

*Senate Budget and Fiscal Review— Scott Wiener, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Cortese**  
**Senator Scott Wilk**



**Thursday, May 16, 2024**  
**Upon Call of the Chair**  
**1021 O Street - Room 2100**  
**Part B- Higher Education**

Consultant: Christopher Francis, Ph.D.

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## Public Comment

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## DISCUSSION ITEMS

**6440 UNIVERSITY OF CALIFORNIA (UC)**

**6610 CALIFORNIA STATE UNIVERSITY (CSU)**

### Issue 1: Base Budget Reductions

#### Panel

- Chris Ferguson, Department of Finance
- Jennifer Pacella, Legislative Analyst’s Office
- Seija Virtanen, University of California
- Cheryl Ide, California State University

#### Governor’s May Revision Proposals

- **UC Base Budget Decrease for 2024-25 and 2025-26.** The May Revision includes a \$125 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to UC’s base budget beginning in 2025-26. Between this proposal and the early action agreement detailed below, UC would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.
- **CSU Base Budget Decrease for 2024-25 and 2025-26.** The May Revision includes a \$75 million one-time unallocated base budget reduction in 2024-25. The May Revision includes a 7.95 percent reduction applied to CSU’s base budget beginning in 2025-26. Between this proposal and the early action agreement detailed below, CSU would receive a two percent ongoing state funding increase in 2025-26 instead of 10 percent.

#### Background

**Compacts.** The 2022 Budget Act included funding associated with multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges that focus on shared priorities benefitting students. Under these compacts, starting in 2022-23, CSU and UC will receive five percent annual base increases over each of the next five fiscal years to support operating costs. Whereas the 2022 Budget Act includes enrollment growth funding on top of the base increases in 2022-23, the universities are expected to accommodate one percent annual resident undergraduate enrollment growth within their base increases over the remainder of the compact period (2023-24 through 2026-27).

**Budget Acts of 2022 and 2023.** Consistent with the Governor’s compact, the Budget Acts of 2022 and 2023 each included five percent base increases for UC and CSU. Specifically, the budget agreements provided the following:

**Table 1:** State General Fund Support for UC and CSU under first two years of Governor’s compact

Segment	2022 Budget Act Agreement	2023 Budget Act Agreement
UC	\$200.5 million General Fund in 2022-23 and ongoing	\$215.5 million General Fund in 2023-24 and ongoing
CSU	\$211.1 million General Fund in 2022-23 and ongoing	\$227.3 million General Fund in 2023-24 and ongoing

**UC Has Several Core Operating Costs.** As with most state agencies, UC spends the majority of its ongoing core funds (about 70 percent in 2020-21) on employee compensation, including salaries, employee health benefits, retiree health benefits, and pensions. Beyond employee compensation, UC spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E).

**CSU Has Several Core Operating Costs.** Similarly to UC, CSU spends the majority of its ongoing core funds (about 75 percent in 2020-21) on employee compensation, including salaries, employee health benefits, and pensions. Beyond employee compensation, CSU spends its core funds on other annual costs, such as paying debt service on its system-wide bonds, supporting student financial aid programs, and covering other OE&E. Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. As Table 2 shows, CSU has agreements extending into 2025-26 with multiple unions.

**Table 2:** General Salary Increases by Employee Group Between 2023-24 and 2025-26

Employee Group	General Salary Increases		
	2023-24	2024-25 <sup>a</sup>	2025-26 <sup>a</sup>
California Faculty Association <sup>b,c</sup>	5%	5%	Open
California State University Employees Union	5	5	— <sup>d</sup>
Academic Professionals of California <sup>b</sup>	5	Open	Open
Teamsters 2010 <sup>b</sup>	5	— <sup>d</sup>	— <sup>d</sup>
United Auto Workers	5	5	Open
Statewide University Police Association	5	5	5%
Union of American Physicians and Dentists	5	Open	Open

International Union of Operating Engineers	5	Open	Open
<p><sup>a</sup><i>Increases are contingent upon the state providing a specified amount of support to CSU.</i>  <sup>b</sup><i>Tentative agreements pending ratification by the CSU Board of Trustees and union membership.</i>  <sup>c</sup><i>Agreement also includes 2.65 percent service salary increases for faculty below certain salary levels, along with increases in the minimum salary for certain faculty positions, in 2023-24 and 2024-25.</i>  <sup>d</sup><i>In lieu of General Salary Increases, CSU and these unions have agreed to implement a salary step structure under which employees receive regular salary increases based on their length of service.</i></p>			

**CSU Also Has Some Contingent Salary Agreements in Place for 2024-25.** Three of these agreements already have been ratified and two are tentative. Several of these agreements provide a five percent general salary increase, contingent upon the state providing a specified amount of support to CSU in 2024-25. For example, the five percent increase for employees represented by CFA is contingent upon the state not reducing ongoing base funding to CSU relative to the 2023 Budget Act level, whereas the salary increase for employees represented by CSUEU is contingent upon the state providing a \$227 million base augmentation to CSU. As of this writing, 2024-25 compensation increases have not yet been determined for three smaller unions, as well as non-represented employees. CSU estimates the cost of every one percent increase in its compensation pool for all employee groups in 2024-25 would be \$55 million ongoing.

**2024 Early Action on UC and CSU Base Budget Deferrals.** The Governor’s budget proposed one-time deferrals of \$227.8 million of \$240.2 million for UC and CSU respectively, representing a five-percent resource adjustment that is consistent with the Governor’s multi-year compact with both segments. According to the Administration, the deferrals would maintain ongoing UC and CSU General Fund at 2023-24 levels and enable both segments to pursue various interim financing to support the planned 2024-25 Compact support. Due to this deferral, the Governor intended to “double up” funding in 2025-26 for both CSU and UC such that:

- CSU would receive an ongoing 10 percent base increase of \$494 million that year. (This consists of \$240 million to support the higher level of prior-year ongoing spending, along with \$254 million for a new five percent base increase.) In addition, the Governor intends to provide CSU with a one-time back payment of \$240 million in 2025-26 to compensate for the forgone funds in 2024-25.
- UC would receive a base increase to support the higher level of prior-year ongoing spending (\$228 million), along with a new five percent base increase (\$241 million)—for a total increase of \$469 million in ongoing General Fund support that year. In addition, the Governor intends to provide UC with a one-time back payment of \$228 million in 2025-26 to compensate for the foregone funds in 2024-25.

**2024 Early Action on UC Nonresident Replacement Deferral.** Similarly to the base budget deferral, the Governor’s January budget also included a one-time deferral of \$31 million General

Fund to offset revenue reductions associated with the replacement of 902 nonresident undergraduate students enrolled at three UC campuses with an equivalent number of California resident undergraduate students. Due to this deferral, the Governor intends to “double up” funding in 2025-26 for UC such that it receive a one-time back payment of \$31 million in 2025-26 plus \$62 million in 2025-26 and ongoing.

These deferral proposals were adopted as part of an early action agreement between the Governor, Senate, and Assembly in April 2024.

**Staff Comment:** Staff notes that this proposal is part of an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. Unlike the departments identified for that proposal, the reductions for the segments reach 7.95 percent in 2025-26. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.

**Suggested Questions:**

- ***For UC and CSU:*** Please describe the impact of the state operations reductions on UC and CSU on course servings, serving your workforce, and serving students. How will UC and CSU implement this reduction? Has there/Will there be guidance sent to the campuses?
- ***For UC and CSU:*** Does the May Revise proposal break your Compact agreement with the Governor or will you proceed with fulfilling the goals of the Compact? If you move forward, then how do you plan to uphold the compact agreements?
- ***For UC and CSU:*** Do you have a plan or options to cover for the lost revenue if this proposal is adopted (for example, tuition increases)?
- ***For UC and CSU:*** How do you plan to cover mandatory costs if the May Revise is adopted?
- ***For DOF:*** How does this interact with the early action agreement of a one-year deferral for the segments?
- ***For DOF:*** Are these one-time base budget decreases expected to be restored in 2025-26 if revenues rebound?
- ***For DOF:*** How was the phased-in reduction approach determined?

- ***For CSU:*** What is the interaction between the CSU base reduction and potential collective bargaining agreements that were to take effect on July 1?
- ***For DOF, UC, and CSU:*** between the Governor, UC, and CSU? In other words, are the compact expectations expected to be upheld despite the base cuts?
- ***For DOF, UC, and CSU:*** Can you clarify the interaction between the proposed reduction and enrollment targets?

**Staff Recommendation.** Hold Open

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**6440 UNIVERSITY OF CALIFORNIA (UC)****6600 UC COLLEGE OF THE LAW, SAN FRANCISCO (CLSF)****Issue 2: Various Governor’s May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Ian Klein, Legislative Analyst’s Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst’s Office

Seija Virtanen, University of California

Rhiannon Bailard, UC College of the Law, San Francisco

**Governor’s May Revision Proposals**

The Governor’s May Revision includes the following ongoing and one-time solutions.

- **UC Labor Centers and Occupational Safety and Health Programs Reduction.** The May Revision makes a \$13 million ongoing reduction for the UC labor centers. Previously, the 2022 Budget Act included \$13 million General Fund in 2022-23 and ongoing to support the operations of existing UC Labor Centers and Occupational Safety and Health Programs, and invest in similar new initiatives throughout the UC system.
- **Graduate Medical Education Reduction.** The Governor’s January budget included an increase of \$2.6 million General Fund ongoing and \$240,000 General Fund one-time to offset the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for graduate medical residency slots. The May Revision makes a \$13.5 million General Fund ongoing reduction. Proposition 56 – California Healthcare, Research and Prevention Tobacco Tax Act of 2016 – was passed by voters on the November 8, 2016 ballot and implemented a surcharge on tobacco tax products.

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

- **UC Equal Opportunity Practices and Professional Development One-Time Fund Reduction.** The May Revision includes a one-time \$5 million reduction. The Budget Act of 2021 appropriated \$5 million one-time General Fund to support culturally competent

faculty professional development and included language allowing funding also to be used to support equal employment opportunity practices.

- **Unseen Latinas Initiative Reduction.** The 2022 Budget Act appropriated \$15 million General Fund in 2022-23 to support the Unseen Latinas Initiative at the UCLA Latino Policy and Politics Institute. The May Revision proposes a \$13.7 million reduction to this initiative.
- **UC Davis Equine Performance and Rehabilitation Center Reduction.** The 2023 Budget Act appropriated \$5 million General Fund in 2023-24 to support this initiative. The May Revision proposes a \$5 million reduction to this initiative.
- **Ongoing Reductions to CLSF State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions. Unlike the departments identified for that proposal, the reductions for the segments and UC College of the Law, San Francisco is 7.95 percent starting in 2025-26.
- **Various Technical Adjustments.** Included below are the remaining adjustments in the May Revision:
  - **Technical Adjustment to Increase Expenditure Authority for Breast Cancer Research**—It is requested that Item 6440-001-0007 be increased by \$289,000 ongoing to reflect available resources in the Breast Cancer Research Account.
  - **Technical Adjustment to Increase Expenditure Authority for Cigarette and Tobacco Products Research**—It is requested that Item 6440-001-0234 be increased by \$512,000 ongoing to reflect available resources in the Research Account, Cigarette and Tobacco Products Surtax Account.
  - **University of California, Oiled Wildlife Care Network**—It is requested that Item 6440-001-0320 be increased by \$750,000 ongoing Oil Spill Prevention and Administration Fund to support the Oiled Wildlife Care Network.
  - **JUUL Settlement Funds** —It is requested that Item 6440-001-8141 be added to provide an ongoing increase of \$1,972,000 because of the State of California JUUL settlement.
  - **Technical Adjustment Division of Agriculture and Natural Resources for School Meals for All Research**—It is requested that provisional language in Item 6440-005-0001 be amended to reflect a technical correction in the amount of funding in the item that is being directed to support the University of California Nutrition Policy Institute.



- **Extend Encumbrance for the California Institute on Law, Neuroscience, and Education**—It is requested that Item 6440-491 be added to reappropriate available California Institute on Law, Neuroscience, and Education resources.

**Suggested Questions:**

- ***For DOF:*** Aside from assisting in closing the shortfall, what methodology did you use to identify these programs as viable candidates for reductions?
- ***For DOF and UC, on UC Labor Centers :*** How much state General Fund was expended or obligated from UC Labor Centers in 2022-23 and 2023-24? Why was this reduction proposed? Does this reduction effectively eliminate all state support for the UC Labor Centers or will some state support remain?
- ***For DOF and UC, on Unseen Latinas Initiative Reduction:*** How much state support would remain for this program if the May Revision proposal were adopted?
- ***For CLSF:*** Please describe the impact of the state operations reductions on UC College of the Law, SF.

**Staff Recommendation.** Hold Open

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**6610 CALIFORNIA STATE UNIVERSITY (CSU)****Issue 3: Augmentation to Support Expanded University Fee Waiver Costs****Panel**

- Chris Ferguson, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Cheryl Ide, California State University

*Available for additional questions or details:*  
Jennifer Pacella, Legislative Analyst's Office

**Governor's May Revision**

The May Revision includes \$5.5 million General Fund on an ongoing basis to support the estimated costs of the recently enacted AB 1745 (Soria) Chapter 695, Statutes of 2023. AB 1745 expanded fee waiver for Medal of Honor recipients, children of Medal of Honor recipients, or dependents of service-injured veterans attending the CSU.

**Background**

AB 1745 modifies the annual income metric used to determine eligibility for the tuition waiver program for children of service-injured veterans attending a California Community College (CCC), California State University (CSU) or University of California (UC) campus.

This law attempts to realign the annual income metric with one that reflects wages, cost of living and other economic conditions of this state with a new income cap that is less than the annual household income for a single person with no dependents, as calculated by the California Revenue and Tax Code. According to the Franchise Tax Board website, this amount is \$20,913 for the taxable year 2022.

**Staff Recommendation.** Hold Open

**6870 CALIFORNIA COMMUNITY COLLEGES (CCC)****Issue 4: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

*Available for additional questions or details:*

Daisy Gonzales, California Community Colleges Chancellor's Office

David O'Brien, California Community Colleges Chancellor's Office

**Governor's May Revision Proposals**

The Administration's changes to the Proposition 98 Minimum Guarantee and Proposition 98 Reserve withdrawal proposals and their impacts across K-14 were covered in Part A. The Governor's May Revision includes the following major ongoing and one-time proposals for the community colleges, assuming their Proposition 98 projections:

- **Ongoing Reductions to CCC Chancellor's Office State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Public School System Stabilization Account Withdrawals to Fund Student Centered Funding Formula (SCFF) Needs.** The Governor's January budget initially a withdrawal of \$235.9 million, scored to 2023-24 and \$486.2 million scored to 2024-25 to support SCFF resource needs. The May Revision now proposes a withdrawal of \$532.5 million, scored to 2023-24 and \$381.6 million scored to 2024-25 to support SCFF resource needs.
- **CCC Apportionments Cost-Of-Living Adjustment (COLA).** The May Revision includes an increase of \$100 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07-percent COLA for Student Centered Funding Formula apportionments.
- **Categorical Program COLA.** The May Revision includes an increase of \$12.8 million Proposition 98 General Fund in 2024-25 and ongoing to provide a 1.07 percent cost-of-living adjustment to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus childcare support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and the mandates block grant.
- **Enrollment.** The May Revision includes \$28.1 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment. This equates to about 5,400 additional FTE

students. The Governor's budget previously included \$29.6 million Proposition 98 General Fund ongoing to support 0.5-percent enrollment.

- **Local Assistance, Reappropriation.** The May Revision includes a reappropriation item 6870-488 to provide \$262.9 million one-time General Fund as follows:
  - \$227,900,000 one-time Proposition 98 General Fund to support the Student-Centered Funding Formula in 2023-24
  - \$12 million one-time Proposition 98 General Fund to support the continued development of e-Transcript California
  - \$12 million one-time Proposition 98 General Fund to support a common cloud data platform demonstration project
  - \$6 million to support mapping articulated pathways for credit for prior learning,
  - \$5 million to support a pathways for low-income workers demonstration project

The provision budget bill language for each of these proposals states that funding is reappropriated for transfer by the Controller to Section B of the State School Fund to support these purposes.

- **Local Assistance, Hold Harmless for Student-Centered Funding Formula.** The May revision includes an adjustment request for Schedule (1) of Item 6870-101-0001 so that it is decreased by \$188,842,000 Proposition 98 General Fund. This adjustment to reflect a revised estimate of hold harmless funding for districts under the Student-Centered Funding Formula.
- **Local Assistance, Student Financial Aid Administration and Board Financial Assistance Program Funding.** The May Revision includes an adjustment request for Schedule (5) of Item 6870-101-0001 so that it is increased by \$396,000 Proposition 98 General Fund to reflect an increase of \$197,000 for the Student Financial Aid Administration Program and an increase of \$199,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived, respectively.
- **Local Property Tax Adjustment.** The May Revision includes a decrease of \$68.7 million ongoing Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- **Local Assistance, Equal Employment Opportunity Program.** The May revision includes a budget item related to this program that reflects a \$1.1 million Employment Opportunity Fund increase to promote equal employment opportunities in hiring and promotion at community college districts.

### **Suggested Questions:**

- ***For CCC Chancellor's Office:*** Please describe the impact of the state operations reductions on the Chancellor's Office.

- Please provide more detail on the proposals that use reappropriations for e-Transcript California, common cloud data platform demonstration project, and mapping articulated pathways for credit for prior learning purposes. Why is this funding needed and what specific activities will be covered with these funds?
- *DOF*: When will the Legislature receive the language for a statewide lease revenue bond for the community college student housing projects?

**Staff Recommendation.** Hold Open

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**Issue 5: Nursing Program Support at CCC****Panel**

- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- David O'Brien, California Community Colleges Chancellor's Office

*Available for additional details and questions:*

Daisy Gonzales, California Community Colleges Chancellor's Office

**Governor's Budget**

The Governor's January budget proposed \$60 million Proposition 98 General Fund in 2024-25, to expand nursing programs and Bachelor of Science in Nursing to grow, educate, and maintain the next generation of registered nurses (RNs) through the community college system.

**Background**

California's RNs provide a variety of health care services. Under the direction of a physician, registered nurses perform such tasks as administering medications, performing diagnostic tests, and monitoring and recording patients' condition. RNs often supervise other health care personnel such as licensed vocational nurses and certified nurse assistants. In addition to providing and supervising direct patient care, RNs work in areas such as administration, teaching, and research. According to estimates, 300,000 RNs exist in California. All RNs must have a license issued by the California Board of Registered Nursing. To obtain a license, students must graduate from an approved nursing program, pass a national licensing examination, and complete certain other steps (such as undergoing a criminal background check).

***Students Have Three Main Education Routes to Becoming a Nurse.*** In California, three main types of pre-licensure education programs are available to persons seeking to become an RN:

1. The most common option is for students to enroll in a four-year program at a university culminating in a Bachelor's of Science in Nursing (BSN) degree.
2. The next most common route is for students to enroll at a two-year program at a community college culminating in an Associate Degree in Nursing (ADN).
3. The third route is for students to enroll in a university program culminating in a Master's of Science in Nursing (MSN) degree. Pre-licensure master's programs accept individuals who hold a bachelor's degree in a non-nursing field. Generally, students in such a master's program complete educational requirements for an RN license in about 18 months, then continue for another 18 months to obtain an MSN.

All three types of pre-licensure programs combine classroom instruction, "hands on" training in a simulation lab, and clinical placement in a hospital or other health facility.

**Community Colleges Are Key Providers of Nursing Education.** In 2022-23, 144 public and private postsecondary institutions in California offered a total of 152 pre-licensure programs. Table 1 from the LAO shows community colleges are a major educator of RNs, offering 77 of the state’s 92 associate degree programs. A total of 13,982 students graduated from a pre-licensure program in 2022-23—39 percent with an associate degree, 55 percent with a bachelor’s degree, and 6 percent with a master’s degree.

**Table 1: Providers of Nursing Education in California, 2022-23**

	Programs	Graduates
<b>Associate Degree in Nursing</b>		
CCC	77	4,488
County of Los Angeles program	1	73
Private institutions	14	866
<b>Subtotals</b>	<b>(92)</b>	<b>(5,427)</b>
<b>Bachelor’s of Science in Nursing</b>		
CSU	17	1,804
UC	2	94
Private institutions	28	5,851
<b>Subtotals</b>	<b>(47)</b>	<b>(7,749)</b>
<b>Master’s of Science in Nursing<sup>a</sup></b>		
CSU	1	42
UC	4	176
Private institutions	8	588
<b>Subtotals</b>	<b>(13)</b>	<b>(806)</b>
<b>Totals</b>	<b>152</b>	<b>13,982</b>

<sup>a</sup>Reflects programs enrolling students who do not yet have a registered nursing license.

**Community Colleges Have Developed BSN Partnerships With Universities.** State law limits community college RN programs to offering the ADN. In a number of cases, though, community colleges have collaborated with universities, particularly CSU campuses, to design pathways from the ADN to the BSN. For example, 13 Los Angeles-area community colleges have partnered with CSU Los Angeles to create an accelerated ADN-to-BSN program. In that program, CCC students begin taking upper-division courses through the university while still enrolled in their ADN program, enabling them to earn a BSN from CSU Los Angeles within one year of graduating from one of the partnering community colleges.

**Prior to Pandemic, Nursing Workforce Was in Good Shape Overall.** According to a 2017 forecast prepared by the University of California, San Francisco (UCSF) for the Board of Registered Nursing, the number of nursing graduates in the state (approximately 11,000 per year across the state’s pre-licensure programs) likely was sufficient to ensure an adequate nursing

workforce in the state through at least 2027. While the overall nursing workforce was sufficient to meet overall workforce demands, some hospital officials reported difficulty attracting nurses to work in particular regions of the state (including the Central Valley and certain rural areas). In addition, the UCSF report cautioned that reductions in the employment rates of older RNs could affect the forecast.

***Nursing Shortage Re-Emerged as a Result of the Pandemic.*** During the pandemic, many older RNs left nursing and some younger RNs quit their nursing jobs due to higher stress levels and family or other personal considerations. In addition, many pre-licensure nursing education programs experienced enrollment declines due to social distancing requirements, reduced access to clinical sites, and less student demand. These factors resulted in a reduction of the supply of RNs compared with previous projections and a mismatch between supply and demand. According to a February 2024 report by UCSF (unpublished), there currently is an estimated statewide supply-demand gap of 17,000 FTE nurses. Hospitals and other health care employers are using various means in response to the short-staffing, including paying nurses to work more overtime and using more traveling nurses (who live in other states and come to California to work for short periods of time).

***Statewide Shortage Is Projected to Close Within Four Years.*** With the pandemic having subsided, nursing schools in the state have reported returning to pre-pandemic levels of enrollment. All three types of pre-licensure nursing programs anticipate further growth in the coming years. The number of new graduates from these programs is anticipated to fill more of the expected job openings. Given these developments, UCSF forecasts that the supply-demand mismatch will gradually decline over the next few years, closing entirely by 2028. UCSF cautions, however, that if newly graduated RNs and experienced nurses are not retained in the workforce due to burnout or job dissatisfaction, the shortage could persist. Also, the study cautions that even were supply numbers to match demand on a statewide basis, regional differences could persist.

***Main Source of CCC Nursing Funding Is Apportionments.*** Just like other types of instruction, community college districts claim apportionment funding (through SCFF) for each FTE student enrolled in one of their nursing programs. Under SCFF, community college districts receive additional funding if an enrolled student is low income and for each successful student outcome (including graduation). The LAO estimates that community college districts generated about \$100 million in SCFF funding for the 11,845 FTE nursing students enrolled in 2022-23 (about \$8,500 per actual FTE student).

***State Also Funds a CCC Nursing Categorical Program.*** Since 2006-07, the state also has funded a CCC nursing categorical program designed to expand enrollment and provide supplemental student support (such as tutoring). Since 2009-10, the Legislature has provided \$13.4 million annually in Proposition 98 General Fund. Funding is distributed through grants to virtually every ADN program in recognition of the relatively high cost to educate nurses. High costs are mainly due to smaller required student-to-faculty ratios in simulation labs and clinical settings as well as the need for specialized equipment.



***Colleges Also Can Use Strong Workforce Program and Other Categorical Program Funds for Nursing Education.*** In addition to providing supplemental funds for nursing specifically, since 2016-17, the Legislature has provided ongoing funding for the CCC Strong Workforce Program (SWP). The associated \$290 million in Proposition 98 General Fund support is intended to help career technical education programs (like nursing) cover their higher instructional costs. SWP funds also are intended to make programs more aligned with industry demand and to facilitate regional planning and coordination. The majority of SWP funds go directly to colleges, with the remainder allocated to eight regional SWP consortia. The LAO notes from discussions with several consortia and colleges that some SWP funding is being used annually for nursing. Some SWP funds, for example, are helping to purchase lab equipment or start new programs. In addition to SWP funds, colleges can use funding they receive from the Student Equity and Achievement program and other student services programs to support their nursing students.

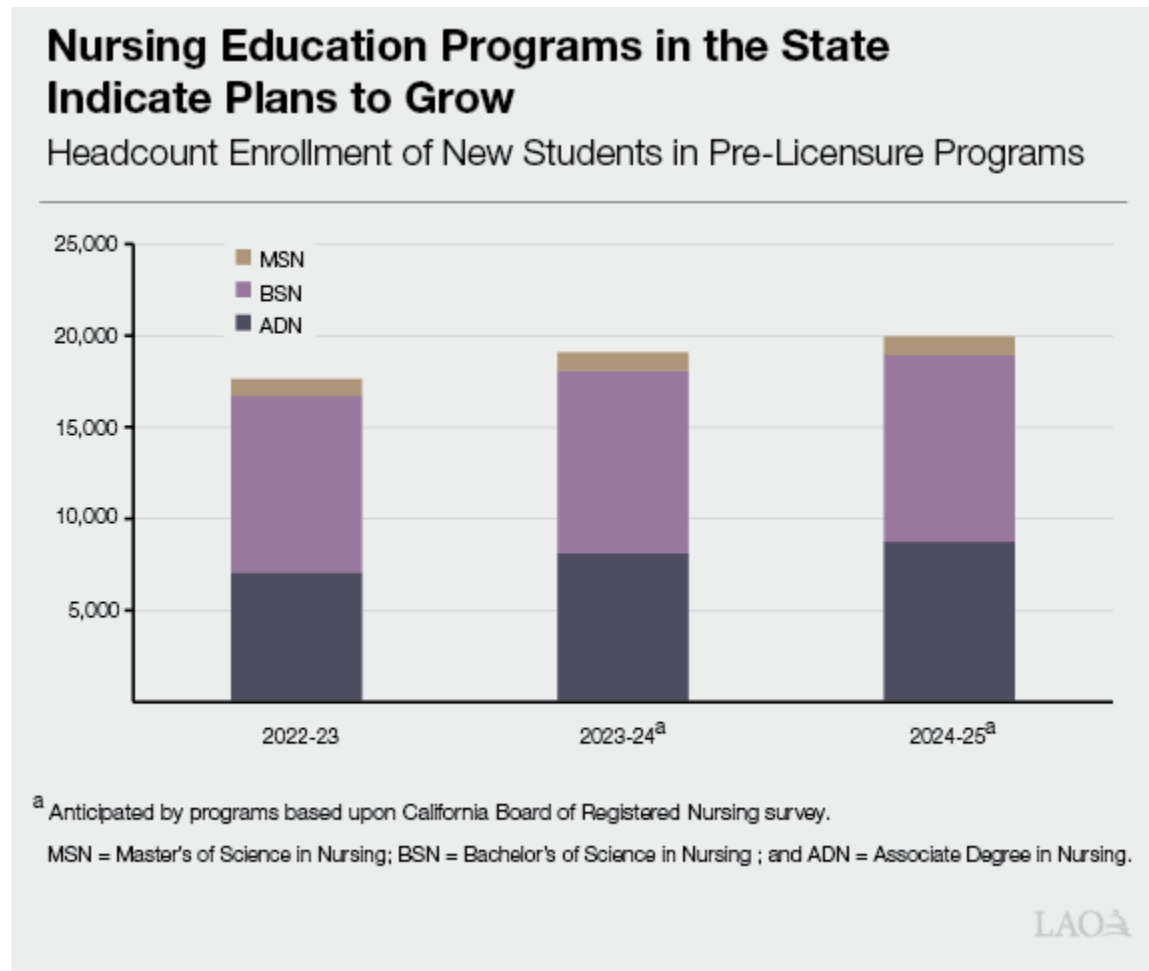
***Some CCC Nursing Programs Also Receive State-Funded “Song-Brown” Grants.*** Originally established by SB 1224 (Song), Chapter 1175, Statutes of 1973, the Song-Brown program was created to address shortages of primary care physicians by increasing support for training programs. Since that initial legislation, the Song-Brown program has expanded to support nursing and certain other education and training programs. Recently, the Legislature has provided \$50 million one-time non-Proposition 98 General Fund over three years (\$20 million in 2022-23 and \$15 million each in 2023-24 and 2024-25) for grants specifically to pre-licensure nursing programs in the state. Priority is given to programs in medically underserved areas that prepare students to serve in multi-cultural communities, low-income neighborhoods, and rural communities. In March 2023, the Department of Health Care Access and Information (HCAI), which administers this initiative, awarded a total of \$17 million to 34 nursing programs, including 17 community college ADN programs. HCAI intends to announced the next round of grantees in March 2024.

***2023 Budget Act.*** The 2023 Budget Act included, subject to future legislation, \$60 million per year Proposition 98 General Fund, starting in 2024-25 for five years (\$300 million total) to grow, educate, and maintain the next generation of registered nurses through the community college system.

### **Legislative Analyst’s Office Assessment and Recommendations**

***Assessment: Nursing Enrollment Is Back on Track.*** After declining during the pandemic, nursing programs reported in fall 2023 that they have capacity and plans to increase enrollment slots, as Figure 1 from the LAO shows. Nursing programs also are reporting strong demand from students again, with community college and many other nursing programs reporting far more applications than they can accommodate. CCC programs have an incentive to enroll these students because they are funded based on enrollment and receive additional state funding for their nursing programs. Private programs, meanwhile, have an incentive to fill enrollment slots with tuition-paying students. Given these circumstances, it is unclear why additional state funding is needed as proposed in the Governor’s budget.

Figure 1



***Assessment: Strong Workforce Program (SWP) Designed to Address Regional Challenges.*** To the extent regional supply challenges persist, existing SWP funding is well-suited to support nursing programs. The underlying rationale for SWP is that some programs (just like nursing) have especially high costs due to equipment and low student-faculty ratios. In addition, the Legislature recognized when it created SWP that some industry sectors (like health care) might benefit from regional coordination and planning. The SWP structure allows for providers and employers to identify workforce needs and develop a regional strategy. Data provided by the Chancellor's Office show that all eight regional consortia have large annual surpluses of SWP funding (particularly the Central Valley/Mother Lode, South Central Coast, and Inland Empire/Desert consortia). These funds are available to use for nursing programs and other local and regional workforce priorities.

***Recommendation: Recommend Legislature Reject Proposal.*** Given that data suggests the current mismatch between supply and demand of RNs is temporary and that lack of state funding does not seem to be a key reason underlying the shortage, the LAO recommends the Legislature to reject this

proposal. To the extent individual regions continue to seek increases in their nursing supply pipeline in response to local shortages, colleges already have funding from apportionments, Strong Workforce Program, and other state programs that can be used for this purpose.

**Suggested Questions**

- The 2023 Budget Act included subject to future legislation \$60 million per year, starting in 2024-25 for at least five years to grow, educate, and maintain the next generation of registered nurses through the community college system- \$300 million Proposition 98 General Fund overall. Is the Governor’s budget now proposing to make this support a one-time appropriation- at \$60 million Proposition 98 General Fund overall?

**Staff Recommendation.** Hold Open.

**6980 CALIFORNIA STUDENT AID COMMISSION****Issue 6: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Lisa Qing, Legislative Analyst's Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst's Office

Jake Brymner, California Student Aid Commission

Madison Jablonski-Sheffield, California Student Aid Commission

Seija Virtanen, University of California

Cheryl Ide, California State University

**Governor's May Revision Proposals**

The Governor's May Revision includes the following ongoing and one-time solutions.

- **Middle Class Scholarship (MCS).** The May Revision reduces funding by \$510 million General Fund in 2024-25 and ongoing. Combined with a technical adjustment, \$100 million General Fund ongoing would remain for the program. The January Governor's budget initially proposed to forego the MCS planned appropriation of \$289 million General Fund, one-time, in 2024-25.
- **MCS Deadline Extension for Returning/Continuing Students.** The May Revision includes trailer bill language that provides returning/continuing students with additional time to submit a Free Application for Federal Student Aid and receive a MCS award for the 2024-25 award year. The deadline would be extended from May 2, 2024 to July 1, 2024 to renew their awards for the 2024-25 award year only.
- **2022 Trigger Items for Cal Grant.** The 2022 Budget Act included a trigger that anticipated certain programs expenditures would be included in the 2024 Budget Act if General Fund resources reflected in the 2024 May Revision could support ongoing increases over the multiyear forecast. Due to the projected multiyear negative projections, the Cal Grant Reform Act and Cal Grant California Community College Expansion of Transfer Portability changes are not included in the May Revision.
- **Cal Grant Program Caseload Adjustments.** The May Revision reflects updated Cal Grant expenditures based on the latest 2024-25 estimates of enrollment of Cal Grant-eligible students. The May Revision reflects an ongoing \$60.7 million decrease and, compared to the Governor's Budget, there are reduced costs for the program of \$60.5 million one-time in 2023-24.

- **Ongoing Reductions to Student Aid Commission State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Learning Aligned Employment Program.** The May Revision reduces funding for this program by \$485 million General Fund one-time, reflecting the balance of unspent funds. The 2021 Budget Act included \$200 million in 2021-22 and \$300 million in 2022-23 to support state-funded work-study programs at UC, CSU and CCC campuses to be administered by CSAC. AB 132 specified that the program is available for students from an underrepresented background who is enrolled at least part time, a resident student and maintains satisfactory academic progress, and demonstrate financial need. The learning aligned employment position is to be related to the student’s area of study or career interest. Students must be placed with employers that are able to provide them with or connect them to full-time employment opportunities upon graduation.
- **Golden State Teacher Grant Program.** The May Revision proposes the following changes to the program:
  - Reduces support by \$60.2 million General Fund one-time. Combined with a technical adjustment, \$50 million one-time support would remain.
  - Includes trailer bill language that would adjust award amounts and other criteria if the May Revision reduction is adopted.
  - Includes provisional budget bill language to enable the Commission to receive one-time Federal Title II, Part A funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.
  - Includes provisional budget bill language for a \$500,000 reimbursement increase to enable the Commission to receive one-time Individuals with Disabilities Act funds from the California Department of Education to support the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support this program.
  - A one-time \$6 million federal reimbursements reduction to reflect a technical correction in support for the program in 2024-25.

**Suggested Questions:**

- ***For Student Aid Commission, on MCS:*** Please describe the impact of the state operations reductions on CA Student Aid Commission.

- ***For Student Aid Commission, on MCS:*** With the reduction to Middle Class Scholarship, what is the projected average award amount for recipients starting in 2024-25? How does that compare to award amount provided in 2023-24?
- ***For UC and CSU, on MCS:*** How does the Middle Class Scholarship proposal impact your ability to administer the program?
- ***For DOF and Student Aid Commission on Cal Grant Updated Caseload Estimates:*** Do you have an explanation for the proposed downward adjustments?
- ***For Student Aid Commission, on Learning Aligned Employment Program:*** Of the funds appropriated in 2021-22 and 2022-23, how much was expended or obligated? Is this pulling back funding that went to campuses?

**Staff Recommendation.** Hold Open

**6120 CALIFORNIA STATE LIBRARY****Issue 7: Various Governor's May Revision Proposals****Panel**

- Chris Ferguson, Department of Finance
- Ian Klein, Legislative Analyst's Office

*Available for additional questions or details:*

Jennifer Pacella, Legislative Analyst's Office

Greg Lucas, State Librarian

Rebecca Wendt, Deputy State Librarian

**Governor's May Revision Proposals**

The Governor's May Revision includes the following ongoing and one-time solutions.

- **Local Library Infrastructure.** The May Revision proposes to pull back \$4.4 million General Fund one-time of the \$439 million General Fund provided in the Budget Act of 2021.

**Staff Comment:** The January Governor's budget initially proposed to pull back \$131 million one-time General Fund of the \$439 million General Fund provided in the Budget Act of 2021 and forego \$100 million spread across the 2024-25 to 2026-27 fiscal years that would have supported local library infrastructure projects. This item was covered in the March 7, 2024 Subcommittee No.1 hearing and the Administration indicated in its testimony that it would revise the \$131 million amount in May. The updated amount, \$4.4 million General Fund, reflects unspent funds from the 2021-22 appropriation. The May Revision maintains the \$100 million reduction for prospective, unawarded funds.

- **Ongoing Reductions to State Library State Operations.** The May Revision includes an across-the-board reduction to state operations by approximately 7.95 percent beginning in 2024-25 to nearly all department budgets. This reduction includes personnel, operating costs, and contracting. The Department of Finance indicates that it will work with agencies and departments in the Fall on these reductions.
- **Dolly Parton Imagination Library Reduction.** The 2022 Budget Act appropriated \$68.2 million General Fund in 2022-23 for the Dolly Parton Imagination Library program. The May Revision reduces this support by \$40 million General Fund one-time, leaving \$28.2 million in support.
- **Eliminate Support for Lunch at the Library.** The 2022 Budget Act included \$5 million General Fund in 2022-23 and ongoing to support the Lunch at the Library program, with reporting language. The May Revision reduces this support by \$5 million General Fund

ongoing, eliminating state support for this program. Initiated in 2013 with federal funding, Lunch at the Library aims to increase the number of California local libraries serving as summer meal sites and increasing summer enrichment opportunities for students. As the meals themselves are funded by the federal government, the Lunch at the Library program focuses on other services that support summer meal sites. Specifically, the program provides: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites.

- **California Library Services Act (CLSA) Support Adjustment.** The May Revision reduces support by \$1.8 million General Fund ongoing. The 2021 Budget Act previously included \$1.8 million General Fund ongoing for this program.

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

### **Suggested Questions:**

- To clarify, is the updated amount for reductions on Library Infrastructure Grant for prior years and out years reflective of unawarded/unobligated funds?
- ***For State Library:*** Please describe the impact of the state operations reductions on the State Library.
- ***For DOF and State Library, on Lunch at the Library:***
  - Do you have any data on current participation? (For example the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of non-library meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites).



- Did participation expand with the baseline augmentation provided in 2022 Budget Act?
- If this state support is eliminated, then how will current participants be served in the future?
- ***For DOF and State Library:***
  - Was this reduction due to unexpended/unobligated funds?
  - To clarify, how much state support remains available for the Library Services Act?
  - What will be the impact of the reduction going forward?

**Staff Recommendation.** Hold Open