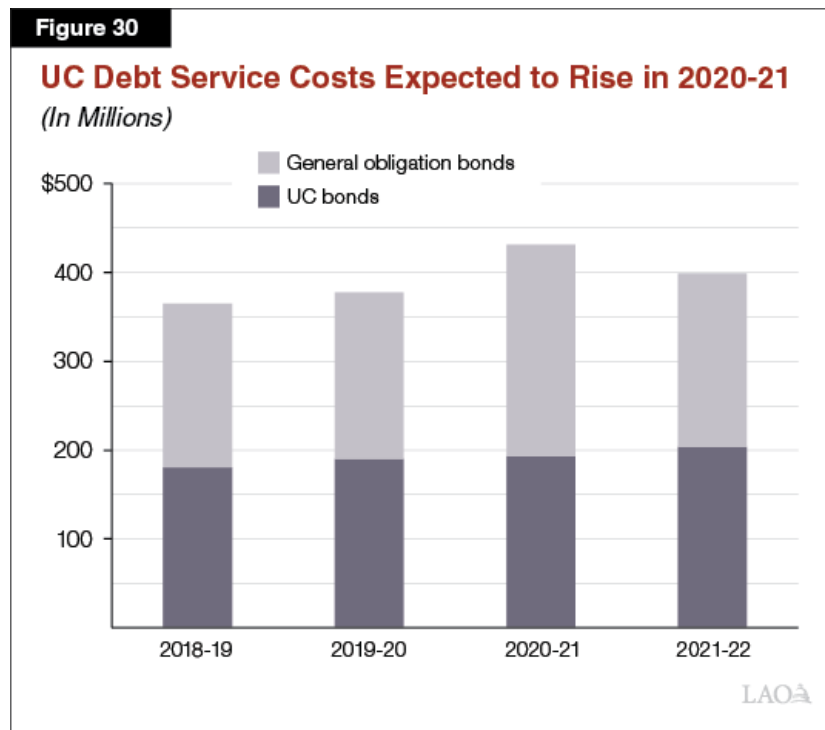
AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, revised this method by authorizing UC and CSU, respectively, to pledge its state support appropriations to issue bonds for state-eligible projects, and as a result, the state no longer issues bonds for university capital outlay projects. The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

UC is required to manage its capital program so that no more than 15 percent of its General Fund support appropriation, less general obligation bond payments and State Public Works rental payments, is used for its capital program. Additionally, the state allows UC to pay the associated debt service of academic facilities using its state support appropriation. By combining capital outlay and support into one UC budget item, the state intended to incentivize UC to weigh the tradeoffs of supporting more operating costs (such as enrollment growth and compensation increases) with funding new capital projects.

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

Under the arrangement, the state transferred funds used to pay the associated debt service (\$200 million) into UC's main budget appropriation. Moving forward, UC is expected to use the funds to pay general obligation bond debt service on behalf of the state. As UC retires this debt over time, funds will be freed up to finance additional UC projects. The Legislative Analyst's Office (LAO) display below shows that General obligation bond debt service is projected to increase by \$50 million in 2020-21, then decrease

by \$43 million in 2021-22. The increase in 2020-21 is due to how the State Treasurer chose to schedule certain payments. Given the one-time nature of the increase, UC staff suggest that the university plans to accommodate the higher cost within its existing budget.



Deferred Maintenance. In recent years, the state has tended to provide one-time General Fund to address deferred maintenance projects across many state agencies. From 2014-15 through 2019-20, these statewide initiatives provided UC a total of \$288 million. In addition to these one-time funds, the state recently expanded UC's bond authority to include the ability to finance deferred maintenance projects.

UC Is Assessing Seismic and Maintenance Backlogs. In past years, UC staff have cited that campuses have backlogs relating to seismic renovation and maintenance projects totaling billions of dollars. The university, however, has not cited specific estimates of the size of these backlogs, primarily given concerns that campuses are not consistently or comprehensively reporting their facility conditions or are using different definitions and methodologies. To obtain better information, UC is in the midst of conducting two standardized system wide assessments.

Assessment of Seismic Safety of Buildings. Campuses are contracting with third-party consultants to assess the condition of their facilities' structural components. Based on these assessments, consultants are rating each facility a level between one and seven, with seven representing the highest risk during an earthquake. The state did not earmark funding for these facility assessments. According to UC, UCOP and campuses are sharing the cost of conducting them, with funds coming from within their existing budgets.

**UC Rates Buildings Based on Seismic Risk
Ratings Based on UC's Seismic Safety Policy**

Level	Implied Risk to Life	Implied Structural Damage
I	Negligible	0-10%
II	Insignificant	0-15
III	Slight	5-20
IV	Small	10-30
V	Serious	20-50
VI	Severe	40-100
VII	Dangerous	100

Assessment on Maintenance Issues. Known as the Integrated Capital Asset Management Program (ICAMP), the UC is working with a team of in-house experts to assess the condition of campus buildings. The UC's goal is to develop a comprehensive assessment of each campus's maintenance backlog. The university is funding the program with university bonds that the state approved in 2017. According to UCOP, ICAMP results will be available toward the end of the 2020 calendar year.

UC Is Developing a Long-Term Plan to Address Seismic and Maintenance Backlogs. To better guide state and UC funding decisions, the Legislature directed UC in the 2019-20 budget to develop a long-term plan to address its seismic and maintenance issues. In addition to providing the state with estimates of the size of its seismic and maintenance backlogs, UC's plan must include a multiyear strategy to address the backlogs. UC must submit its plan to the Legislature by January 2021.

Proposition 13 General Obligation Bond. On the March 2020 ballot voters considered Proposition 13 which would authorize up to \$2 billion in general obligations bonds for UC facilities (with some of the \$2 billion potentially used for projects at Hastings College of the Law). UC Board of Regents would be required to prioritize UC projects that address life-safety issues, seismic deficiencies, and deferred maintenance. To qualify for funding, UC campuses are required to develop five-year plans to expand affordable housing options for their students.

Governor's Budget Proposal

Governor Preliminarily Approves 18 UC Projects for 2020-21. In September 2019, UC submitted six project proposals to the state for review. (In one of these proposals, UC signaled it intended to fund numerous renovation projects but had not yet finalized the project list.) On January 13 of this year, UC submitted additional information and project proposals, bringing its request for 2020-21 up to 18 projects. The LAO chart on the following page shows that the state cost of these projects in 2020-21 would be \$545 million. UC would finance the \$545 million using General Fund-supported university bonds. The remaining costs would be covered by other fund sources (such as campus reserves) or UC bonds supported from other fund sources. In mid-February, the Administration submitted a letter to the Legislature providing preliminary approval for all 18 projects.

Governor Preliminarily Approves 18 UC Facility Projects for 2020-21 (In Millions)

Campus		Project ^a	2020-21 ^b State Cost	All Years	
				State Cost	Total Cost
	Seismic Renovations				
1	San Diego	Meyer Hall and York Hall ^c	\$52.2	\$52.2	\$54.4
2	Berkeley	Stephens Hall	46.9	46.9	46.9
3	Berkeley	Wellman Hall	43.8	43.8	43.8
4	Davis	Social Sciences and Humanities Building	33.4	33.4	33.4
5	Los Angeles	Public Affairs Building	25.0	25.0	28.8
6	Davis	Voorhies Hall	24.2	24.2	24.2
7	Davis	Young Hall	23.8	23.8	23.8
8	Berkeley	Durant Hall	20.0	20.0	20.0
9	Santa Barbara	Music Building Unit 1	15.0	15.0	15.0
10	Davis	Jungerman Hall	12.2	12.2	12.2
11	Other	Sacramento Learning Complex ^d	11.4	11.4	18.4
12	Davis	Mann Laboratory	5.7	5.7	5.8
13	Berkeley	Moffitt Library	5.3	5.3	5.3
14	Irvine	Social Science Lecture Hall	2.3	2.3	3.6
	Subtotals		(\$321.1)	(\$321.1)	(\$335.6)
	Construction				
15	Riverside	New School of Medicine Building	\$93.6	\$100.0	\$100.0
	Maintenance				
16	Systemwide	Deferred maintenance	\$35.0	\$35.0	\$35.0
	Other				
17	Systemwide	Various planning activities	\$80.0	\$80.0	\$80.0
18	Berkeley	Centennial Bridge relocation	15.2	15.2	27.7
	Totals		\$544.9	\$551.3	\$578.3
	^a For most projects, includes all project phases. ^b Funded by university bonds. The total annual debt service for all projects shown is estimated to be \$44 million. ^c UC proposes funding the working drawings phase of this project as part of its \$80 million request for various planning activities. ^d UC recently purchased a new building to house its education and outreach programs in Sacramento, replacing its old seismically deficient (Level V) building. The project would renovate the interior of the new building.				

All but Four of the Projects Entail Seismic Renovations. Fourteen out of the 18 projects are for seismic renovations—together totaling \$321 million in 2020-21. Twelve of the seismic renovations would be on buildings that currently have a Level VI rating (the “severe risk” category), and two would be on buildings that currently have a Level V rating (the “serious risk” category). Nine of the 14 projects are at the Berkeley and Davis campuses. All 14 of the projects aim to upgrade the facilities to at least a Level IV rating (the “small risk” category), the minimally-acceptable level under UC policy. The proposals would approve all project phases (planning, working drawings, and construction), in one year.

UC Proposes Separate Package of “Planning Activities.” UC proposes \$80 million for facility planning activities. Of the total, \$50 million would be to plan for various potential projects. In late January 2020—several months after submitting the original proposal (which had virtually no detail)—UC submitted a list of seven potential projects. UC intends to fund any remaining cost for most of these projects with Proposition 13 funds.

The remaining \$30 million that UC is requesting would be to conduct more in-depth seismic analyses across the UC system. This would fund partial or preliminary plans for seismic projects.

UC Identified Seven Projects to Receive Planning Funds in 2020-21 (In Millions)

Campus	Project	Funds
Santa Cruz	Thimann Laboratories replacement building	\$12.5
Davis	Renovation of five buildings	12.0
Santa Barbara	New physics building	8.0
Berkeley	Evans Hall replacement building	6.0
San Diego	Mayer Hall and York Hall seismic renovation	4.5
Santa Barbara	Chemistry building seismic renovation	4.0
Berkeley	Hesse-O’Brien replacement building	3.0
Total		\$50.0

UC Proposes Three Other Projects. The three remaining projects are for:

- **A New Medical School Building (\$94 Million).** UC’s sole new construction request in 2020-21 would be for a new medical school building at the Riverside campus. The new building is associated with a broader proposal to expand the existing medical school’s operations and enrollment. This proposal would fund the working drawings and construction phase of the project.
- **Deferred Maintenance (\$35 Million).** Similar to the previous three fiscal years, UC is proposing to use university bonds to fund deferred maintenance projects across the system. It has not yet identified the specific projects to be funded.
- **Centennial Bridge Relocation (\$15 Million).** UC also is proposing to relocate a road overpass at the Berkeley campus. This would fund all phases of the project.

Annual Debt Service Costs Would Increase by \$44 Million. When UC undertakes a project, it typically does not issue bonds until the construction phase is about halfway completed. UC covers the costs prior to issuing bonds through low-interest interim borrowing, which is repaid from the bonds.

Because of this practice, UC does not anticipate issuing bonds and paying debt service until 2022-23. Once UC issues bonds, it projects total debt service costs to eventually rise to \$44 million in 2025-26. UC would pay debt service costs over about 30 years, with payments across all years totaling \$1.1 billion (\$545 million in principal and \$533 million in interest). Though the projects would not increase costs in 2020-21, UC debt service costs are nonetheless increasing in the budget year as it begins financing projects the state approved in previous years.

Legislative Analyst's Office Comments

Approving All Project Phases in One Year Is Poor Budget Practice – LAO Recommends Approving Planning Phases Only. As it has done in past years, UC requests that the state approve all project phases—preliminary plans, working drawings, and construction—in 2020-21. While approving all project phases in one year might allow campuses to complete some projects faster, it limits the Legislature's ability to weigh in on a project's final scope and costs. Under the proposed approach, campuses would finalize the scope, cost, and schedule of each project without oversight and approval from the state. Having no subsequent review from the state is particularly of concern because the law granting UC its new capital authority exempted UC from provisions that prohibit state agencies from significantly changing the scope and cost of a project.

For most of the seismic renovation proposals, campuses have not yet decided whether to renovate their buildings to a Level III or Level IV rating. UC staff noted that deciding whether to upgrade to a Level III and Level IV rating requires complex analysis, weighing the benefits of further reducing risks with the added cost and possible project disruptions to building services.

LAO recommends the state approve only the preliminary plans and working drawings phases at this time. Under this more deliberative approach, campuses would return next year to the Legislature with more analysis on the costs and benefits of renovating facilities to a Level III or Level IV rating before commencing with construction. This more incremental approach is consistent with the way the state funds facility projects across many other state agencies.

Package of "Planning" Proposals Has Several Problems - LAO Recommends Rejecting the Proposal. The LAO has four concerns with the \$50 million package of planning proposals, as described below.

- **Funding for Future Project Phases Might Not Be Forthcoming.** UC currently is linking future support of these projects to the passage of Proposition 13. Were voters to reject the measure, it is unclear whether UC would be able to proceed with the projects.
- **Project Proposals Lack Essential Details.** For all but one of the projects, the UC has not provided a complete, standard proposal, including the estimated cost of future phases and justification for the project's scope.
- **Proposed Planning Costs Are High.** The amounts requested for planning are relatively high for several projects - Santa Cruz and Davis' projects requesting \$12.5 million and \$12 million, respectively, for their planning phases. The planning costs of these projects are about double the costliest planning phases UC submitted last year. Because these proposals are not complete, the Legislature lacks adequate information to know whether the relatively high costs are justified.

- **One Project Looks to Be a Low Priority.** One of the proposed projects would construct a new building. Given UC has provided little detail about the new construction project and why it is warranted, coupled with the notable backlog of remaining Level VI seismic renovation projects, the Legislature likely will want to treat this particular project as lower priority.

The LAO recommends UC take time to develop completed proposals and submit them for review as part of the 2020-21 budget.

Using Bond Financing for Initial Seismic Assessments Is Poor Budget Practice – LAO recommends the Legislature Direct UC to Use Other Funds for this Purpose. While the UC indicates that it needs to undertake further seismic assessments, the LAO questions the use of bonds to fund the studies. Consistent with standard bond practices, the LAO believes bond funding is most appropriate to undertake facility projects that have a useful life spanning decades. One-time studies tend not to be good candidates for long-term borrowing. Furthermore, the LAO notes that UC campuses have hundreds of millions of dollars in discretionary reserves. The LAO recommends the UC fund these studies from its existing budget (for example, using its reserves).

UC Lacks List of Proposed Maintenance Projects – LAO Withholds Recommendation on Deferred Maintenance. Under UC's deferred maintenance proposal, UC would notify the Joint Legislative Budget Committee of the projects it wishes to undertake after the state approves the bond funding. In the LAO's view, obtaining a list of project proposals prior to approval would allow the Legislature to conduct regular review of the proposals to ensure greater transparency, oversight, and accountability over use of the requested funds. The LAO withholds assessment and recommendation of UC's deferred maintenance request until the UC submits a list of proposed projects to the Legislature.

If Proposition 13 Passes, Recommend Developing a Plan for Prioritizing Funds. Were Proposition 13 to pass in March 2020, the Legislature will face a key decision regarding whether to use Proposition 13 funds in lieu of UC bonds or in addition to UC bonds. Depending on when UC campuses can meet certain specified conditions (including completing the required affordable housing plans), the Legislature could face this decision as early as this year.

The LAO recommends the Legislature begin considering the financing approach it would like to use were the measure to pass. The LAO also recommends the Legislature begin thinking about what kinds of projects it would like to prioritize over the next few years. Given the Proposition's intent language to prioritize critical life safety and deferred maintenance projects, together with UC's considerable seismic renovation and maintenance project backlogs, the Legislature could give funding priority to these types of projects.

Request UC to Report on Affordable Housing Plans During Spring Hearings. Lastly, were Proposition 13 to pass, the Legislature likely would want to know what is entailed in campuses completing the required five-year affordable housing plans. To this end, the LAO recommends the Legislature direct UC in spring hearings to report on campuses' progress toward developing these plans.

Staff Comments

Seismic Planning Costs. Staff shares similar concerns with the LAO regarding the \$50 million planning proposal and notes that the planning costs for the projects are significantly higher than the costliest planning phases UC submitted last year, as well as the for the seismic retrofit projects that the Administration preliminarily approved. It is unclear what the rationale is for these costs. Additionally,

staff notes that while UC submitted a notification to the Administration in August of 2019 of its intent to spend \$50 million for preliminary plans in, the UC did not submit a complete or standard budget change proposal detailing the scope, costs and justification for the proposals. At this time, approximately 54 percent of voters voted “no” on Proposition 13. If Proposition 13 fails, it is unclear how UC will proceed with these projects.

Deferred Maintenance. Staff shares the LAO’s concerns regarding the lack of information on which projects this proposal would fund. In prior budget acts, the Legislature included budget bill language to require the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds. The subcommittee may wish to request this information prior to the enactment of the budget.

The subcommittee may wish to ask:

1. UC currently is linking future support of these projects to the passage of Proposition 13. Were voters to reject the Proposition, how will UC proceed with the projects?
2. Why is the Administration recommending approving all phases of the capital outlay facilities? What are the benefits of doing so? What will happen if the actual costs are higher or lower than what is estimated?
3. Since campuses have not yet determined whether upgrade their buildings to a seismic Level III or Level IV rating, how did UC come up with the state costs for the proposals?
4. What deferred maintenance projects does the UC plan to address with the \$35 million in university bonds?
5. The LAO notes that the \$80 million in planning activities proposal was not complete and had little detail. Why did UC submit and the Administration provide preliminary approval for \$80 million in planning activities, and when will there be information on these projects?

Staff Recommendation. Hold Open.

Issue 2: UC Medical Education**Panel**

- Kim A. Wilcox, Chancellor, University of California, Riverside
- Cathryn L. Nation, MD, UC Vice President – Health Sciences, UC Office of the President
- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office

Background

California has 13 medical schools, six of which are public institutions, who enroll 7,400 medical students. The state also has 12,700 physician residents trained by nearly 100 sponsors. Residency sponsors consist of medical schools, hospitals, and other medical providers. UC is the sole public higher education institution in the state tasked with providing medical education, and almost half of the state’s medical education and training occurs at UC. Six UC campuses—Davis, Irvine, Los Angeles, Riverside, San Diego, and San Francisco—operate medical schools and residency programs. In 2018, approximately 5,000 medical residents are enrolled in UC-sponsored residency and affiliated family medicine programs.

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

UC Riverside School of Medicine. The 2013 budget through Assembly Bill 94 (Committee on Budget), Chapter 50, Statutes of 2013, provided \$15 million General Fund ongoing for the UC Riverside School of Medicine (UCR SOM). UCR SOM enrolled its first class of medical students in August 2013. The school received full accreditation in 2017, and graduated its first class in 2017. The state’s investment supported UCR academic program planning and start-up costs, including: (1) academic planning activities, academic program offerings, and faculty recruitment, (2) acquisition of instructional materials and equipment, (3) ongoing operating support for faculty, staff, and other annual operating expenses for the School of Medicine.

AB 94 also required the UC to annually report to the Legislature by April 1 on funding, recruitment, hiring, and outcomes for UCR SOM. Specifically, the report must include information consistent with the published mission and vision for the School regarding: (1) data on students who have applied, been admitted, or been enrolled, broken out by race, ethnicity, and gender, (2) data on number of full-time faculty, part-time faculty, and administration, broken out by race, ethnicity, and gender, (3) funding and progress of ongoing medical education pipeline programs, including the UCR/UCLA, (4) operating and capital budgets, including detail by funding source, a breakdown of research activities, instruction costs, administration, and executive management, (5) efforts to meet the health care delivery needs of the state and the inland empire region, such as the percentage of clinical placements, graduate medical education slots, and medical school graduates in primary care specialties who are providing service within

California's medically underserved areas and populations, and (6) a description of faculty research activities, including information regarding the diversity of doctoral candidates, and identifying activities that focus on high priority research needs with respect to addressing the state's medically underserved areas and populations.

In April 2019, UC submitted its annual progress report to the Legislature and noted that in the 2018-19 academic year; UCR SOM enrolled a total of 245 medical students in all four years of medical schools, 32 Ph.D. students in biomedical sciences, and 279 residents or fellows in medical specialties. In spring of 2019, UCR SOM planned to admit 70 medical students to start in August 2019. UCR SOM notes that for each cohort of students, up to 24 seats are reserved for students who earned their bachelor's degree at UCR. For the 2018 entering class, 50 percent of students were female, 21.4 percent self-identified as underrepresented in medicine, 37 percent come from socioeconomically or educationally disadvantaged backgrounds, and 71 percent had ties to inland southern California. Of the 128 UCR SOM graduates from 2017-19, 42 graduates or 33 percent were placed in the inland empire for their residency, and 55 medical students or 43 percent were placed in primary care residencies. UCR SOM notes that the school has reached its enrollment capacity and requires additional funding and facilities to increase its capacity to 125 students per class by 2024.

In 2019-20, UCR SOM anticipates receiving \$75 million in total funding, with almost half from clinical revenues. Of this amount, UCOP provided \$2 million and the UCR campus provided \$6.6 million in campus funds to support UCR. UCR SOM notes that they are current operating on a budget deficit of \$9 million.

The 2019-20 budget authorized UCR to create a new medical school building with intent language that the state would increase UC's General Fund support to finance and pay for the debt service of the project.

Psychiatry Graduate Medical Education and Telemedicine. The 2018 budget provided UCR SOM \$15 million one-time General Fund to be spent over five years to support the costs of psychiatry residency slots, including costs to train students and to purchase and operate telemedicine program and equipment. The budget requires UC to report by January 1st each year to the Legislature with information regarding: (1) grant recipients, (2) award amounts, (3) growth in residency positions, (4) employment information on grant-supported residents, and (5) the type of services provided.

In a 2019 report submitted to the Legislature, UCR SOM proposed spending the \$15 million one-time General Fund investment as follows: (1) \$4.1 million to support 18 residents and fellows, (2) \$7.8 million for faculty and administrative staff, and (3) \$3.1 million for non-salary expenses such as program costs, educational debt relief and rent.

In January 2020, the UC submitted a report to the Legislature and noted that in July of 2019, UCR SOM plans to increase general psychiatry resident slots from six slots to eight slots per year. This will increase the number of four-year general psychiatry residency slots from 24 to 32. In July 2021, UCR SOM plans to expand the psychiatry fellowship program by three fellows and the child/adolescent psychiatry program by two fellows. UCR SOM notes that each resident and fellow salary and benefits range from \$80,000 to \$95,000 per trainee. The chart on the following page displays the planned growth in residents and fellows.

Annual Growth in Psychiatric Residents and Fellows 2019-2023

	2019-20	2020-21	2021-22	2022-23	Total
General Psychiatry Residency	2	2	2	4	10
Child/Adolescent Fellowship			2	2	4
Consultation/Liaison Fellowship		1	2	2	5
Forensic Fellowship		1	2	2	5
Addiction Fellowship		1	2	2	5
Geriatric Fellowship			1	1	2
Total	2	5	11	13	31

The report also notes that in 2019-20, UCR SOM expanded its tele psychiatry services to eight new clinical locations in Hemet, Mecca, Brawley, Calexico, Coachella, El Centro, San Manuel and Soboba. While these services are still scaling up, UCR SOM reports that they are currently providing access for 80-100 new patients each month. UCR SOM is continuing to explore and evaluate the deployment of a mobile treatment unit for uninsured and unserved patients.

University of California, San Francisco (UCSF) Fresno. In 1975, UCSF Fresno was established to help support third year rotations for medical students from UC Davis and UCSF. In 2005, UCSF Fresno moved into a new facility adjacent to a Fresno medical center. The site currently holds 150 medical students in clinical rotations and sponsors 320 residents.

UCSF Fresno also supports the San Joaquin Valley (SJV) PRIME Program, which was established in 2011. SJV PRIME medical students complete their two years of basic science instruction at UC, then completes one year of clinical rotations at UCSF Fresno, and then returns to UC Davis to complete their second year of rotations. The 2015-16 Budget Act provided \$1.9 million ongoing to support SJV PRIME to help increase enrollment from 32 students across four years to 48 students.

In 2018, UCSF received LCME accreditation for the Fresno facility to become a branch campus and to provide two years of rotations (rather than only one). In 2019, UC Davis transferred the administration of SJV PRIME to UCSF. In 2019, the first cohort of six students, under this new approach, complete two years of basic science at the UCSF main campus and then conducts their rotations in Fresno for two years. In 2020-21, UCSF plans to enroll a cohort of 12 students, which will bring enrollment up to previous levels.

Similar to UCR SOM, the 2019-20 budget authorized UC to pursue a new medical school project at or near the Merced campus, with intent language that the state will increase General Fund support to finance the project. At this time, UC has not submitted a Merced facility proposal for the state to review.

Governor's Budget Proposal

UCR SOM Operational Support and Enrollment. The Administration proposes an increase of \$25 million ongoing to expand UCR SOM to enhance the school's operational support and expand enrollment. The budget bill includes provision language that states that the funds are to supplement and not supplant existing funds provided by UC for the medical school.

Based on information provided by UCR SOM, the funding will be spent as follows:

1. \$6.5 million for academic salaries (26.2 percent of the total),
2. \$2.5 million for academic benefits (9.8 percent),
3. \$5.1 million for staff salaries (20.4 percent),
4. \$2.9 million for staff benefits (11.9 percent),
5. \$5.4 million for general supplies and expenses (21.7 percent),
6. \$1.3 million for equipment (5.3 percent), and
7. \$1.2 million for facilities (4.8 percent).

This funding will replace funds that UCOP and the campus had redirected to the program. UCR SOM notes that the additional funding will help increase each entering class size from 77 to 125 students by 2024-25.

The Administration, through the AB 94 capital outlay process, also provides preliminary approval of \$94 million in bond authority to support working drawings and construction costs for a new medical school building at UCR. In 2023-24, UC estimates the annual associated debt service would be \$6.8 million to be paid over 30 years. Under this projection, the total cost to pay off the principal and interest would be \$204 million (\$94 million principal and \$110 million interest).

UCSF Fresno. The Administration proposes an increase of \$15 million ongoing for UCSF Fresno to support operational costs and expand services at UCSF Fresno, in partnership with UC Merced. The budget bill includes provisional language that states that the funds are to supplement and not supplant existing funds provided by UC for the medical school. At this time, UCOP and the campus are still finalizing a budget plan for this additional funding.

Legislative Analyst's Office Comments

UCR SOM Operational Support and Enrollment. If the Legislature were to decide to fund enrollment growth at UCR SOM, the LAO recommends it set enrollment targets and specify the period of time over which the school has to meet the targets. The LAO also recommends the Legislature to consider aligning the timing of any General Fund augmentation with the school's enrollment growth plans. Under this approach, the state would ramp up funding as the school's enrollment grows, rather than allocating it all at once in 2020-21. For example, the Legislature could commence enrollment growth funding in 2022-23 (one year prior to the school enrolling a larger student cohort), then spread further augmentations over several subsequent years. Additionally, the LAO also recommends UCR SOM to report during spring hearings on how it plans to use redirected campus funds.

Consider Capital Proposal in Context of School's Expansion Plan and Competing Capital Priorities. The LAO recommends the Legislature ensure that the school's plan to expand its operations is well aligned with its capital expansion plan. The LAO also encourages the Legislature to keep UC's other capital priorities in mind, such as high priority seismic renovation and other maintenance needs.

Withhold Action Pending Comprehensive UCSF Fresno Expansion Plan. At a minimum, the LAO recommends the plan include:

- A summary of different options to expand the center, including prioritizing existing enrollment and clinical slots for San Joaquin Valley focused students, expanding UCSF Fresno into a four-year branch campus, and establishing a joint program with UC Merced.

-
- For each option, a time line of planning activities, including staffing and enrollment levels and implementation deadlines.
 - For each option, an estimate of the total operating cost and a multiyear expenditure phase-in plan, along with revenue projections by source.
 - A space and facility utilization analysis of UCSF's main campus and the Fresno branch campus, along with a capital outlay plan under each option that identifies scope, cost, and schedule.

If the university is unable to provide this information by spring, the Legislature could create a reporting requirement (in provisional budget language or supplemental reporting language). The LAO recommends selecting a due date for the report that aligns with the legislative budget process. For example, were the Legislature interested in funding expansion in 2021-22, it would want the UC report no later than November 2020.

LAO Recommends an Oversight Hearing to Review and Discuss Any UCSF Fresno Expansion Plan. After receiving a comprehensive expansion plan, the LAO recommends the Legislature hold an oversight hearing to vet the plan. The LAO believes such a review is critical given the issues at stake are complex, potentially costly, and could have significant implications for people living in the region.

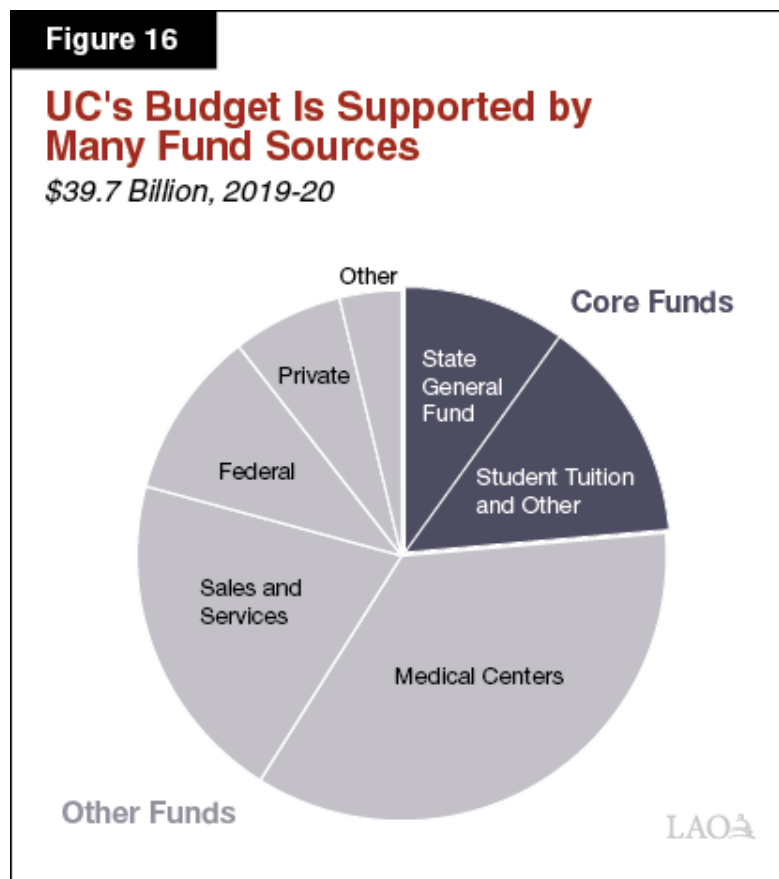
Staff Recommendation. Hold Open.

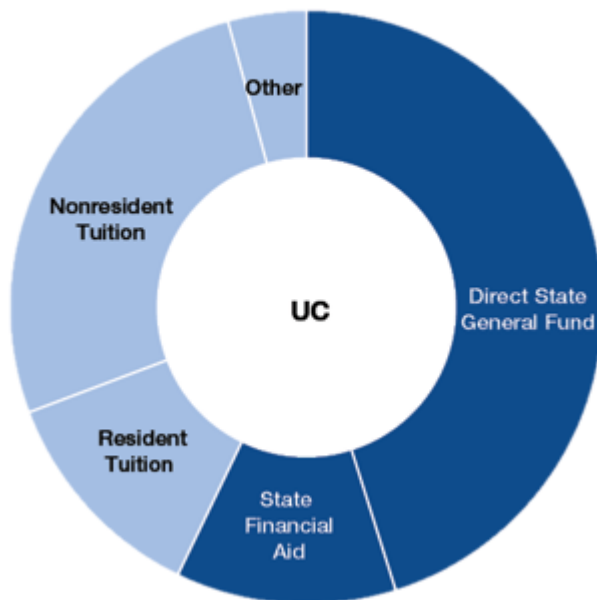
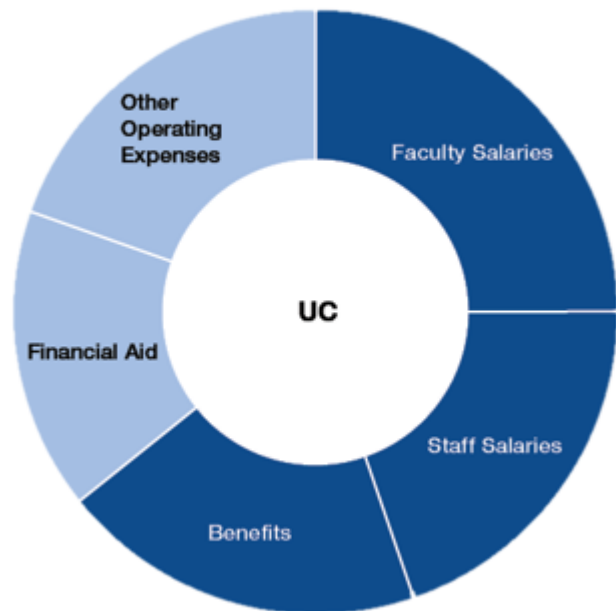
Issue 3: Budget Operations and Tuition**Panel**

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

Background

UC's budget is comprised of variety of funds, such as state General Fund, student tuition, medical center revenue from its five medical centers, sales and services such as housing, bookstore and extended education, federal government funds for research and student financial aid, private donations, among others. Core funding consists of state General Fund, student tuition revenue, and several other smaller fund sources. Core funding supports the universities' academic functions, including undergraduate and graduate instruction, academic support services (such as tutoring), and related administrative costs. Core funding also supports various research and outreach initiatives. The LAO figures below displays UC's 2019-20 budget by fund sources.



2019-20 UC Core Funds**2017-18 Core Funds Spending**

As shown on the above displays, in 2019-20, core funding represents around 25 percent of total funding at UC. State General Fund and state financial aid comprises about 60 percent of core funding at UC. The remaining core funding comes from student tuition charges (13 percent of which is resident tuition) and, a few smaller fund sources (such as overhead allowances on federal research grants).

Employee Compensation and Benefits. Salaries and benefits comprise a significant share of UC's budgeted expenditures. In 2017-18, 64 percent of UC's core budget was for salaries and benefits. In 2019-20, UC is spending 67 percent of its core budget on salaries and benefits. The remaining share of UC's core budget is spent on equipment and utilities (18 percent) and student financial aid (15 percent).

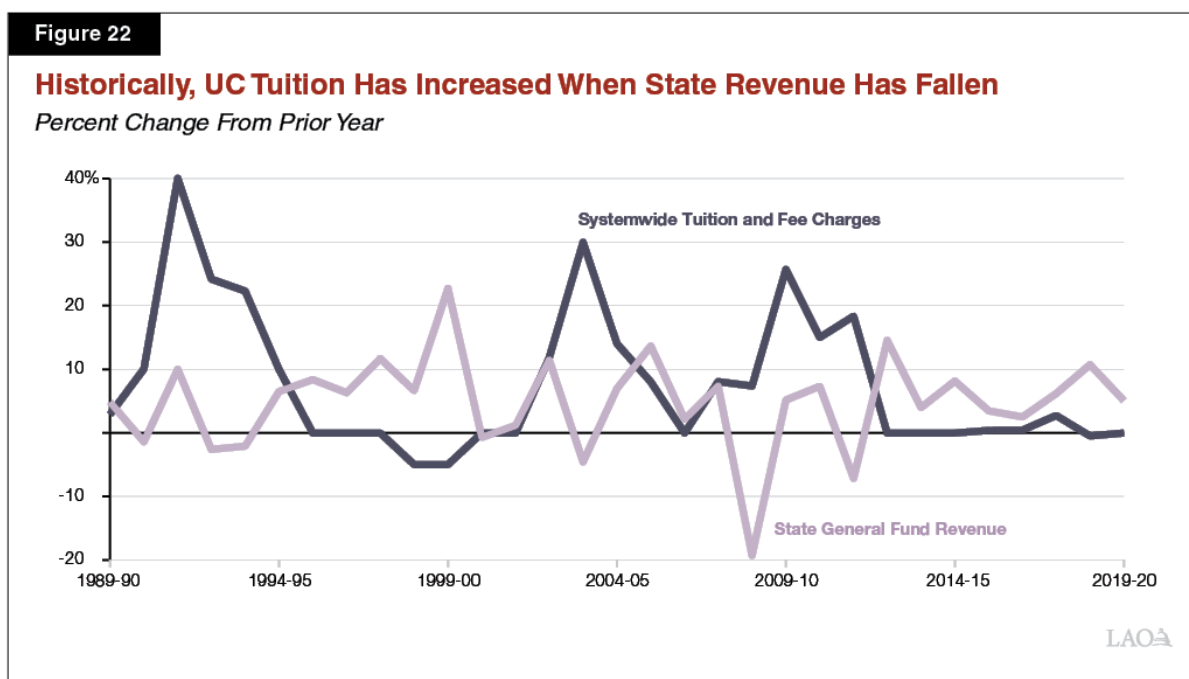
In 2017-18, UC employed 159,000 full-time equivalent (FTE) faculty and staff, of which 41,000 (26 percent) were supported by core funds. Core funds support faculty, librarians, academic advisors, and other academic employees. Noncore funds generally cover staff, such as medical center employees and dining services staff, who are involved in other aspects of the university's operations. In some cases, UC uses a mix of funds to support employees who oversee both core and noncore functions of the university.

Approximately one-third of UC employees who are supported by core funds are represented by a union. UC has 13 system wide bargaining units. Examples of represented employees include lecturers, teaching assistants, librarians, clerical workers, and custodial staff. The remaining two-thirds of UC employees are tenure track faculty and most staff, which the UC President makes decisions regarding compensation adjustments.

Pension and Other Post-Employment Benefits (OPEB). Currently, 80 percent of UC pension liabilities are funded. In dollar terms, UC's unfunded pension liability is \$16.6 billion (of which around 30 percent is associated with core funding). The UC Board of Regents plans to pay down their unfunded liability by increasing the UC's employer contribution rates. UC pension costs have grown notably over the last several years—more than doubling since 2012-13. The higher pension costs are the result of (1)

salary growth over the period, (2) the plans developed by UC to address unfunded pension liabilities, and (3) changes in the assumptions used to calculate liabilities. UC has adopted more conservative investment earnings expectations, which have led to larger contributions now and improved the likelihood the funding plans remain on track. Based on planned UC employer contribution rate increases in 2020-21, the LAO estimates that pension costs will increase by \$45 million

Tuition. As shown in the display on the previous page, UC tuition revenue comprises the remainder of UC core funding. Historically, when state revenue has grown, tuition levels have been held flat. When state revenue has slowed or dropped, tuition levels increased. For 2019-20, UC's undergraduate resident system wide tuition and fees are \$12,570, and nonresidents pay an additional \$29,754 for a total of \$42,324 (this is known as the nonresident supplemental tuition). In addition to these system wide fees, campus also charge campus-based fees, which vary depending on the campus. The LAO display below shows this trend.



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

Governor's Budget Proposal

Base Increase. The Administration provides an increase of \$169 million ongoing General Fund to UC, which represents a five percent General Fund base increase to UC. The Administration does not tie the augmentation to specific operating costs, giving UC flexibility to determine which cost pressures to address in 2020-21. The Governor's budget summary notes that the Administration would like UC to maintain affordability, enroll more students in 2020-21 and 2021-22 above levels already funded by the state, reduce student time to graduation, and narrow student achievement gaps.

The LAO chart below summarizes the changes in UC's core funding.

State Covers Bulk of Ongoing Core Funding Increase for UC
(Dollars in Millions Except Funding Per Student)

	2018- 19 Actual	2019- 20 Revised	2020- 21 Proposed	Change From 2019-20	
				Amount	Percent
Funding					
General Fund	\$3,475	\$3,724	\$3,942	\$218	5.8%
Tuition and fees	4,902	5,067	5,137	70	1.4
Lottery	46	42	42	— ^a	0.2
Other core funds	361	348	344	4	1.2
Totals	\$8,785	\$9,182	\$9,465	\$283	3.1%
FTE Students					
Resident	225,620	229,455	231,697	2,242	1.0%
Nonresident	53,525	54,660	55,731	1,071	2.0
Totals	279,145	284,115	287,428	3,313	1.2%
Funding Per Student	\$31,469	\$32,316	\$32,929	\$613	1.9%
^a Less than \$500,000. FTE = fulltime equivalent.					

Governor Opposes Increasing Tuition for Resident Students. The Governor opposes increasing tuition, publicly stating that an increase is unwarranted. The proposed budget bill retains provisional language from previous budgets granting the Administration the authority to reduce UC's General Fund support if UC increases the resident tuition charge. The language limits the amount the Administration can reduce to the associated Cal Grant and Middle Class Scholarship costs resulting from a tuition increase, effectively making any tuition increase fiscally neutral to the state. The Governor's proposed budget does not assume a tuition increase.

UC Budget Request

In November 2019, the Board of Regents adopted its initial 2020-21 budget plan. The plan included a total of \$570 million ongoing spending. Of this amount, UC's assumed the state would provide \$447 million General Fund as follows: (1) \$264 million for a 7.1 percent general purpose base increase and (2) \$183 million for specific programmatic purposes. The remainder of the UC's expenditure plan is to be funded from other revenue sources, such as philanthropy, asset management, procurement savings, resident and nonresident enrollment growth revenue.

UC Is Considering Two Tuition Options. In January 2020, the UC Board of Regents discussed two possible tuition plans to help fund its budget priorities and give students more predictability in their tuition charges. The plans would be intended to guide tuition decisions over the next four years (through 2024-25). The UC Board of Regents will vote on these options on March 19.

- **Inflation Based Option.** The first option ties tuition increases each year to the Consumer Price Index (CPI), effectively keeping costs flat in real dollars for tuition paying students. In 2020-21, UC estimates the inflation based option would provide an additional \$63 million.
- **Cohort Based Option.** The second option increases tuition each year but only for the incoming cohort of first-time students - entering freshman and transfer students, regardless of residency status. During the remainder of their time at UC, tuition for students in that cohort remains flat. Under this option, tuition for the fall 2020 cohort would increase at the rate of the CPI, which is estimated to be 2.8 percent in 2020-21, plus an additional two percentage points. UC estimates this approach would provide an additional \$37.5 million in 2020-21.

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

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

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

The estimated 2020-21 revenue for inflation based tuition is larger than the cohort based tuition model because it applies to all students, not just one cohort. The LAO notes that in 2020-21, every one percent increase in undergraduate tuition and fees provides the state with \$13 million net, after accounting for state and UC financial aid costs.

Legislative Analyst's Office Comments

Governor's Budget Approach This Year Is a Step Backwards. The LAO has two concerns with the Governor's budget: (1) by augmenting UC's budget without specifying how the funds are to be used, it is unclear if UC will use the funds consistent with legislative priorities, and (2) by not tying the augmentation to estimated cost increases at UC, it is unclear if the budget augmentation is too much or too little to accomplish desired objectives.

In 2019-20, the Administration tied budget augmentations to specific operational and programmatic objectives. The LAO believes that approach is a better way to budget because it provides the Legislature a more useful starting point to weigh its own priorities against those of the Governor.

Identify Which 2020-21 Costs to Cover. The LAO recommends the Legislature reject the Governor's proposed base increase and take a standard and transparent budget approach to decide: (1) which cost increases to support in 2020-21, and (2) how to fund these costs (from the state General Fund, student tuition, and/or other sources).

The LAO suggests that the Legislature could start by covering projected basic cost increases for UC's pension and health care programs, debt service, and operating expenses and equipment. After considering basic costs, the Legislature could consider whether to support salary increases. Lastly, the Legislature may wish to consider augmentations for enrollment growth and enhancing, expanding or establishing new programs.

Tuition Increases and Impact on Affordability and Predictability. While tuition increases increase college costs for students who pay tuition, tuition increases have the counterintuitive effect of improving college affordability for students with financial need at UC. This is because financial aid programs, such as Cal Grant and UC's institutional financial aid, generally cover any tuition increases for financially needy students. Additionally, at UC, one-third of all new undergraduate tuition and Student Services Fee revenue is set aside to fund UC's institutional aid to cover tuition and living costs for eligible students.

The increase in UC institutional financial aid results in a corresponding reduction in the amount of work and borrowing students must undertake to cover living costs. According to a UC analysis, were the state to continue holding tuition flat, the average amount of funding students would need to contribute from working and borrowing (known as the self-help expectation) would increase from \$10,000 in 2019-20 to over \$13,000 in 2024-25. By contrast, UC estimates this expectation would be around \$1,000 less in 2024-25 under either of its two multiyear tuition options.

The LAO notes that both of UC's options provide predictability to students, however, the cohort based model offers greater certainty to students once enrolled. Under the CPI model, tuition effectively remains flat in real dollars, whereas students under the cohort based model will see their costs decline in real dollars overtime.

Staff Comments

Base Budget. UC has informed staff that based on the Governor's proposed budget, it will prioritize supporting basic cost increases to maintain current operations such: (1) AB 94 debt service payments, (2) contractually obligated benefits and salaries, (3) UC pension costs, and (4) employee health benefits.

The LAO notes that UC reports that campuses had core fund balances of \$1 billion at the end of the 2017-18 fiscal year. Of this amount, UC reports that \$826 million was designated for future costs, such as capital spending or start-up funds for newly hired faculty. The remaining \$323 million was not committed for future costs. UC has not provided reserve estimates for 2018-19 and 2019-20.

Cohort-Based Tuition. According to the January 2020 UC regent's item, UC notes that several public institutions have adopted a cohort based tuition model to mitigate the challenges posed by unpredictable annual tuition and fee levels, with varying degrees of success. At the July 2019 Board of Regents meeting, Regents heard an item regarding cohort based tuition and was provided the chart on the following page, which summarizes other public cohort based tuition plans.

Features of Selected Cohort Based Tuition Plans at Other Public Universities

<i>School</i>	<i>Years Active</i>	<i>State Mandate</i>	<i>Student Eligibility</i>	<i>Charges Included</i>	<i>Expiration Policy</i>	<i>Time to Implement</i>
Active Programs						
U. of Illinois at Urbana-Champaign	2004 - present	Yes	All undergraduates	Base tuition (varies by residency)	4 years for all students, including transfers. Unaffected by transferring between U. of Illinois campuses. After 4 years, students charged rate of next cohort for 2 more years, then charged a "standard" (non-cohort-based) rate for remainder of enrollment.	~ 1 yr.
U. of North Carolina at Chapel Hill	2016 - present	Yes	Resident undergraduates	In-state base tuition only	4 years for freshman entrants; for transfers, based on entering credits. After expiration, students charged rate paid by entering cohorts and may also be assessed an additional surcharge.	6 mos.
U. of Arizona	2014 - present	No	All undergraduates	Base tuition (varies by residency) and mandatory fees	4 years for all students, including transfers. After expiration, students charged the rate of the cohort immediately following for 2 semesters, then charged a "standard" (non-cohort-based) rate for remainder of enrollment.	3 mos. (leveraged prior work by North Arizona U.)
Kent State University	2018 - present	No, but "encouraged" by State law	All undergraduates	In-state tuition, career services fee, and room and board	4 years for freshman entrants; for transfers, based on entering credits. After expiration, students charged oldest unexpired cohort rate each year.	~1 yr.
Discontinued Programs						
<ul style="list-style-type: none"> Programs were discontinued after reductions in state funding made them unsustainable. One institution also felt that its fixed rate for entering students was not competitive given lower variable rates charged by other public institutions in the state. 						
U. System of Georgia	2006-09	No	All undergraduates	Base tuition (varies by residency)	4 years for freshman entrants; for transfers, typically 2 years. After expiration, students would have been assessed the newest incoming cohort rate.	~6 mos.
U. of Kansas	2007-14; optional 2014-18	No	Freshman entrants only	Base tuition (varies by residency)	4 years. After expiration, students assessed "standard" (non-cohort-based) rate for duration of enrollment.	~9 mos.
Western Oregon University	2007-12; optional 2012-18	No	Resident undergraduates	Base tuition	4 years for freshman entrants; may petition for 5 th ; for transfers, based on entering credits. After expiration, students charged oldest unexpired cohort rate each year.	~9 mos.

Of the public universities that UC selected, UC notes that three states discontinued the cohort based tuition model because of reductions in state funding. UC notes that adopting a cohort-based tuition model would require moderate and predictable increases to UC's annual state appropriation. UC also notes that while cohort based tuition provides predictability for students once they enroll, there is a greater potential of variability from one cohort to the next. In a 2017 University of Washington planning and budgeting brief, it notes that, "under the cohort based tuition model, the effects of increasing costs are necessarily borne almost exclusively by incoming students. Locking in tuition rate for continuing students leaves institutions with one option to increase (perhaps significantly during a financial crisis) tuition for students." The Education Commission of the States notes that little research exists on the impact of guarantee tuition policies. A 2014 report from the National Association of Student Financial Aid Administrators notes there is no evidence that cohort-based tuition plans affected retention or graduation rates.

The subcommittee may wish to ask:

1. Are UC campuses, such as their financial aid, billing, registrar offices, and information technology systems ready and able to implement a cohort based tuition model during the 2020-21 academic year? The Legislature may also wish to ask what the costs are there to implement these changes.
2. What were the outcomes of other states who implemented cohort based tuition? Are there any studies that evaluated the impact it had on students and their families?

3. Why did the Administration choose to depart from last year's budget approach to earmark funding for specific purposes? What outcomes does the Administration hope to achieve by providing flexibility for the general base increase?

Staff Recommendation. Hold Open

Issue 4: Resident and Nonresident Enrollment

Panel

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

Background

Master Plan for Higher Education. The California Master Plan for Higher Education of 1960 set forth each of the three segments' missions and student eligibility policies. For freshman eligibility, UC is to draw from the top 12.5 percent of public high school graduates. For transfer eligibility, UC is to admit students who have completed lower division coursework with at least a 2.4 grade point average. The transfer function is intended both to (1) provide students who do not qualify for freshman admission an opportunity to earn a bachelor's degree, and (2) reduce costs for students seeking a bachelor's degree by allowing them to attend California Community Colleges (CCC) for their lower division coursework. The master plan does not include eligibility criteria for graduate students. Instead, it calls for the universities to consider graduate enrollment in light of workforce needs, such as for college professors and physicians.

Admissions Requirements. For freshmen, UC is responsible for setting specific admission criteria intended to reflect their eligibility pool. As a minimum criterion, UC requires high school students to complete a series of college preparatory courses known as the "A-G" series. The series includes courses in math, science, English, and other subjects. To qualify for admission, students must complete this series while earning a certain combination of course grades and scores on standardized tests. The California Department of Education reports that 47 percent of high school graduates completed A-G course work. For transfer students, the UC sets general education and pre-major course requirements. Transfer students completing these courses and meeting the master plan's grade point average (GPA) requirements are eligible for admission. For fall 2019 freshman admits, 26.3 percent had a GPA of 4.20 or higher, and 43.5 percent had a GPA between 3.8 and 4.2.

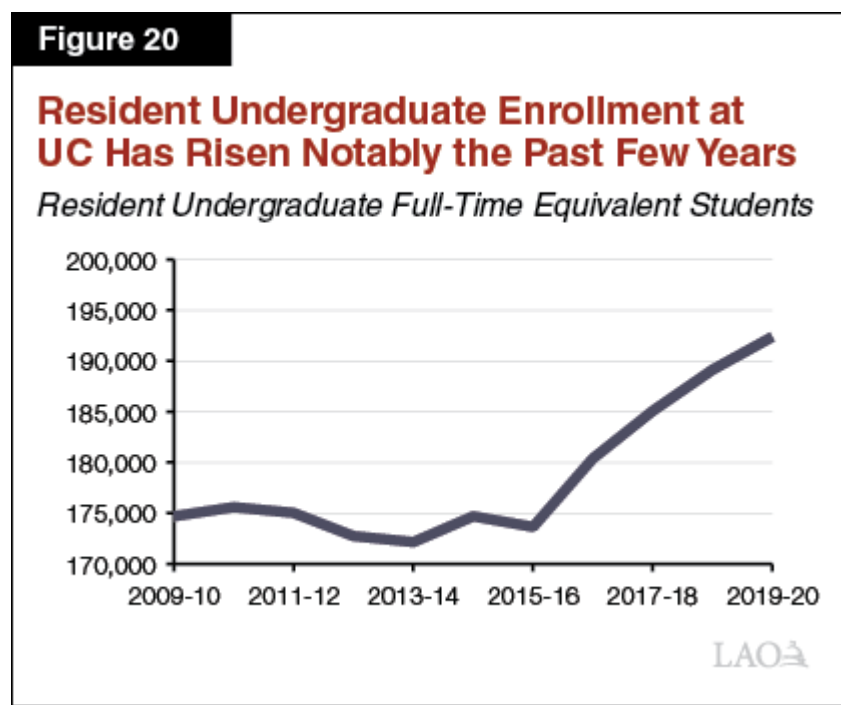
Redirection Policy. Freshman and transfer applicants, who meet eligibility requirements, are guaranteed admission to the UC system, but not to a particular campus. When applicants are not admitted to their campus of choice, they are referred to another campus. Currently, UC Merced serves as the referral campus for freshman applicants, whereas both UC Riverside and UC Merced serve as referral campuses for transfer applicants. The UC Academic Senate reports that 12,500 students (15 percent of applicants meeting UC system wide admission policies) were referred to Merced in 2018-19. Of these students, 168 (1.3 percent) enrolled at the Merced campus. The Academic Senate report does not cite the comparable number of redirected transfer students. Recent funding for enrollment growth has had an inconsistent effect on the size of UC's freshman referral pool. Students who do not accept admission at UC may end up attending California State University, a private school, or a community college (then transferring to a four-year school upon completing their lower-division coursework).

Enrollment Targets. The state typically sets enrollment targets for UC in the annual budget act, and typically covers the cost of enrollment growth at UC using a formula that is linked to the marginal cost of instruction. The formula estimates the cost to hire new faculty and teaching assistants, adjust the faculty-student ratio, purchase instructional equipment, and cover other ongoing costs to support new

students. The total cost is then shared between the state General Fund and student tuition revenue. In 2020-21, UC estimates the marginal cost per student to be \$19,636. Of this amount, \$11,248 would be the state share of cost, and the remainder would be covered by tuition and fees. Using this calculation and applying an inflationary adjustment, the LAO estimates that a one percent increase in resident undergraduate enrollment in 2021-22 would cost the state \$23 million.

Traditionally, the state has set enrollment expectations for the academic year starting a few months after budget enactment. However, this approach does not align well with the timing of UC admission decisions which occurs in early spring, prior to enactment of the state budget in June. This means the state budget is enacted too late to influence UC's admission decisions that year.

In each of the past three years, UC has exceeded its state enrollment targets. In 2019-20, resident undergraduate enrollment is at an all-time high of 192,400 FTE students, reflecting growth of 17,000 students (10 percent) over the level in 2009-10.



The 2019-20 budget act provided UC \$49.9 million General Fund ongoing to increase enrollment by 4,860 resident undergraduate students by 2020-21 above 2018-19 levels. Additionally, the budget provided \$10 million General Fund ongoing to support 2018-19 enrollment growth. According to UC, campuses are on track to grow enrollment by 3,250 students in 2019-20 and will grow the remaining 1,610 students in 2020-21.

Admission and Enrollment of Students from Local Control Funding Formula (LCFF) Plus High Schools. AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, specified that as a condition of receiving funds in the 2016 Budget Act, UC must approve a plan and timeline, in the 2016-17 academic year, to increase the number of California resident freshman admits who meet admission requirements, at each campus, including students who are enrolled in high schools with seventy-five percent or more unduplicated pupils, and expand services and resources to students who enroll at UC from these schools. The budget also included \$20 million one-time General Fund for student outreach and student support

services for low-income and underrepresented minority students, including students who were enrolled in high schools with seventy-five percent or more unduplicated pupils.

The 2019-20 budget provided \$6 million one-time for a similar purpose. UC indicates that it will use these funds to support efforts such as conducting college preparation, college application, and financial aid workshops; providing college advising and academic enrichment at LCFF plus schools, using data analytics to identify students in need of academic support and targeting services to those students; and developing and expanding summer academic support programs. This funding was distributed based on campus' existing LCFF plus student enrollment, as follows:

1. Berkeley: \$444,000
2. Davis: \$655,000
3. Irvine: 896,000
4. Los Angeles: \$810,000
5. Merced: \$512,000
6. Riverside: \$828,000
7. San Diego: \$615,000
8. San Francisco: \$150,000
9. Santa Barbara: \$484,000
10. Santa Cruz: \$306,000
11. UCOP: \$300,000 – UCOP is a pass through for MESA and Puente programs.

In November 2019, the UC submitted their annual report to update the Legislature on the impacts of the LCFF Plus program. The report notes that the admission rate for LCFF plus students increased from 54 percent in 2018 to 58 percent in 2019, this compares to admissions rate of non-LCFF plus students, which also grew from 61 percent to 64 percent. Approximately 25 percent of fall 2019 freshman class was from LCFF plus high schools, which is similar to the amount in 2018 and 2017. The report also found that in 2019, UC Merced had the highest admission rate and number of admits for LCFF plus students at 67 percent of those who applied (6,480 students), followed by Riverside at 40 percent (6,016 students) and Davis at 36 percent (3,807). The report notes that the UC Irvine had the largest yield amount with 1,363 LCFF plus students who ultimately enrolled, followed by UC Riverside at 1,238.

Nonresident Enrollment. In 2018, nonresident students comprised 17.18 percent of all undergraduates at UC. This compares to 17.1 percent in 2017, and 16.4 percent in 2016. Over the last decade, nonresident enrollment has substantially increased. In 2010-11, nonresident enrollment was five percent, 2011-12 it was eight percent, and in 2012-13, it was eight percent.

In 2017, when looking at individual campuses, nonresident undergraduate enrollment at Berkeley was 24.5 percent, 22.7 percent at San Diego, 22.4 percent at Los Angeles, and 17 percent at Davis. UC states that the growth in nonresident undergraduate students allowed it to further grow resident enrollment because of the additional revenue they produce.

The 2016-17 budget required UC to adopt a policy to cap the enrollment of nonresident undergraduates. In May 2017, UC adopted a nonresident enrollment policy that capped nonresident enrollment at 18 percent for five UC campuses. At the other four campuses, Berkeley, Irvine, Los Angeles and San Diego, where the proportion of nonresidents exceeds 18 percent, nonresident enrollment will be capped at the proportion that each campus enrolled in the 2017–18 academic year. The policy also stated that campuses wishing to increase nonresident enrollment cannot reduce enrollment of funded resident

students to accommodate this growth. The policy also calls for a review by the Regents at least once every four years.

In the 2018-19 budget, the Legislature directed UC to develop a multiyear plan to reach a nonresident share of 10 percent of entering freshmen at each campus by 2029-30. The plan, which UC released in April 2019, estimated the cost to replace foregone nonresident tuition revenue and enroll more resident students would increase from an initial \$8 million in 2020-21 to \$455 million by 2029-30. The Legislature has not enacted any intent language stating whether it intends to implement this plan.

Governor's Budget Proposal

Governor Expresses Interest in Increasing Undergraduate Enrollment but Sets No Target. The Governor's 2020-21 budget does not set a specific, explicit UC enrollment expectation for either 2020-21 or 2021-22. The Governor's Budget Summary, however, states that the Administration expects UC to increase resident undergraduate enrollment above previously budgeted levels for 2020-21 and 2021-22.

UC Budget Request

Undergraduate and Graduate Enrollment. For 2020-21, the UC requests an additional \$11.25 million to enroll 1,000 new graduate students. Additionally, UC requests \$1.73 million for the additional 1,400 that it will enroll in the fall of 2020 (per the 2019-20 budget act) to reflect UC's updated marginal cost of instruction. The UC also requests \$11.25 million to increase resident undergraduate by 1,000 and \$11.25 million to increase graduate student enrollment by 1,000 students in 2021-22.

UC Plans to Grow Nonresident and Graduate Enrollment. Beyond the 1,610 additional resident undergraduate students that it already plans to enroll in 2020-21, UC reports intentions to grow nonresident and graduate enrollment. Currently, UC is planning to increase nonresident enrollment by 700 students (1.9 percent) and graduate enrollment by 570 students (1.8 percent) in 2020-21.

Student Academic Preparation and Education Partnerships (SAPEP). UC's 2020-21 adopted budget included \$23 million ongoing General Fund to support SAPEP. SAPEP provides 13 programs with a goal to increase K-12 students to complete required college preparatory requirements, such as A-G coursework, prepare students for post-secondary education, and increase the number of community college students who complete "transfer-ready" requirements. These programs include the Early Academic Outreach Program (EAOP), Mathematics, Engineering, Science Achievement (MESA) Schools Program, and the Puente High School Program. According to the 2017-18 SAPEP program outcomes report, funding has been flat since 2011-12, with \$12.6 million ongoing General Fund and \$12 million in University Funds. However, in other documents submitted to the Legislature, UC notes that \$8 million General Fund was set aside for SAPEP. At this time, UC has not provided the Legislature with a detailed spending plan on how the budget request would be spent or distributed.

Legislative Analyst's Office Comments

The LAO recommends setting an enrollment expectation for 2021-22. In 2020-21, UC estimates the marginal cost per student to be \$19,636. Of this amount, \$11,248 would be the state share of cost, and the remainder would be covered by tuition and fees. Using this calculation and applying an inflationary adjustment, the LAO estimates that a one percent increase in resident undergraduate enrollment in 2021-22 would cost the state \$23 million.

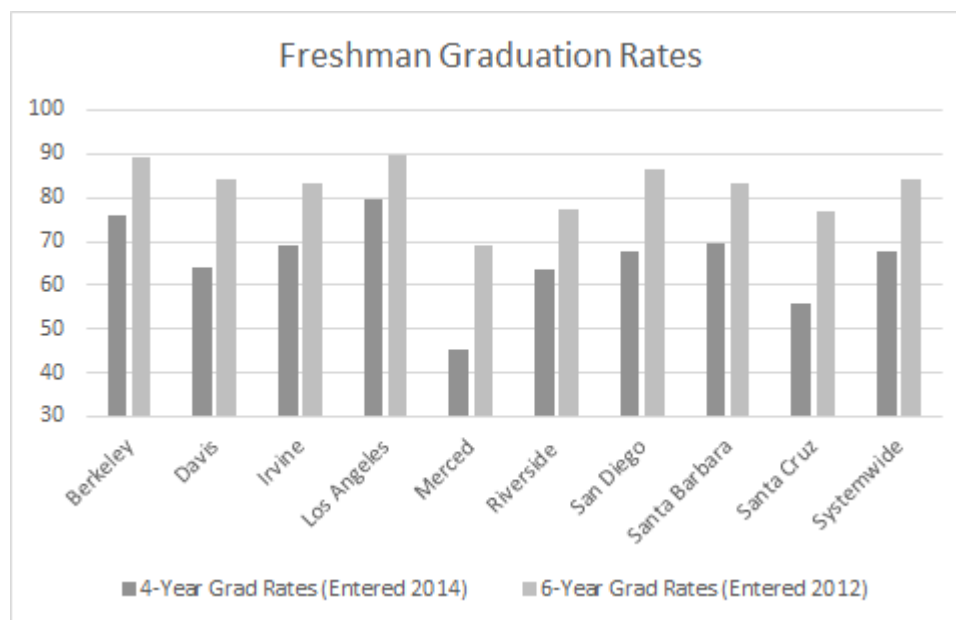
Staff Recommendation. Hold Open.

Issue 5: Degree Attainment and Completion, and Extension Programs
Panel

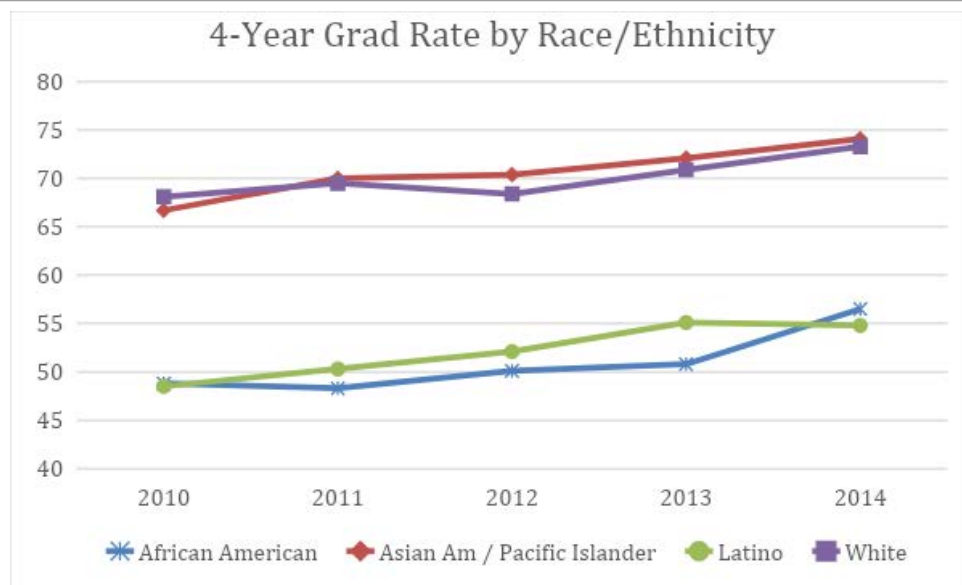
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Background

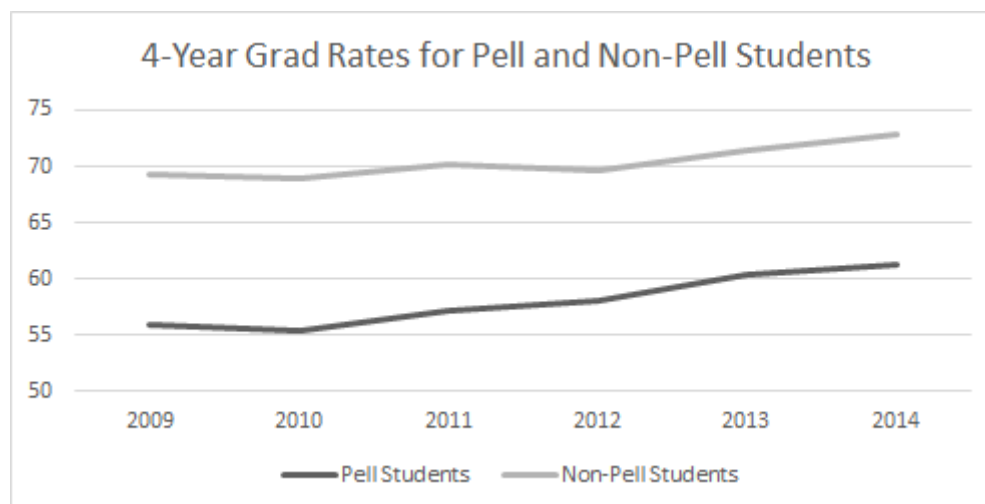
For the fall 2014 cohort, the systemwide four-year graduation rate at UC was 67.9 percent, and the six-year graduation rate for the fall 2012 cohort was 84.2 percent. While the UC's systemwide graduation rate is relatively high, those rates mask differences among campuses. For example, UC Berkeley and Los Angeles have four-year graduation rates of 76 percent and 80 percent, respectively, whereas UC Merced's four-year graduation rate is 45.5 percent. The chart below highlights the four and six year graduation rates for freshman entrants.



In addition to campus differences, student outcomes vary by race/ethnicity. The four-year graduation rate for white and Latino students in the 2010 cohort were 68 percent and 49 percent respectively. For the 2014 cohort, 73 percent of white students and 55 percent Latino students graduated in four years. The display on the following page shows four-year graduation rates across five cohorts of students. While the overall graduation rate for these groups of students increased, the display shows that the achievement gap still persists across subgroups of students.



An achievement gap for low-income students also exists. The four-year graduation rate for Pell grant recipients in 2014 was 61 percent compared to 73 percent of students who did not receive Pell grant. The display below shows the four-year graduation rates for pell and non-pell grant students from 2009 through 2014, which shows that the achievement gap has narrowed from 13.4 percent to 11.7 percent.



UC Recently Adopted Improvement Plan. In November 2018, UC laid out a 12-year undergraduate improvement plan. At the March 14th Board of Regents meeting, UC elaborated on this plan. By 2030, UC hopes to:

1. Achieve a 90 percent overall six-year freshman and four-year transfer graduation rate,
2. Close graduation gaps for Pell Grant recipients, underrepresented students, and first generation students,
3. Close overall graduate degree and doctoral degree attainment gaps for Pell Grant recipients, underrepresented students, first-generation students, and women,

4. Produce 200,000 more degrees, of which 80 percent are undergraduate degrees, and 20 percent is graduate degrees,
5. Invest in faculty and research by growing 280 ladder-rank faculty and 190 clinical faculty FTES each year over the next four years, and
6. Increase faculty diversity through faculty growth.

In addition to systemwide graduation targets, each campus established graduation targets for all freshman, transfer students, Pell Grant recipients, underrepresented students, and first generation students.

At the March 2019 Board of Regents meeting, UC notes that it plans to request an annual increase of \$60 million for the degree attainment and faculty growth elements of the multi-year framework. The UC notes that the across the entire system, the proposed investments are as follows:

1. Student advising - \$16.2 million (27 percent),
2. Academic support - \$20 million (20 percent),
3. Online course development - \$9 million (15 percent),
4. New degrees/courses - \$9 million (15 percent),
5. Scholarship and work-study - \$3 million (five percent),
6. Analytical tools - \$3 million (five percent),
7. Degree completion - \$3 million (five percent),
8. Summer bridge - \$1.8 million (three percent), and
9. Other - \$3 million (five percent).

The Governor's 2019-20 proposed budget included \$49.9 million for this purpose; however, this amount was not ultimately included in the final budget act.

Expansion of UC Extended Education. Extension programs operate outside of campuses' regular academic programs that provide instruction and education services to adult learners and non-traditional students. Extension programs are generally offered on a first-come, first served basis, and are self-supported through student course fees or employer contracted programs. Fees vary across programs and campuses, for example, at UC Berkeley Extension; the estimated cost of an accounting certificate is \$9,400, whereas at UCLA Extension the cost is estimated to be \$8,345. Because extension courses must earn enough money to cover operating expenses, courses and programs are largely based on market research gauging student demand. In 2018-19, UC extended education programs received \$278 million, however it is unclear what the programs reserves are. Currently, none of UC's extended education programs confer bachelor's degrees. In 2016-17, 52 percent of extension programs were in noncredit courses, 41 percent in professional certification courses, and seven percent in degree applicable courses.

The 2019-20 budget act included \$15 million one-time General Fund to support the expansion of UC extended education to support the initial planning, curriculum development, outreach and other start-up costs for the new programs. The Governor expected that the new programs would be offered on a fee-basis and will be self-supported after initial start-up. The budget required UC to submit a plan to the Department of Finance and the Joint Legislative Budget Committee a description of how funds will be used, types of programs UC plans to develop, and anticipated outcomes, among others.

UC has not submitted a plan to the Legislature on how it plans to spend the 2019-20 appropriation. In January 2020, UC issued a request for proposals to campuses with a goal of announcing awardees in April 2020. The request for proposal notes that \$5 million will be set aside to support multi-campus or

systemwide approaches, with the remaining \$10 million to support individual campus efforts. UC notes that seven campuses have applied – Davis, Irvine, Los Angeles, Merced, Riverside, San Diego and Santa Barbara.

Governor's Budget Proposal

Extended Education. The Governor's budget provides \$4 million one-time General Fund to develop or expand degree completion or certificate programs, with a focus of online programs.

As noted in the operating budget section of this agenda, the Administration expects the UC to reduce time to degree and narrow achievement gaps; however, it does not specify funds for this purpose.

UC Budget Requests

Degree Attainment and Close Achievement Gaps. UC's 2020-21 adopted budget included \$60 million ongoing General Fund to enhance degree attainment, eliminating achievement gaps and investing in faculty. Should the UC receive funding for this purpose, it intends to spend the funds in the same manner as proposed in their 2019-20 budget request. UCOP notes that this is an initial investment that would require annual funding of \$240 million once it is fully phased in.

Academic and Support Services for Undocumented Students, Foster Youth and Previously Incarcerated Students. The UC's adopted spending plan includes \$20 million ongoing to provide academic and student support services for undocumented students, foster youth and previously incarcerated students. UC has not provided staff with a detailed spending plan on the use of funds of how they will be distributed or targeted.

The Governor's budget did not specify additional funding for these purposes.

Legislative Analyst's Office Comments

The Administration's 2019-20 proposed budget included \$50 million ongoing General Fund to support UC's graduation rate improvement plan. During the spring 2019 budget deliberations, the LAO raised questions and concerns about the Administration's proposal. The LAO stated that the proposal lacked:

- **Focus.** UC indicated the funds would support its improvement plan, which included many objectives that go far beyond reducing undergraduate achievement gaps.
- **Justification for Proposed Amount.** Without clarity on the specific objectives to be addressed, the Legislature cannot determine if \$50 million is justified.
- **Accountability.** The proposal did not specify use of the funds or establish performance expectations. Without this information, the Legislature could not have any basis in future years to evaluate whether funding is being used to meet its goals.

Ultimately, this proposal was not included in the final budget act of 2019-20.

UC Extension Programs. Similar to the Administration's 2019-20 proposed budget, the LAO has concerns and recommends rejecting the proposal. The LAO notes that there is little information or justification for the proposal. Specifically, it unclear the scope of the problem – such as number of adults

who are unaware of education options and why they are unable to access existing programs. It is also unclear why the state should support a self-supporting enterprise, with financial incentive to identify in-demand courses and programs. The LAO also believes that is premature to provide additional funding for this program as the UC has not submitted an expenditure plan for the 2019-20 budget allocation.

Staff Comments

Extension Programs. According to a January 2019 UC Institutional Research and Academic Planning document, UC notes that between 1999 and 2001, about 67,000 students did not complete their bachelor's degree as of 2018. Specifically, for the 2011 cohort of students, approximately 6,100 did not complete their bachelor's degree at any higher education institution. Similar to last year, it is unclear why these students do not complete their degrees, and if there are earlier interventions or other services that could help students complete their degree. Additionally, it is unclear what the demographics of these students are. As currently structured, extension programs offer limited financial aid for students. This raises the question of equity and access to courses and programs for low-income students.

The 2019-20 budget for this program has not been implemented, and therefore it may be premature to expand the program. In order to provide greater transparency and accountability of extension programs, the 2019-20 budget act included report language requiring UC to report biennially, starting on June 30, 2021 on the following:

1. A description of each extension program and how it meets regional labor market needs and student demand.
2. A description of current re-entry options and programs, and recommendations on how to improve access and success in these programs.
3. The completion rates of programs developed.
4. The total cost of attendance for extension programs.
5. The number of students and financial aid recipients.
6. Demographics of students served.
7. An explanation of the circumstances under which extension students may use federal grants and loans for these programs, pursuant to Title IV of the Higher Education Act.
8. The estimated number of financial aid recipients, disaggregated by financial award type and the average financial award amount.
9. A list of contracts with third-party entities used by UC extension for educational programs, including but not limited to contracts for the development of course materials, administration of the programs, or the provision of instruction.

This information may help provide clarity on the programs structures, whether students would have the same academic standards as students seeking readmission to UC's regular academic programs, and to help evaluate effectiveness of these programs. Staff shares similar concerns as the LAO regarding this proposal.

Student Success Services and Programs. According to UC InfoCenter, in the fall of 2019, 40 percent of undergraduates were first generation college students, and 36 percent were Pell Grant recipients. First generation college students are more likely to come from historically underrepresented groups, households where English is not the primary language spoken, be transfer students or receive a Pell Grant.

In 2018-19, UC spent \$1.2 billion on student services. This funded from a combination of funds, of which were generated mostly from student fees. Student services included: (1) campus financial aid offices (\$42 million), (2) Counseling and psychological services (\$37 million), (3) student health services (\$416 million), (4) campus admissions and registrar operations (\$122 million), (5) academic support services- tutoring services (\$26 million), (6) co-curricular support and engagement through services for student veterans, undocumented students, cross cultural centers, LGBT students and student government (\$30 million), (7) services to students with disabilities (\$13 million), (8) social and cultural activities through student organizations, recreational and sport activities (\$347 million), and (9) career guidance to help students with academic performance, choice of major, graduate applications, career opportunities (\$46 million).

While the information provided above provides the public with a macro-perspective of UC spending, additional details may help the state understand the student experience, especially for first generation, low-income or students from historically underrepresented groups. For example, at this time, it is unclear the amount of funding that UC spends on academic counselors, and what the academic counselors to student ratios are on campuses or systemwide. Additionally, it is unclear what the budgets are for guardian scholar programs or similar programs serving foster youth on campuses. As the Legislature evaluates the Administration's extension program proposal and UC's \$80 million General Fund ongoing budget request, additional background and details regarding existing programs, their budgets, and services provided can help evaluate how to best support students.

The subcommittee may wish to ask:

1. What are the reserves for the extension programs?
2. Is the \$60 million for degree attainment/closing achievement gaps program limited to undergraduate students only, or does this include graduate student services as well? UC notes that of this funding, \$3 million will be spent on degree completion efforts, please provide additional information on what this entails. How much funding does UC provided to support academic counselors, and what is the academic counselor to student ratio?
3. What activities or actions does the Administration expect UC to take in order to reduce time to degree and narrow the achievement gap?

Staff Recommendation. Hold Open.

Issue 6: Addressing Student Basic Needs – Hunger and Homelessness (Informational)**Panel**

- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Previous Budget Actions. The 2017-18 budget provided UC \$2.5 million one-time General Fund for UC to create “hunger-free campuses.” Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, required a hunger-free campus to include:

1. A campus employee designated to provide students with information to enroll in CalFresh also known as Supplemental Nutrition Assistance Program (SNAP), which provides eligible students with up to \$192 per month,
2. An on-campus food pantry or regular food distributions on campus,
3. A meal sharing program that allows students to voluntarily donate their unused meal plan credits, and
4. A campus employee designated to work with student volunteers of the meal-sharing program. Each campus received \$250,000 for this purpose.

On February 13, 2019, the UC submitted a report that summarized how UC spent the funding between January and June 2018. The report noted that all campuses were designated as a “hunger-free campus.” Campuses invested in over 40,000 meal voucher/swipes, and served over 9,000 unique students system wide. Additionally, campuses enrolled and renewed 10,376 students in CalFresh, which drew in over \$12.5 million in federal funds to UC students. Campuses also used funding to expand the availability of Electronic Benefit Transfer capabilities at campus markets and purchased equipment and supplies to support student CalFresh application submissions. All campuses used funding to also increase and improve storage, space and equipment at their food pantries. Campuses hired short-term staff to support programs, and awarded work-study or stipends to students that work in the various campus programs.

The 2018-19 budget provided UC \$1.5 million one-time General Fund to support campus efforts to address student hunger and basic needs. Assembly Bill 1809 (Committee on Budget), Chapter 33, Statutes of 2018, required UC to submit a report to the Legislature by February 15, 2019, on campus use of funds, as specified. Each campus received \$150,000. Additionally, AB 1809 created a working group with representatives from the higher education segments, county and state social service providers, legislative staff, CalFresh eligibility workers, and advocates for CalFresh recipients to improve coordination and access to student benefits.

UCOP submitted an updated Hunger Free Campus report in February 2020 to the Legislature. The report notes that between June 2018 and June 2019, on-campus food pantries served nearly 49,000 unduplicated students. Additionally, all campuses provided emergency meals to non-CalFresh eligible students. Between June 2018 and June 2019, campuses assisted almost 13,000 students with submitting CalFresh applications, and a subset of nearly 1,000 students from UC Davis, Los Angeles and Merced submitted CalFresh applications through their respective GetCalFresh campus websites.

The 2019-20 budget provided \$15 million ongoing General Fund to support student basic needs, such as meal donation programs, food pantries, CalFresh enrollment, and other methods to support student hunger and housing insecure. The budget requires UC to work with the Department of Social Services to

assess the effectiveness of CalFresh and other state departments in addressing student food and housing insecurity.

The 2019-20 budget also provided \$3.5 million ongoing General Fund for rapid rehousing to support homeless and housing insecure students. Campuses must establish ongoing partnerships with community organizations to provide wrap-around services. The budget requires the UC to annually submit a report to the Legislature starting on July 15, 2020 regarding the use of funds and specified outcomes.

In July 2019, UCOP submitted a report to the Legislature regarding the allocation of funds for 2019-20 through 2021-22. The chart below displays the distribution of funds to campuses. Each campus received a base allocation and the remainder was distributed to campuses based on the number of food insecure or homeless students. In addition, \$2.5 million of the food and housing insecure funds will be used to provide innovation grants, and \$500,000 was earmarked for coordination and program evaluation.

<i>Campus</i>	<i>Food and Housing Insecurity: \$15M</i>			<i>Rapid Rehousing: \$3.5M</i>			<i>Combined: \$18.5M</i>
	<i>Food Insecure or Homeless Students*</i>						
	<i>Base Allocation</i>	<i>Homeless Students*</i>	<i>Total</i>	<i>Base Allocation</i>	<i>Homeless Students*</i>	<i>Total</i>	<i>Total</i>
Berkeley	500,000	896,000	1,396,000	\$ 150,000	322,000	472,000	1,868,000
Davis	500,000	977,000	1,477,000	150,000	204,000	354,000	1,831,000
Irvine	500,000	945,000	1,445,000	150,000	247,000	397,000	1,842,000
Los Angeles	500,000	850,000	1,350,000	150,000	257,000	407,000	1,757,000
Merced	500,000	291,000	791,000	150,000	53,000	203,000	994,000
Riverside	500,000	740,000	1,240,000	150,000	157,000	307,000	1,547,000
San Diego	500,000	903,000	1,403,000	150,000	256,000	406,000	1,809,000
San Francisco	500,000	49,000	549,000	150,000	18,000	168,000	717,000
Santa Barbara	500,000	762,000	1,262,000	150,000	265,000	415,000	1,677,000
Santa Cruz	500,000	587,000	1,087,000	150,000	221,000	371,000	1,458,000
Innovation Grants			2,500,000				2,500,000
Coord/Evaluation			500,000				500,000
Total	\$5,000,000	\$7,000,000	\$15,000,000	\$1,500,000	\$2,000,000	\$3,500,000	\$18,500,000

* Based on student responses to 2016 UCUES and GSWB surveys, adjusted to reflect latest available enrollment figures.

While campus plans are not available at this time, UC staff notes that campuses are conducting the following activities:

1. Basic Needs:

- Berkeley: Enhancing county food bank and social services collaborations to improve outreach, and CalFresh enrollment counts.
- Davis: Expanding locations on campus where students can use CalFresh/EBT benefits. Dedicate more resources to promoting CalFresh program awareness in order to increase enrollment.
- Irvine: Hosting quarterly enrollment events for CalFresh in partnership with the Orange County Social Services Agency. Increase procurement of toiletries and nutritious groceries for campus food pantry.

- UCLA: Providing students with emergency relief through programs such as UCLA's food pantry.
- Merced: Retrofitting a Basic Needs Center workspace to support additional staffing and programming. Conduct targeted outreach to new graduate students, transfer students, and incoming freshmen through orientation programming.
- Riverside: Distributing \$200,000 in awards to students with the highest financial need, based on basic needs insecurities/crises. Establishing a meal plan program for food insecure students (and those without a meal plan), in collaboration with UCR Dining.
- San Diego: Developing a grocery shuttle program. Building a new pantry in graduate student housing.
- UCSF: Providing eligible students with \$200 per month in grocery gift cards.
- Santa Barbara: Opening a new Basic Needs Advising Center for the CalFresh Advocate and Food Security Peer Advising Offices.
- Santa Cruz: Dedicating a single Financial Aid Officer to work with student receiving basic needs awards.

2. Rapid Rehousing:

- Berkeley: Hiring staff and students to provide case management on rapid rehousing
- Davis: Providing rent and move-in assistance to homeless students.
- Irvine: Establishing an emergency housing fund.
- Merced: Administering direct student awards for emergency housing. Establishing relationships with local nonprofit organizations to offer emergency services.
- Riverside: Forming a partnership with Riverside County to ensure availability of emergency housing for students.
- San Diego: Creating a Deposit Loan Program and Rental Certification Program.
- UCSF: Identifying local community partnerships that assist students with finding affordable housing.
- Santa Barbara: Piloting a small Deposit Loan Program, in which students who are homeless or about to be homeless can receive a small no-interest loan for the cost of the first month's deposit on a new home.
- Santa Cruz: Identifying off-campus housing partnerships, such as local hotels and apartments.

Governor's Budget Proposal

The Governor does not have a budget proposal to address UC student hunger or homelessness.

Staff Comments

UC Undergraduate Experience Survey. The 2018 UC Undergraduate Experience Survey (UCUES) was sent to over 200,000 undergraduates at all campuses during the spring term, and the systemwide completion rate for the survey was 27 percent or 56,000 students. Of students who responded to the survey, eight percent of students found that the food that they bought did not last and did not have the money to purchase more food. Of those surveyed, 27 percent experienced very low food security and 20 percent experienced low food security. The US Department of Agriculture defines very low food security as reduced food intake or disrupted eating patterns at times due to limited resources. Low food security is defined as reduced quality, variety or desirability of diet, with little or no indication of reduced food intake.

In January 2016, UC President Napolitano announced the UC Student Housing Initiative to add approximately 14,000 new affordable beds by 2020. Since January 2016, approximately 3,600 below-market beds have come online. In July 2017, the UC Board of Regents approved a one-time \$27 million allocation to support campus efforts to address housing needs for students, faculty and staff. The funding provided assistance for existing or new housing programs, studies in support of advancing new housing projects, and/or capital improvements. Approximately \$3 million was directed to each of the following campuses: Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz (a separate funding allocation was previously allocated to Merced). Campus have flexibility on use of funds.

The 2018 UCUES found that four percent of survey respondents (unduplicated) were homeless at some point during their academic term. However, the question used was not validated to ensure it is an accurate measurement of homelessness and the issue of defining “homelessness” and how to correctly measure housing insecurity is still being addressed nationally. The homelessness question included in both surveys has not been fully validated, as a result, UC notes that the results should be interpreted with caution.

The Legislature may wish to take a holistic approach in addressing student basic needs, and consider all proposals and programs that seek to address this. For example, the Cal Grant B Access Award provides eligible students up to \$1,672 to address living expenses. The Federal Pell Grant provides up to \$6,345 to cover tuition or living expenses. Additionally, UC’s institutional financial aid package takes into consideration the total cost of attendance, and provides institutional aid to help cover the total cost of attendance. UC’s financial aid package assumes that a student contribute \$10,000 a year through work or students loan to their education expenses. The California Student Aid Commission is proposing a financial aid reform package, which takes into consideration the non-tuition costs, such as housing. This proposal will be discussed at a future hearing.

2019-20 Budget Act. The 2019-20 budget did not require UC to report back regarding the use of the \$15 million General Fund ongoing for basic needs. The Legislature may wish to require annual reporting, similar to the report required by the rapid rehousing program, to help inform the Legislature on how funds were used by campuses and the system – such as how much was spent on direct services versus administration, and for what purpose.

Proposition 13 – 2020 School Facilities General Obligation Bond. Proposition 13 would allow the state to sell \$15 billion in general obligation bonds to fund school, community college, and university facility projects. Proposition 13 would require university campuses also would be required to develop five-year plans to expand affordable housing options for their students. The system boards would be required to consider these housing plans as an additional factor in prioritizing among campuses’ facility projects. While the election results for this statewide ballot measure is not finalized, at this time, approximately 54.3 percent of voters voted “no” on Proposition 13.

The subcommittee may wish to ask:

1. Last year's trailer bill required DSS to work with UC, California State University and California Community College's to report on CalFresh and its effectiveness in addressing food insecurity at public segments by November 1, 2019. What is the status of this report?
2. AB 1809 created a working group to improve coordination and access to student benefits. The Legislature may wish to ask for an update regarding this workgroup.
3. What were the campuses spending plans for the food and housing insecurity funds (\$15 million) and rapid rehousing (\$3.5 million)? What are UC's plans for the \$2.5 million in innovation grants? What outcomes does the UC plan to evaluate with the innovation grants, and how will these practices be scaled to other campuses?
4. How far along are campuses in establishing their five year affordable housing plans?

Staff Recommendation. Hold Open.

Issue 7: Student Mental Health Services (Informational)

Panel

- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

In 2014, the UC Regents adopted the Long-Term Stability Plan for Tuition and Financial Aid, which included a five percent annual increase in the Student Services Fee from 2015-16 through 2019-20. Approximately 50 percent of this annual increase funds the hiring of direct service mental health providers at campus Health and Counseling centers over this interval.

According to the UC Budget for Current Operations 2020-21 report, 96 percent of students were seen within two days for urgent mental health issues at the UC Counseling and Psychological Services (CAPS) Centers, and 99 percent of students were seen within seven days. However, for the fall of 2018, only 74 percent of students were able to be seen within two weeks for an initial intake appointment for routine issues. This is a decline from 80 percent in the fall of 2016.

In 2018-19, counseling services have seen a 3.5 percent increase in individual counseling visits, a 0.5 percent increase in unique individual counseling patients, and a one-day increase in the average wait time to initial intake appointment for routine issues (10 days). There is currently no change in the average wait time for urgent appointments (zero days), first follow-up appointments (16 days), or first contact appointments (five days).

Psychiatry services have seen an eight percent increase in individual psychiatry visits and a seven percent increase in unique individual psychiatry patients. The average wait time for initial routine psychiatry intake is 11 days, and the average wait time for first follow-up appointments was 23 days. There has been a four day increase in the average wait time for first contact appointments (nine days).

In addition to the Student Services Fee, students also pay campus-based fees. These fees help fund programs such as campus health care, wellness, campus climate, financial aid and other programs and activities depending on the campus. Campus-based fees vary across campuses, ranging from \$1,000 to \$2,000.

Health Insurance. All UC students are required to have health insurance. In order to satisfy this requirement, students are automatically enrolled in the UC Student Health Insurance Plan (SHIP). If students have comparable insurance coverage, they may have their UC SHIP enrollment fee waived. Costs to enroll in SHIP vary across campuses. For example for an undergraduate student at UC Riverside, program costs under SHIP for the student only is \$1,773, whereas at UCLA it is \$2,516, and at Davis it is \$2,622.

In order to waive SHIP, a student's insurance plan must be a Medi-Cal/Medicaid, Medicare, TRICARE/Military, Covered California or other U.S. federal or state exchange plan, a UC Employee Health plan, or an employer-sponsored group health plan or individual plan. The plan must cover inpatient (hospital) and outpatient care for mental health and substance abuse disorder conditions the same as any other medical condition, as well as doctor office visits for medical, including mental health, and alcohol/drug abuse conditions, among others.

Campus CAPS Centers. Campus CAPS Centers services include short-term counseling for individuals and families, workshops, drop-in consultations, crisis intervention, referrals, brief couples or family counseling, educational outreach. Some campus CAPS Centers also assists students with urgent care and some psychological testing. Services and fees vary among campuses. CAPS Centers do not provide long-term counseling and psychotherapy services; instead, students are referred to off-site community psychiatrists when this care is needed. At most CAPS Centers, students are able to receive counseling services at no charge, however the number of counseling sessions a student may vary at each campus. The Legislature may wish to ask why there is variation regarding fees and length of services across campus CAPS Centers.

UC notes that the International Association recommends a counselor-to-student ratio in the range of 1:1,000 to 1:1,500. In 2018, the average ratio system wide is 1:1,071, this is a decrease from 2015, where the ratio was 1:1,208. For the psychiatrist-to-student ratio, UC's system wide average which decreased from 1:9,464 to 1:7,350. The chart on below summarizes the systemwide provider-to-student ratios.

Systemwide Average Provider-to-Student Ratios by Year

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

UC notes that 88 percent of the positions that were in the original five year plan have been filled. UC notes that a number of factors may contribute to vacancy rates, including competition with the private sector, campus location, and cost-of-living of the campus area.

UC notes that there are a number of gaps in mental health services provided by UC CAPS centers related to limitations in the capacity for UC CAPS and Student Health Services (SHS) centers to provide care for high-acuity mental health conditions, long-term care for students with chronic mental health issues, and to bill third-party insurance from a variety of payers.

Proposition 63 California Mental Health Services Act (CalMHSA). In 2005, Proposition 63 was enacted and placed a one percent tax on personal income above \$1 million and dedicated the associated revenues of roughly \$2 billion annually to mental health services. Up to five percent of this funding goes to the state to administer the MHSA. In addition, up to \$140 million annually can be redirected to support housing for individuals with mental illness who are homeless or at risk of becoming homeless. The Department of Health Care Services determines the methodology for distributing the remaining amount of roughly \$1.8 billion to counties and generally considers a number of factors such as the county's population and need for services. Counties must use this funding to provide (1) direct services and support, (2) prevention and early intervention, and (3) innovative programs. Many counties use a portion of these funds to provide services in a way that allows them to receive federal reimbursements through Medi-Cal (a program to cover health care costs for low-income families and individuals), which allows the counties to receive additional federal funding.

From 2011 to 2014, UC received \$6.9 million total from the CalMHSA to provide support for student mental health services and staff.

Prior Budget Acts. The 2018-19 budget provided \$5.3 million one-time to support student mental health services at UC. UC notes that this funding was used to hire additional counselors across campuses.

The 2019-20 budget provided \$5.3 million ongoing General Fund to support student mental health services. UC notes that this funding was used to provide ongoing support counselor's that were previously hired with one-time funds that were provided in the 2018-19 budget act.

The 2019-20 budget included an expenditure authority from the Mental Health Services Fund of \$50 million in 2019-20 and \$10 million annually thereafter for the Mental Health School Services Act, a competitive grant program to establish mental health partnerships between county mental health or behavioral health departments and school districts, charter schools, and county offices of education. These partnerships will support: (1) services provided on school campuses; (2) suicide prevention; (3) drop-out prevention; (4) outreach to high-risk youth and young adults, including, but not limited to, foster youth, youth who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), and youth who have been expelled or suspended from school; (5) placement assistance and development of a service plan that can be sustained over time for students in need of ongoing services; and (6) other prevention, early intervention, and direct services, including, but not limited to, hiring qualified mental health personnel, professional development for school staff on trauma-informed and evidence-based mental health practices, and other strategies that respond to the mental health needs of children and youth. Postsecondary institutions were not included in this program.

Governor's Budget Proposal

The Governor does not provide additional resources to provide mental health services for students.

UC's Budget Request

The UC's 2020-21 spending plan includes an additional \$5.3 million to hire additional mental health providers on campus.

Staff Comments

UC Five Year Plan. In August of 2019, UC Health presented to the UC Regents a five-year cost estimate to support student mental health. The 2020-25 estimate outlined the support needed: \$55 million to fund clinical providers; and \$121 million to fund campus prevention, early intervention and development of healthy campus learning. This translates to an annual request of \$35.2 million through 2025. This proposal was not included in UC's 2020-21 budget request.

UC and County Collaboration. At the December 2019 UC Regents meeting, a discussion item was heard regarding UC collaboration with counties to enhance students and community health. The update outlined the initial strategies to commence discussions with UC medical centers and the CMHSOAC to identify resource-sharing opportunities between UC and the counties. An initial exploratory meeting was scheduled in December with leadership from UC Davis, UC Merced, and directors of county mental health units from Yolo, Merced and Fresno counties to help identify gaps in care and to explore solutions to provide more comprehensive and seamless assistance to clients. The ultimate goal is to

create a comprehensive collaborative care plan to better service students and utilize combined resources rather than working in independent systems and duplicating services unnecessarily.

The item identified UC Davis Health's tele-behavioral health platform as a potential resource for providers and clients to help augment services already provided onsite. The item also identified a need to catalogue existing UC and county relationships at each campus that relate to mental health, and evaluate the potential of those relationships to improve mental health services for students and county residents.

The subcommittee may wish to ask:

1. What are the next steps for the UC medical centers and county providers to help improve and increase mental health services for students?

Staff Recommendation. Hold Open.

Issue 8: Animal Shelter Outreach Grant

Panel

- Brian Rutledge, Department of Finance
- Dr. Kate Hurley, Program Director, UC Davis Koret Shelter Medicine Program
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California

Background

Local Governments Are Responsible for Operating Shelters. Generally, local governments in California administer animal control services. These services include housing animals that are stray or abandoned by their owners. Some cities and counties run their own shelters, while others contract for services. In addition to public shelters, nonprofit shelters and rescue groups also house stray animals or develop networks of foster homes. According to experts at UC Davis, there are over 300 public and private animal shelters in California.

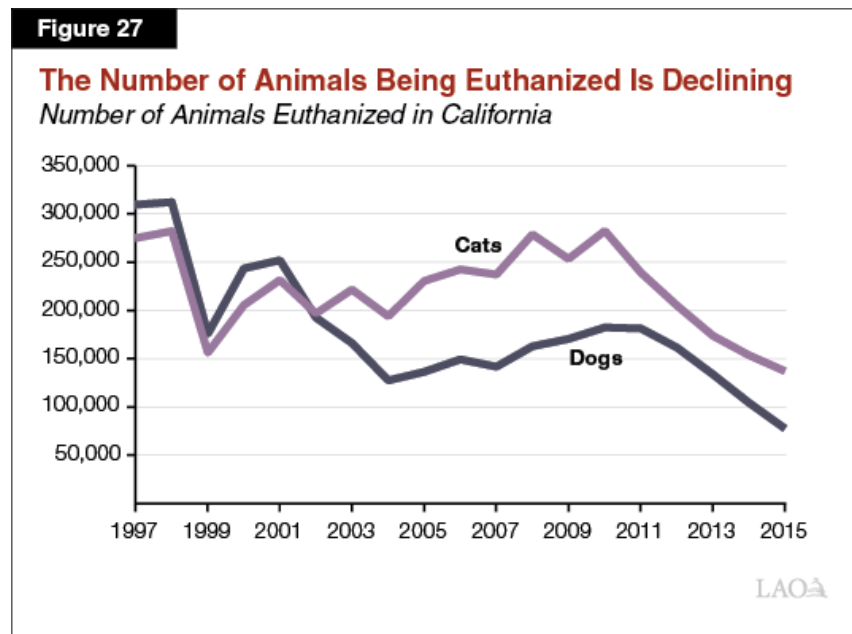
Public animal shelters receive direct funding from their local government, fee revenues, such as from dog licensing fees and adoption fee, and private donations to help fund their operations. Limited data suggest that most funding for animal services comes from local governments. For example, the City of Los Angeles reports spending \$27 million on animal services in 2019-20. Of this amount, 98 percent was funded from the city's general funds and the remainder was from other sources.

Shelters Euthanize Some Animals. It is estimated that hundreds of thousands of dogs and cats enter California shelters each year. As shelters generally do not have capacity to house all of these animals permanently, shelters must find long-term solutions. Animals that are deemed healthy and behaviorally compatible are made available for adoption. Animals with diseases or posing behavioral risks may be treated by in-house veterinary staff, depending on the shelter's resources. Shelters can euthanize animals that are terminally ill or cannot otherwise be rehabilitated. Furthermore, shelters may euthanize healthy animals to free up capacity for incoming animals when space is limited.

State Policy to Promote Animal Adoption. Senate Bill 1785 (Hayden), Chapter 752, Statutes of 1998 changed state policy regarding shelter care for animals. Most notably, SB 1785 declared, "It is the policy of the state that no adoptable animal should be euthanized if it can be adopted into a suitable home." Furthermore, the law lengthened the minimum amount of time (generally from three to six days) that shelters must care for animals before euthanizing them.

The Commission on State Mandates ultimately determined that under SB 1785, the state was responsible for added costs to local shelters. Though the commission reasoned that shelters could recover costs from fee revenue when animals are adopted, it concluded that shelters could not recover costs when animals are ultimately euthanized after the initial holding period. The commission created a reimbursement methodology based primarily on the cost of caring for animals that were euthanized. Rather than providing more state funding for shelters with increased animal adoptions, this methodology resulted in the state providing more funding to shelters that euthanized more animals. The state eventually suspended this mandate (along with numerous other mandates) in 2009-10.

Number of Animals Euthanized Appears to Be Declining. Each year, the California Department of Public Health surveys local shelters on their intake of animals and whether the animals are placed into homes or euthanized. While the data appear to be somewhat inconsistent across the years (likely due to inconsistent shelter participation in the survey), the overall number of animals that are euthanized appears to be declining. The decline in recent years could be due to many factors, such as the economic recovery, improved community outreach among animal shelters, and other improved shelter practices.



UC Davis Operates Research Center on Animal Shelters. Located at the UC Davis School of Veterinary Medicine, the Koret Shelter Medicine Program conducts research and outreach on animal shelter medicine and management issues. The program consists of one director, five FTE veterinarian faculty, and 4 FTE staff. According to program staff, the Koret program does not receive core UC funding for its operations. Instead, the program funds its operations from a mix of sources, including private donations, grants, fees from consulting services provided to animal shelters, and endowment income. In 2019-20, the program reports receiving \$1.3 million.

Governor's Budget Proposal

Governor Proposes \$50 Million One-Time General Fund for Animal Shelter Outreach Initiative. The funding would be allocated directly to the UC Davis Koret program, which would have five years to spend the funds. Proposed trailer bill language directs that the funds be used to support statewide outreach activities, individualized consulting with shelters, and a competitive grant program. It does not specify the amounts to be used for each of these activities.

Proposal Contains Various Intent Provisions. The trailer bill language states intent that the program prioritize funds for shelters that are located in communities with underserved populations and offer "the greatest likely return on one-time investment." Furthermore, the program would be authorized to give "additional consideration to working with communities that do any of the following: (1) seek to maximize the number of animals whose lives can be saved; (2) demonstrate partnerships between public, private, corporate, and/or nonprofit entities; and (3) emphasize volunteer engagement and community outreach components for purposes of increasing the sustainability of the program's

investments.” The language directs the program to ensure that funding is spread throughout the state. The language prohibits the funds being used for UC administrative costs. Under the proposal, UC would be required to report on the program by March 31, 2022, and every two years thereafter until March 31, 2028.

Legislative Analyst’s Office Comments

Weigh Proposal Against Other One-Time Priorities. The LAO notes that while the concept of the animal shelter outreach initiative appears well intended, but its potential benefits are unclear. Given the initiative is new and does not have specified milestones, the state has less certainty it will achieve its goal to reduce the number of animals that are euthanized. The LAO notes that the Legislature may wish to weigh one-time spending carefully, and consider options that have the highest returns. For example, the LAO notes that the state and UC faces billions of dollars in unfunded liabilities, such as pensions, retiree health, deferred maintenance, where additional funds could reduce future costs and risks and improve the state’s budget condition.

Animal Shelter Augmentation Is Substantial but No Expenditure Plan Exists. Despite this surge in funding, the Governor does not require the program to submit an expenditure plan prior to release of the funding. The Legislature likely will want to better understand how the program plans to increase its operations prior to appropriating the funds.

Proposal Could Create Pressure for Ongoing Funding in Future Years. The LAO also encourages the Legislature to consider the potential ongoing cost pressures that could result from adopting the proposal. To the extent that the Koret program and local animal shelters use their funding under the initiative to increase their operations (such as by hiring additional staffing to facilitate more animal adoptions), they very likely would face challenges sustaining these activities after the five-year grant period ends. Given the augmentation is so significant, identifying sufficient additional private philanthropy, grants, or other non-state funds to sustain operations on an ongoing basis could be particularly difficult.

More Information Would Be Essential for Evaluating the Initiative. Given the significant flexibility that the Koret program might have to allocate the proposed funds, program oversight and reporting will be essential for the Legislature to evaluate the initiative’s outcomes in future years. As proposed, trailer bill language would require UC to report biennially on “grants made, pending grants, program accomplishments, and the future direction of the program.” Were the Legislature interested in pursuing this proposal, it likely would want more specific, additional information, including the following:

- How grant recipients spent their funds, including whether the funds supplemented or supplanted existing funds.
- What outreach activities the Koret program provided and whether shelters implemented recommended best practices as a result.
- Statewide and shelter-specific information on animal intake, live release rates, and euthanized rates.
- The Koret program’s annual budget, including funding, spending, and fund balances.

Staff Comments

While the proposed trailer bill language notes that the program will provide outreach, conferences, web-based resources, in-person assessments, online training, and help implement best-practices, it is unclear

how much funding will be dedicated for each purpose. Based on conversations with UC, UC intends to use \$12.5 million of the proposed funding to support Koret program's staff and operations, however it is unclear how many additional staff will be hired or for what purpose. UC staff also notes that of the funds provided in the proposal, 25 percent will be used for assessments and 75 percent will be used for implementation. Should the Legislature approve this proposal, it may wish to consider the LAO's recommendations on additional reporting requirements in order to better understand the outcomes and results of this program.

Staff Recommendation. Hold Open