

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator John Laird, Chair
Senator Dave Min
Senator Lola Smallwood-Cuevas
Senator Rosilicie Ochoa Bogh



Wednesday, May 17, 2023
9:00 a.m.
1021 O Street - Room 2100
Part A- 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)
6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

Issue 1: Student Housing at UC, CSU, and CCC

Panel

- Michelle Nguyen, Department of Finance
- Jennifer Pacella, Legislative Analyst's Office

Available for additional questions or details: Seija Virtanen, University of California
 Ryan Storm, California State University
 Lizette Navarette, CCC Chancellor's Office

Governor's May Revision Proposals for 2023-24

- **Higher Education Student Housing Grant Program Changes.** The 2021 Budget Act established the Higher Education Student Housing Grant Program to provide grants for the CCCs, CSU, and UC to construct student housing or to acquire and renovate commercial properties into student housing for low-income students. The 2022 Budget Act allocated approximately \$1.4 billion one-time General Fund to CCC, CSU, and UC campuses and left \$750 million available in 2023-24 for this program. The Governor's budget proposed \$500 million one-time General Fund for 2023-24 and shifting \$250 million one-time General Fund from 2023-24 to 2024-25 for affordable student housing projects.

The May Revision instead proposes \$450 million one-time General Fund for 2023-24 and \$95.4 million one-time General Fund for 2024-25 for CCC affordable student housing projects. The May Revision also proposes to shift approximately \$1.1 billion in current and planned General Fund support for UC and CSU affordable student housing grants from General Fund to UC- and CSU-issued bonds, and reflects an increase of \$75 million ongoing General Fund to support the underlying debt service on those bonds.

Suggested Questions

- Does shifting the finance support for the UC and CSU projects affect the amount of affordable beds produced by each project?
- Does this proposal affect the timeline of projects?
- Would UC and CSU projects be listed in budget trailer bill legislation, in a similar manner to last year's higher education trailer bill, under this proposal?
- Does the Administration still intend to delay funding for the Revolving Loan Fund?
- How will this impact UC and CSU capital outlay program for the next few years? Will this reduce ability to borrow for other projects?

Staff Recommendation. Hold Open

6440 UNIVERSITY OF CALIFORNIA (UC)

Issue 2: Various Governor's May Revision Proposals

Panel

- Gabriela Chavez, Department of Finance
- Ian Klein, Legislative Analyst's Office

Available for additional questions or details: Jack Zwald, Department of Finance
Jennifer Pacella, Legislative Analyst's Office
Seija Virtanen, University of California

Governor's May Revision Proposals for 2023-24

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Base Increase Maintained.** The May Revision maintains the Governor's proposed five percent base increase for UC (\$217 million General Fund in 2023-24 and ongoing).
- **Shift in Finance Support for UC Berkeley Clean Energy Campus Project, UC Merced, and UC Riverside Campus Expansion Projects.** The May Revision shifts \$498 million in current and planned General Fund support to UC-issued bonds for these aforementioned projects. To support the underlying debt service on those bonds, the May Revision includes an increase of \$33.3 million ongoing General Fund.
- **Support for UC Division of Agriculture and Natural Resources (UC ANR).** The May Revision includes a shift of \$4.8 million from UC's main appropriation to provide continued support for UC ANR.
- **Ralph J. Bunche Center.** The May Revision includes a one-time \$5 million General Fund increase for the Ralph J. Bunche Center for African-American Studies at the University of California, Los Angeles.
- **UC Riverside School of Medicine Support.** The May Revision includes an ongoing \$2 million General Fund increase to support UC Riverside School of Medicine.
- **UC Global Entrepreneurs.** The May Revision increase a one-time \$2 million General Fund increase to pilot an entrepreneur in residence project for foreign-born entrepreneurs

and UC students in support of job creation and fostering global talent for innovation in areas of need.

- **Graduate Medical Education Backfill.** The May Revision includes an ongoing increase of \$1.2 million General Fund to offset declining Proposition 56 revenue for a statewide grant program and maintain \$40 million in total ongoing for graduate medical residency slots.

Suggested Questions:

UC Global Entrepreneurs

- Do you have any additional on this request and purposes? Does the May Revision propose budget bill language or trailer bill language for this proposal?

Finance Support Shift for UC Berkeley Clean Energy Campus Project, UC Merced, and UC Riverside Campus Expansion Projects

- Does this shift in financing impact any project timelines?
- Is the Institute for Immunology and Immunotherapy at UCLA part of this UC-issued bond solution? Can you clarify how this project is proposed to be funded going forward relative to these other projects?
- What will these projects cost under this new proposed financing structure?
- How will this impact UC's capital outlay program for the next few years? Will this reduce UC's ability to borrow for other projects?

Staff Recommendation. Hold Open

6610 CALIFORNIA STATE UNIVERSITY (CSU)**Issue 3: Various Governor's May Revision Proposals****Panel**

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Available for additional questions or details: Jack Zwald, Department of Finance
Ryan Storm, California State University

Governor's May Revision Proposals for 2023-24

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Base Increase Maintained.** The May Revision maintains the Governor's proposed five percent base increase for CSU (\$227 million General Fund in 2023-24 and ongoing)
- **Shift in Finance Support for Cal Poly Humboldt.** The May Revision shifts \$201 million General Fund support included in the 2021 Budget Act to support Cal Poly Humboldt Infrastructure projects to CSU-issued bonds. To support the underlying debt service on those bonds, the May Revision includes an increase of \$16 million ongoing General Fund.
- **Restoration of General Fund Support for University Farms.** The May Revision restores \$75 million General Fund support for these projects included in the 2022 Budget Act. The January Governor's budget previously shifted fund support from General Fund to CSU-issued bonds but some expenditures for this purpose were determined to be ineligible for CSU-issued bonds.
- **CSU Chico Human Identification Laboratory.** The May Revision includes an increase of \$3.1 million General Fund in 2023-24 and ongoing to support the construction of the Human Identification Laboratory at CSU Chico's campus through the issuance of CSU bonds.

Staff Recommendation. Hold Open

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

- Madison Sheffield, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

Available for additional questions or details: Lizette Navarette, CCC Chancellor's Office

Governor's May Revision Proposals for 2023-24

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Categorical Program Statutory Changes to Meet CCC Roadmap Goals.** The May revision includes trailer bill language that allows all CCC districts to spend flexibly amongst the following categorical programs beginning in 2023-24: Student Equity and Achievement Program, Student Financial Aid, and Student Mental Health Resources. The proposed language would direct the CCC Chancellor's Office to assess district-level progress towards the roadmap goals. CCC districts that do not hit their goals will have their flexible spending authority revoked and would be offered technical assistance.
- **Apportionments Cost-of-Living Adjustment and Growth.** The May Revision includes an increase of \$25.4 million ongoing Proposition 98 General Fund to reflect a change in the cost-of-living adjustment for apportionments from 8.13 to 8.22 percent, and a decrease of \$2.4 million ongoing Proposition 98 General Fund to sustain 0.5-percent enrollment growth. This amount is in addition to an increase of \$652.6 million ongoing Proposition 98 General Fund included in the Governor's budget.
- **Funding Budget Year Apportionments with One-Time Resources.** The May Revision provides an increase of \$503 million one-time Proposition 98 General Fund to support Student-Centered Funding Formula costs for 2023-24.
- **Student Success and Completion Grant Program Adjustment.** The May Revision includes a decrease of \$50 million one-time Proposition 98 General Fund to reflect revised program participation. This brings the total support for the program to \$362.6 million General Fund in 2023-24.
- **California Community College COVID-19 Recovery Block Grant Decrease.** The May Revision includes a decrease of approximately \$345 million one-time Proposition 98 General Fund in support of the California Community College COVID-19 Recovery Block

Grant, bringing the block grant amount to \$305 million one-time Proposition 98 General Fund, reflecting revised estimates of available Proposition 98 resources.

- **Deferred Maintenance.** The May Revision includes an additional decrease of approximately \$239 million one-time Proposition 98 General Fund for deferred maintenance needs, for a total reduction of \$452 million one-time Proposition 98 General Fund when combined with the reduction proposed in the Governor’s budget. These adjustments reflect revised estimates of available Proposition 98 resources.
- **CCC Categorical Program COLA.** The May Revision includes an additional ongoing \$3 million Proposition 98 General Fund increase for select categorical programs and the Adult Education program to provide an 8.22 percent COLA. The January Governor’s budget included an increase of \$92.5 million Proposition 98 General Fund ongoing to provide an 8.13-percent COLA for the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.
- **LGBTQ+ Pilot Project.** The May Revision includes \$10 million Proposition 98 General Fund a year for three years to support LGBTQ+ students.
- **Los Angeles Community College District Small Business Entrepreneurship and Innovation Center at East Los Angeles College.** The May Revision includes one-time \$2.5 million Proposition 98 General Fund to support this center.
- **Student Enrollment and Retention Revised Proposal.** The Governor’s budget includes an increase of \$200 million Proposition 98 General Fund one-time to continue to support community college efforts and focused strategies to increase student retention rates and enrollment. The May Revision decreases the January Governor’s budget proposal by \$100 million one-time Proposition 98 General Fund. The cumulative total proposed due to this revision is \$100 million one-time Proposition 98 General Fund.
- **CCC Facilities.** The May Revision includes General Obligation bond funding of \$403 million one-time for the construction phase of 19 projects anticipated to complete design by Spring 2023, the design phases of two projects, and both the working drawings and construction for one project. This allocation represents the next installment of the \$2 billion available to the CCCs under Proposition 51.
- **Local Property Tax Adjustment.** The May Revision includes a decrease of \$19.6 million ongoing Proposition 98 General Fund as a result of decreased offsetting local property tax revenues.

Suggested Questions:**Categorical Program Statutory Changes to Meet CCC Roadmap Goals.**

- What issue is this proposal trying to resolve?
- Why were these three categorical programs identified for flexibility?
- How much input did you solicit from districts in the process of determining this proposal?
- Under this proposal, a college could completely defund mental health services and financial aid administration and shift all funding to Student Equity and Achievement Program. Is that correct?

Reductions to COVID-19 Block Grant and Student Recruitment and Retention Efforts

- How were the specific amounts for these reductions determined?
- How would this impact colleges who have expended or encumbered more funding?

Funding Budget Year Apportionments with One-Time Resources

- How was \$503 million determined?
- How does the \$503 million in one-time funding interact with the apportionments COLA and additional reductions included in the May Revision?

Staff Recommendation. Hold Open

6980 CALIFORNIA STUDENT AID COMMISSION**Issue 5: Various Governor's May Revision Proposals****Panel**

- Devin Mitchell, Department of Finance
- Lisa Qing, Legislative Analyst's Office

Available for additional questions or details: Jack Zwald, Department of Finance
Jake Brymner, California Student Aid Commission

Governor's May Revision Proposals for 2023-24

The Governor's May Revision includes the following ongoing and one-time proposals. These proposals are in addition to the Governor's January budget.

- **Cal Grant Program Caseload Adjustments.** The May Revision reflects updated Cal Grant expenditures based on the latest estimates of enrollment of Cal Grant-eligible students. In total, the May Revision reflects estimated Cal Grant expenditures of approximately \$2.2 billion in 2021-22, \$2.3 billion in 2022-23, and \$2.3 billion in 2023-24.
- **Golden State Education and Training Program.** Because of lower revenue projections and a resulting increase in the budget problem, the May Revision proposes a decrease of \$480 million one-time General Fund to wind down the Golden State Education and Training Program at the end of the 2022-23 fiscal year.
- **Golden State Teacher Grant Program.** The May Revision includes an increase of \$6 million one-time federal Individuals with Disabilities Education Act funding for the Golden State Teacher Grant Program. These resources would supplement the current General Fund amount appropriated to support grants to students enrolled in a special education teacher preparation program at high-need school sites. Additionally, the May Revision alters proposed statutory changes transmitted with the Governor's budget to maintain the requirement that awardees serve in high-needs schools.
- **Independent Institutions.** The Administration has also determined that a good-faith effort has been made by independent institutions of higher education toward meeting the statutory Associate Degree for Transfer commitment required to maintain the maximum award amount for students attending independent institutions of higher education at \$9,358 for the 2023-24 award year.
- **Financial Aid Programs.** The May Revision includes an increase of \$397,000 General Fund in 2023-24 and ongoing currently unallocated for four positions at the California

Student Aid Commission to support financial aid programs. Combined with the Governor’s budget proposal for one Human Resources position and High School Toolkits, which was covered on March 16, 2023, this augmentation provides the California Student Aid Commission a new total of \$638,000 for five positions beginning in 2023-24 to support financial aid workload.

- **Cash for College.** The May Revision includes an increase of \$103,000 General Fund in 2023-24 and ongoing in the California Student Aid Commission's budget to support the Cash for College program. This is an ongoing increase to this program’s baseline.

Suggested Questions:

- **Cal Grant Program Caseload Adjustments.** How do the caseload estimates and adjustments compare to January Gov’s budget estimates? How does it compare going back the last three years? What are the reasons influencing the changes and adjustments.
- **Independent Institutions.** What is the Administration’s standard for making a “good faith” effort?
- **Financial Aid Programs.** Can you provide the subcommittee members with a new breakdown that reconciles the proposed positions as of May Revision?

Staff Recommendation. Hold Open