

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair

Senator Connie M. Leyva

Senator Mike Morrell



Thursday, May 2, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6600	Hastings College of Law	2
Issue 1: Operations and Deferred Maintenance		2
6120	California State Library	8
Issue 2: Zip Books		9
Issue 3: Lunch at the Library		11
Issue 4: AB 2252 (Limon), Chapter 318, Statutes of 2018.....		15
6980	California Student Aid Commission.....	17
Issue 5: Cal Grant Program – Student Parents.....		18
Issue 6: Competitive Cal Grant Program		25
Issue 7: Grant Delivery System Modernization.....		27
Issue 8: State Operations.....		30

Public Comment

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6600 HASTINGS COLLEGE OF LAW**Issue 1: Operations and Deferred Maintenance****Panel**

- Jack Zwald, Department of Finance
- Jason Constantourous, Legislative Analyst's Office
- Chancellor and Dean David Faigman, Hastings College of Law
- David Seward, Hastings College of Law

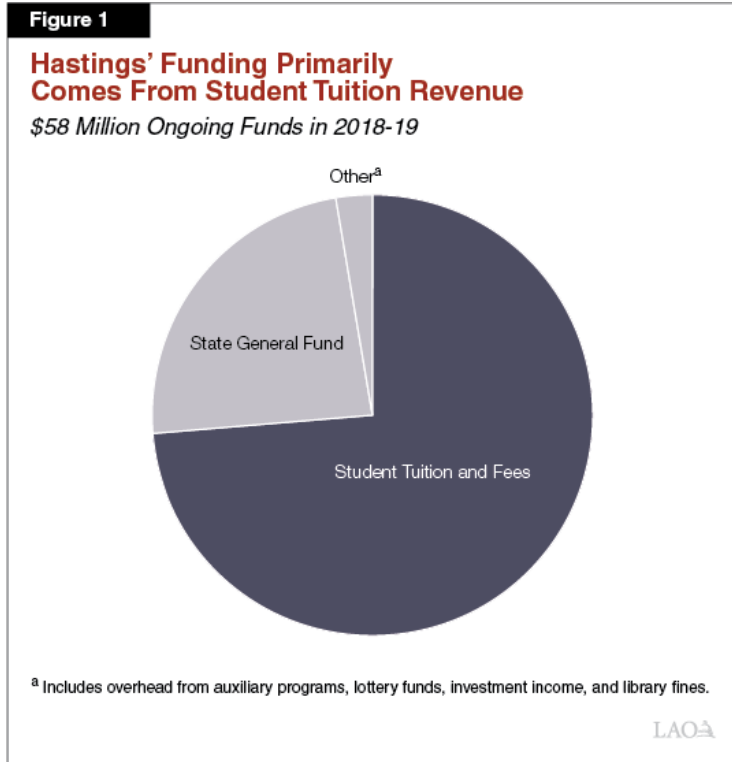
Background

Hastings was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. Hastings is the oldest law school and one of the largest public law schools in the United States. The business of the college is managed by the Board of Directors. The Board has 11 directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and confirmed by the Senate. Directors serve for 12-year terms. Hastings is approved by the American Bar Association and is accredited by the Accrediting Commission for Senior Colleges and Universities of the Western Association of Schools and Colleges. Hastings is a member of the Association of American Law Schools.

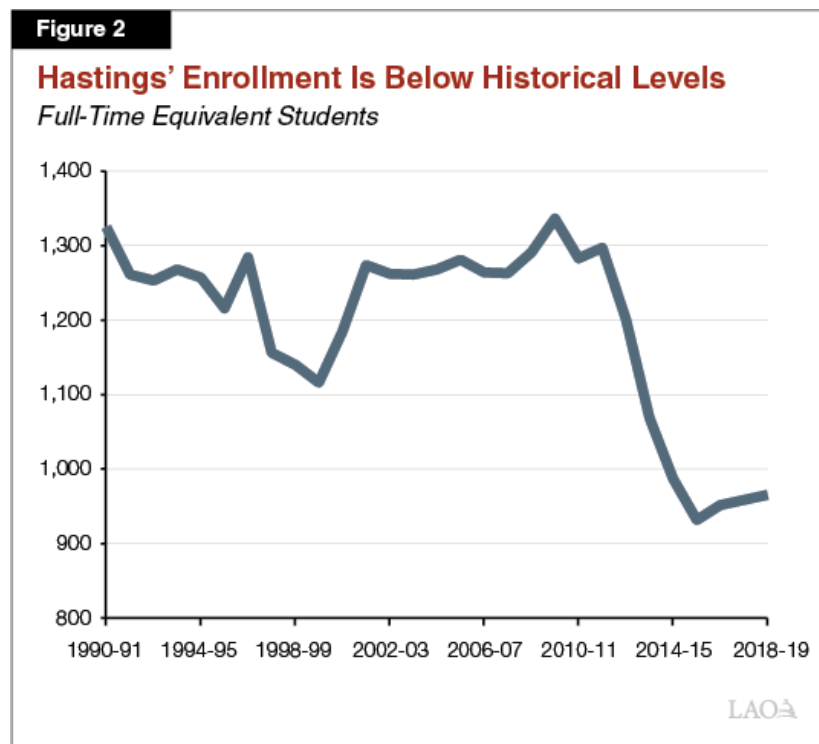
The Juris Doctor degree is granted by the Regents of the UC and is signed by the President of the UC and the Chancellor and Dean of Hastings College of the Law. In 2018-19, the school enrolled 944 full-time equivalent (FTE) juris doctor students, of which 823 are California residents. Most out-of-state students are able to gain residency after one year of attendance. The school also offers a Master of Law and a Master of Studies in Law, enrolling a total of 22 FTE students in these programs.

Hastings is a stand-alone campus located in San Francisco. It participates in many of the UCs compensation and administrative programs. Hastings does not receive funding from the UC system, and the state budgets for it separately from UC.

Hastings Is Receiving \$58 Million in Ongoing Core Funding in 2018-19. Hastings relies heavily on student tuition and fee revenue to support its operations. In 2018-19, \$43 million (74 percent) of its ongoing funding came from student tuition and fees, \$14 million (24 percent) came from state General Fund, and \$1.6 million (2.7 percent) came from various other sources (including the state lottery and investment income). The chart on the following page displays Hastings budget.



Similar to Other Law Schools, Hastings Enrollment Is Notably Below Peak. In 2018-19, Hastings has about 370 fewer FTE students than in 2009-10, when the school's enrollment peaked. The drop in enrollment the past several years is linked to a national decline in student demand to attend law school. The school plans to decrease its enrollment slightly (to a total of around 950 students) beginning in 2021-22.



Recent Increase in Tuition Discounting Has Resulted in Budget Deficit. Similar to other law schools across the nation, Hastings discounts a portion of tuition for many students. In 2018-19, the annual tuition at Hastings is \$43,486. These tuition discounts are allocated to students primarily based on merit rather than household income or financial need. Students generally receive the discount throughout their three years of attendance. In 2015-16, Hastings began relying more on tuition discounts to attract higher quality applicants. The average discount rate for the fall 2015 cohort was 42 percent, compared to 25 percent for the previous cohort. For the next two cohorts (fall 2016 and fall 2017), the average discount rate remained above 40 percent.

The school has not had sufficient annual revenue to support the higher tuition discounting, resulting in the school running annual budget deficits. In 2017-18, the school ran a \$3.9 million budget deficit, equating to 6.3 percent of its total spending on operations and financial aid. Hastings has been using a portion of its reserves to cover these deficits.

The chart below represents scholarships and grants across UC law schools and displays a combination of fee based discounting and scholarships funded from private endowment.

Grants and Scholarships 2017-18	UC Hastings	UC Berkeley Law	UC Davis Law	UCLA Law	UC Irvine Law
	Students	Students	Students	Students	Students
Total Number students	926	943	500	942	420
Number of students receiving grants	844	608	462	759	394
Less than 1/2 tuition	535	377	113	494	182
Half to full tuition	309	196	277	249	202
Full tuition	0	0	0	9	10
More than full tuition	0	35	72	7	0
75th percentile grant	\$25,000	\$30,000	\$40,375	\$28,334	\$30,000
50th percentile grant	\$20,000	\$22,500	\$32,500	\$20,000	\$25,000
25th percentile grant	\$10,000	\$9,838	\$24,500	\$13,334	\$20,000
Source: ABA Standard 509 Information Report 2018					

Hastings Has Two Core Budget Reserves. Hastings has a general, unrestricted reserve for operations and a reserve to cover the costs of future building maintenance and upgrades. While designated for maintenance projects, Hastings indicates the building and maintenance reserve is available to cover budget deficits once the operating reserve is depleted. In addition, Hastings indicates its housing and other auxiliary programs have reserves that the school could use to cover a budget deficit in the case of a fiscal emergency.

Hastings' Has a Multiyear Plan for Eliminating Its Budget Deficit. In 2017-18, Hastings submitted its first multiyear plan to eliminate its budget deficit by 2020-21. The plan included reducing tuition

discounting beginning in 2018-19 and increasing tuition charges in 2019-20. In 2018-19, the school revised its deficit-reduction plan by reducing its tuition discount year to 37 percent and extending the period for eliminating its deficit by one year through 2021-22. The Hastings chart below summarizes Hastings operating balance and reserves.

Operating Balance and Reserves (in millions)

	Operating Balance	Ending Operating Reserve	Ending Maintenance Reserve	Total Core (State) Reserves	Projected Core (State) Budget	Reserves as a % of Budget
2017-18 Actual	-\$3.9	\$11.5	\$5.8	\$17.3	\$58.6	30%
2018-19 Budget	-\$1.9	\$9.6	\$6.0	\$15.6	\$58.4	27%
2019-20 Estimate	-\$6.0	\$3.5	\$6.1	\$9.6	\$59.8	16%
2020-21 Projected	-\$2.2	\$1.2	\$6.1	\$7.3	\$64.2	11%
2021-22 Projected	-\$1.0	\$0.2	\$6.2	\$6.4	\$64.3	10%
¹ Reserves exclude auxiliary enterprises (extramural) at \$6.8 million 6/30/18; these increase approx. \$2 million annually.						
² Expenditures beginning 2019-20 include \$750,000 for Diversity Pipeline; funds appropriated in 2018-19 (\$4.5 million).						

Governor's Budget Proposal

Provides an Increase of \$1.4 Million Ongoing General Fund. The proposed General Fund augmentation is unrestricted and reflects a 2.3 percent increase in Hastings' core funding. The Governor links the General Fund augmentation to an expectation that Hastings not increase tuition in 2019-20. Hastings has indicated that they will not increase tuition for the eighth consecutive year. Hastings plans to slightly decrease enrollment in 2019-20, resulting in a slight decline in total tuition revenue.

Governor Proposes Ongoing Increase at Hastings to Be Supported by General Fund
Dollars in Millions Except Per-Student Amounts

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
Tuition and fee revenue	\$41.9	\$43.0	\$42.9	— ^a	— ^a
General Fund	12.7	13.8	15.2	\$1.4	10.3%
Other ^b	4.0	1.6	1.6	—	—
Totals	\$58.6	\$58.4	\$59.8	\$1.4	2.3%
FTE students	959	966	964	-2	-0.2%
Funding per student	\$61,177	\$60,523	\$62,059	\$1,536	2.5%
^a Less than \$500,000 or 0.05 percent. ^b Includes investment income, administrative overhead from auxiliary programs, and state lottery funds.					

Provides \$1 Million One-Time General Fund for Deferred Maintenance. The Governor also proposes to fund some deferred maintenance projects in 2019-20. Hastings has identified a maintenance backlog totaling \$1.5 million at Kane Hall, one of Hastings' two academic facilities. Staff at the school indicate they are in the midst of identifying which projects on this list to support with the proposed \$1 million. The chart on the following page displays Hastings reported maintenance backlog.

Hastings' Reported Maintenance Backlog at Kane Hall (In Thousands)

Project	Cost
Carpet replacement for entire building	\$756
Replace security system controls	200
Replace elevator control systems	200
Interior painting	150
Replace heating and cooling control system	150
Replace lighting control system	90
Total	\$1,546

Legislative Analyst's Office Comments

Although overall ongoing funding is increasing, Hastings is continuing its plan to reduce overall spending to address its budget deficit. Hastings plans to reduce the tuition discount rate for the fall 2019 cohort to 30 percent. This action would reduce the cost of tuition discounts by a total of \$2 million. Hastings plans to use some of these savings to increase certain other operational costs—most notably, employee salaries (three percent), operating expenses and equipment (1.5 percent), and employee benefits (0.5 percent).

Hastings estimates its deficit would decline from \$6.4 million in 2018-19 to \$5.3 million in 2019-20. Though the planned operating deficit is smaller, the schools anticipates fully spending down its operating reserve and beginning to draw down its maintenance reserve in 2019-20. Hastings also has revised its deficit-reduction plan, extending the timeframe for eliminating its deficit by another year (until 2022-23). The revised deficit-reduction plan assumes Hastings begins increasing tuition by five percent annually beginning in 2020-21. Under the plan, the school's maintenance reserve would have \$3.9 million in 2022-23 (about one-third less than the amount in that reserve today).

Deficit Raises Questions About Proposed Compensation Increases. State agencies commonly provide compensation increases. Most agencies, however, have not been dealing with a notable budget imbalance. Given the continued deficit of the school, the extended timeline for eliminating it, the expected complete drawing down of its operating reserve in 2019-20, and the likelihood the school will begin using its maintenance reserve for operating costs, the state may wish not to support Hastings' proposed compensation and equipment increases this year.

Hastings' Identified Maintenance Projects Seem Less Critical Than Other Higher Education Projects. Hastings consists of only two academic facilities—Snodgrass Hall and Kane Hall. The state has substantially addressed maintenance issues at these two facilities over the past several years. Specifically, Hastings is currently undergoing a state-funded project to replace Snodgrass Hall with a new building, with construction of the new building scheduled to be completed by 2020. The state has addressed much of Kane Hall's maintenance issues with previous one-time General Fund appropriations. As a result of these projects, the school indicates that its identified \$1.5 million in projects represents Hastings' final facility maintenance needs.

Hastings' Use of Maintenance Reserve to Cover Operating Deficit Raises Concerns. One prudent use of maintenance reserve funds is to address deferred maintenance projects. The LAO believes using these funds to address Hastings' maintenance issues in 2019-20 is more appropriate than the state providing additional funding. Using a maintenance reserve for maintenance issues is more appropriate than using it to cover operational costs. The LAO is concerned that Hastings' budget plan may result in it not setting aside sufficient funds to support maintenance of its new facility, eventually leading to disrepair.

Reject Proposed Deferred Maintenance Funding. The LAO recommends rejecting the Governor's proposal and instead direct Hastings to cover the cost of remaining Kane Hall maintenance projects using its maintenance reserve. The LAO recommends the Legislature direct Hastings to develop a plan by December 1, 2020, to fund maintenance of its new facility and ongoing maintenance at Kane Hall moving forward. To ensure responsible budgeting, Hastings also should build the associated maintenance costs into its future budgets.

Signal to Hastings Budget Expectations. The LAO encourages the Legislature to signal its expectations to Hastings regarding 2019-20 compensation increases, equipment purchases, tuition discounting, and tuition charges. The LAO encourages the Legislature to keep Hastings' operating deficit in mind and ensure that a plan is in place to eliminate this deficit soon.

Staff Recommendation. Hold Open

6120 CALIFORNIA STATE LIBRARY

The California State Library, established in 1850, collects, preserves, generates, and disseminates information. The Library administers programs funded by state and federal funds to support local public libraries and statewide library programs. The State Librarian is appointed by the Governor.

The California Library Services Board (the state board) consists of 13 members; 9 members are appointed by the Governor, 2 members are appointed by the Senate Rules Committee, and 2 members are appointed by the Speaker of the Assembly. Members serve four-year terms. The state board determines policy for and authorizes allocation of funds for the California Library Services Act. The state board also functions as the State Advisory Council on Libraries for the federal Library Services and Technology Act. The State Librarian serves as chief executive officer of the state board.

In 2018-19, there were 185 library jurisdictions with 1,119 library branches operating in the state. More than 95 percent of local library funding comes from local governments and the remaining five percent comes from state and federal sources.

3-YEAR EXPENDITURES AND POSITIONS [†]

		Positions			Expenditures		
		2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
5310	State Library Services	72.2	69.8	69.8	\$19,112	\$21,254	\$20,096
5312	Library Development Services	15.5	16.5	16.5	31,922	40,169	31,721
5314	Information Technology Services	10.2	10.2	10.2	2,427	2,496	2,362
9900100	Administration	25.3	25.3	25.3	3,220	3,288	3,267
9900200	Administration - Distributed	-	-	-	-3,220	-3,288	-3,267
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		123.2	121.8	121.8	\$53,461	\$63,919	\$54,179
FUNDING					2017-18*	2018-19*	2019-20*
0001	General Fund				\$32,508	\$42,753	\$32,856
0020	California State Law Library Special Account				360	335	331
0483	Deaf and Disabled Telecommunications Program Administrative Committee Fund				552	552	552
0890	Federal Trust Fund				18,337	18,575	18,579
0995	Reimbursements				300	300	300
9740	Central Service Cost Recovery Fund				1,404	1,404	1,561
TOTALS, EXPENDITURES, ALL FUNDS					\$53,461	\$63,919	\$54,179

Issue 2: Zip Books

Panel

- Rebecca Kirk, Department of Finance
- Jason Constantourous, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library

Background

State Program Provides Grants to Local Libraries to Encourage Resource Sharing and Purchasing. The state facilitates resource sharing between libraries through the California Library Services Act (CSLA) program. Currently, 177 of the state's 185 library jurisdictions are organized into nine library cooperatives. The remaining eight jurisdictions chose not to participate in CSLA. The CLSA board determines specific funding allocations for local libraries each year. The program commonly funds the interlibrary loan program, which reimburses libraries for sending books to one another. It also provides funding for digital resource sharing and other initiatives to improve resource sharing between local libraries. In 2016-17, the state nearly doubled ongoing funding for the program, from \$1.9 million to \$3.6 million.

Federal Program Provides Grants That Can Be Used for Local Libraries to Purchase and Deliver Books. The federal Library Services and Technology Act (LSTA) is a program administered by the State Library that provides grants to libraries for local initiatives. Since 2011-12, the State Library has awarded about \$300,000 total in LSTA funding to local libraries for the "Zip Books" program. When a local library does not carry a book, Zip Books allows library patrons to request books at their local library and the library purchases the book from Amazon. Amazon then sends the book directly to library patrons' homes. Patrons then bring the book back to their local library, where the library can add it to their collection, send it to another library to keep in their collection, or sell it. The State Librarian tasked NorthNet, the state's northern-most cooperative, with managing these funds.

In 2018, the Administration indicated that 75 percent of books are kept in library collections. The State Library indicates the zip books allows patrons better access to books, especially for those who live in rural areas where sending a book from one library to another library (also known as Interlibrary Loan) is often costly and time consuming. The Administration notes that on average, a zip book transaction costs \$9.50 in time and labor, compared to \$33 for the traditional interlibrary loan process.

The 2018-19 budget included \$1 million General Fund one-time to support zip books. This augmentation increased the number of library jurisdictions that participated in the zip book program from 55 to 63. The LAO requested information on program expenditures; however, the Administration was not able to confirm if all previous state appropriations were spent.

Governor's Budget Proposal

The Governor proposes \$1 million, one-time local assistance General Fund appropriation for the Zip Books project, which provides for easily accessible online purchasing and convenient shipping of library books to ensure timely and cost-effective access to information in California's hard-to-reach and underserved communities.

According to the Administration, \$900,000 would be used for purchasing an estimated 60,000 books. The book purchases would be on behalf of patrons at the 68 library jurisdictions that participate in the program. In addition, the Administration submitted a list of another 29 library jurisdictions that it believes could potentially begin participating in the program in 2019-20. The remaining \$100,000 would cover NorthNet's administrative costs.

Legislative Analyst's Office Comments

Last year, the LAO recommended rejecting the Governor's proposal. The LAO noted that purchasing zip books for certain libraries provide some benefit to certain libraries, but they do not provide obvious statewide benefit.

The LAO again recommends rejecting the governor's proposal. Specifically, the LAO believes that the Administration does not take into consideration: (1) whether or not local resources are available to cover zip book costs, (2) other options that may reduce delivery costs, such as electronic materials and digital readers, or (3) which libraries are currently unable to fulfill patrons' book requests due to insufficient resources or delivery costs.

The LAO recommends the Legislature to require the Administration to submit an improved proposal next January, as part of the 2020-21 Governor's budget. Alternatively, if the Legislature still desires to provide \$1 million in one-time state funding for local library resource sharing in 2019-20, it could condition release of the funds on the Administration, in consultation with the State Librarian, submitting an improved plan by November 1, 2019. To ensure legislative oversight, provisional budget language could direct the Department of Finance to provide 30-day notification to the Joint Legislative Budget Committee prior to releasing the funds. Under either of these approaches, the LAO recommends the improved plan:

- Identify specific resource challenges facing specific rural libraries.
- Include a fiscal analysis comparing all available resource-sharing options for these libraries.
- Provide at least three years of past funding and spending data for the program, accounting for all applicable fund sources.
- Set forth expectations for improved access and explain how progress toward meeting those expectations would be tracked over the next few years.

Staff Recommendation. Hold Open.

Issue 3: Lunch at the Library

Panel

- Rebecca Kirk, Department of Finance
- Jason Constantourous, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library

Background

Established in 1946, the National School Lunch Program provides public school children free or reduced-price lunches while they attend school. Under the program, the United States Department of Agriculture (USDA) reimburses schools for providing meals that meet certain nutrition standards. To qualify for a subsidized lunch, a child's household must meet certain income thresholds. To qualify for a free lunch, students must be from households that have incomes at or below 130 percent of the federal poverty level (\$27,014 for a family of three). To qualify for a reduced-price lunch, students must be from households earning at or below 185 percent of the federal poverty level (\$38,443 for a family of three). In 2017-18, public school districts, together with some private schools, operated the program, providing meals to a total of 3.7 million students (60 percent of all K-12 students) in California.

USDA also administers the summer food service program (SFSP), also known as the summer meal program, to provide kids and teens in low-income areas free meals when school is out. This program is federally-funded and state administered. This program enables school districts and other eligible community-based organizations to alleviate the summer nutrition gap by offering free, healthy meals to children in youth in low-income neighborhoods.

Summer programs have three key differences with the national school lunch program.

1. Whereas only schools provide meals during the academic year, many more organizations—including local government agencies and nonprofit organizations—are eligible to provide summer meals.
2. Students are not required to demonstrate eligibility to receive a summer meal. Instead, organizations can provide summer meals to any individual under the age of 18 at an eligible site. Eligible sites are those located in areas where at least 50 percent of students qualify for a free or reduced-price lunch during the school year.
3. All meals provided at eligible sites are free.

Summer Program Received \$46 Million Federal Funding in 2016-17. Of this amount, \$25 million covered meals provided by 351 school districts (roughly one-third of all districts) at 2,390 sites, with \$21 million covering meals provided by 199 local agencies, nonprofit organizations, and other providers at 2,571 sites. The state provided a small General Fund match (\$2 million) to the federal funding, which increased the reimbursement rate for each summer meal slightly. Altogether, 16.2 million summer meals were provided in 2016-17—an average of 41,900 meals per summer day.

Lunch at the Library. Initiated in 2013, the Lunch at the Library program provides funds for libraries to:

1. Deliver learning and enrichment programs along with the USDA meal service;
2. Train and support library staff;
3. Conduct project evaluation to ensure that the funds are used responsibly and have impact;
4. Provide teen internship opportunities that help teens develop workforce readiness and social emotional skills as they volunteer at Lunch sites;
5. Provide pop up libraries at community-based meal sites with no programming; and
6. Provide targeted outreach to bring on board under-resourced libraries with a community need for a meal program.

During the summer of 2018, the program reported providing 287,769 summer meals and snacks at 191 sites. Lunch at the Library is currently administered by two California Library Association managers, with the managers devoting 30 percent of their time to the program. In addition, one staff person at the State Library monitors the grant and oversees the program.

According to program staff, Lunch at the Library was initially funded with private grants. Over the past three years, the program also has received \$241,500 in total one-time federal library services technology act (LSTA) funds. In 2018-19, the state provided \$1 million one-time General Fund for the program. The State Library notes that the 2018-19 state investment will be used in summer 2019.

The State Library notes that to date, the average award amount by jurisdiction is \$11,110. Additionally, there are various grant sizes as specified:

- New summer meal programs in summer 2019 will receive \$5,000 in seed funds for the first site.
- Library jurisdictions that are expanding existing meal programs with the addition of new summer meal sites will receive \$3,000 per new site.
- Library jurisdictions that are increasing the learning and enrichment programming at their existing summer meal sites will receive \$2,000 per site.
- Library jurisdictions that are taking pop-up libraries to summer meal sites in the community will receive up to \$2,000 per pop-up library site (depending on the level of partnership activity).
- Library jurisdictions that are providing structured youth development opportunities for teens at their summer meal sites will receive an amount based on individual program need. The average per jurisdiction for the 18 library jurisdictions participating is \$3,350. Several participating jurisdictions will provide structured youth development opportunities at multiple branches.
- Library jurisdictions that are providing structured early childhood nutrition and learning opportunities at their summer meal sites will receive \$2,000 per jurisdiction.

Governor's Budget Proposal

Proposes \$1 Million One-Time General Fund for Lunch at the Library. Approximately two-thirds of the proposed amount would support grants for program start-up costs at new library sites and summer enrichment programs. The remaining funds would support outreach activities, including program staff time and travel to conferences. Program staff anticipate these activities would add around 25 new Lunch at the Library sites. Staff anticipate increasing the number of summer meals served through the Lunch at the Library program by 10 percent to 15 percent (adding an estimated roughly 30,000 to 40,000 meals).

Lunch at the Library Budget Proposal *One-Time State General Fund, 2019-20 (In Thousands)*

Proposed Expenditures	Amount
Local library grants ^a	\$675
Program staff	210
Conference travel and supplies	25
Overhead	90
Total	\$1,000
^a For start-up costs at new library sites and enrichment programs.	

Legislative Analyst's Office Comments

Focusing Efforts Solely on Adding Library Sites Is a Very Narrow Approach to Increasing Participation. Though summer meal programs likely are undersubscribed for several reasons, the Governor focuses on addressing only one factor—insufficient sites. Other factors, however, such as lack of awareness and outreach, could be equally important contributors to low summer participation. Even were the Administration to demonstrate that adding more sites would be the most cost-effective approach for increasing summer participation, the state would be limiting potential success of the initiative by focusing solely on library sites. Presumably, the optimal sites to deliver summer meals vary depending on the local community.

Likely Negligible Impact on Student Outcomes. One expressed objective of more summer enrichment programs is to improve student learning. The state, however, already provides schools with tens of billions of dollars on an ongoing basis to improve student outcomes. The added benefit of expanding summer reading programs at libraries using some portion of \$1 million in one-time funding is likely negligible.

Direct State Library, in Consultation With the California Department of Education, to Submit Improved Proposal. The LAO recommends the Legislature direct the State Library to work in coordination with the California Department of Education to develop an improved plan. The improved plan could be submitted for consideration next January, as part of the 2020-21 Governor's budget. Alternatively, the Legislature could provide \$1 million in one-time state funding in 2019-20 but condition release of the funds on receipt of an improved plan. Under this second option, provisional

budget language could require the Administration to submit a revised plan to the Joint Legislative Budget Committee by November 1, 2019, with a 30-day review period. The plan should:

- Include a comparative analysis of different strategies to improve summer meal participation, such as comparing a public awareness campaign with start-up funding for a new summer reading enrichment program.
- Prioritize funds for areas of the state with higher food insecurity or lower summer meal participation than the statewide average.
- If applicable, invite participation from all types of eligible summer meal operators, including both libraries and schools, in the identified target areas of the state.
- Set expectations for what is to be achieved with the additional state funding and explain how results will be measured, tracked, and reported.

Staff Recommendation. Hold Open.

Issue 4: AB 2252 (Limon), Chapter 318, Statutes of 2018**Panel**

- Rebecca Kirk, Department of Finance
- Jason Constantourous, Legislative Analyst's Office
- Greg Lucas, State Library, California State Library

Background

AB 2252 (Limon), Chapter 318, Statutes of 2018, required the California State Library to create a funding opportunities Internet Web portal (Portal) that provides a centralized location for grant seekers to find state grant opportunities, as specified. The portal must include an interactive Internet Web site that includes, at minimum, information identifying every grant administered by the state and any incentive opportunities allocated by statute or in the annual budget that will provide local assistance funds. The bill requires the Library to provide an annual report to the Legislature on the effectiveness of the Portal, as specified. The bill also requires each state agency, on or before July 1, 2020, to register every grant the state agency administers with the Library prior to commencing a solicitation or award process for distribution of the grant. Lastly, the bill requires the Government Operations Agency (GovOps) to assist the Library with state agency compliance and creating streamlined processes, as appropriate.

Based on the Assembly and Senate Floor Analysis for the final version of the bill, the fiscal estimate for AB 2252 was \$200,000 in one-time costs to enter into a contract to design the website, and for additional workload to work with grant entities to assist and encourage compliance and to provide assistance to grant entities as needed. Additionally, the analysis estimated ongoing costs of approximately \$115,000 to maintain the website, provide assistance for grant entities, and to provide the annual report.

Governor's Budget Proposal

The Governor's budget proposes \$641,000 General Fund in 2019-20 and \$391,000 in 2020-21 and ongoing for the following resources to complete this project:

- \$148,000 in 2019-20 and ongoing for one permanent, full-time Staff Services Manager I (Specialist) position to conduct significant and high-level coordination across dozens of departments, commissions, and boards throughout state government; develop and maintain the resulting dataset of grant opportunities; and write the annual report required of the State Library beginning in January 2022.
- \$149,000 in 2019-20 and ongoing for one permanent, full-time Information Technology Specialist I position to help create and maintain the website and ensure interoperability between the website and the various systems state entities are currently using or will use in the future, to ensure state entities will not need to input the same data more than once.
- \$250,000 in 2019-20 for one-time website development and training.
- \$94,000 in 2019-20 and ongoing for software subscriptions and cloud hosting.

Staff Comments

Staff notes that the resources proposed by the Governor are larger than what was reported when AB 2522 was heard in the Legislature. The subcommittee may wish to request additional information on what the differences are.

Staff Recommendation. Hold Open.

6980 CALIFORNIA STUDENT AID COMMISSION

The mission of the California Student Aid Commission (CSAC) is to make education beyond high school accessible to all Californians by administering financial aid and outreach programs. CSAC consists of 15 members; 11 members are appointed by the Governor and confirmed by the Senate, two members are appointed by the Senate Rules Committee, and two members are appointed by the Speaker of the Assembly. In general, members serve four-year terms; the two student members, appointed by the Governor, serve two-year terms.

CSAC Budget

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
Spending					
Local Assistance					
Cal Grants	\$2,105	\$2,271	\$2,560	\$289	12.7%
Middle Class Scholarships	100	103	106	3	2.8
Chafee Foster Youth Program	13	18	18	—	—
Student Opportunity and Access Program	8	8	8	—	—
Assumption Program of Loans for Education	5	3	1	-2	-55.2
Other programs ^a	3	6	3	-3	-47.8
Subtotals	(\$2,234)	(\$2,408)	(\$2,696)	(\$288)	(11.9%)
State Operations	\$16	\$21	\$22	\$1	4.1%
Totals	\$2,249	\$2,430	\$2,719	\$289	11.9%
Funding					
General Fund	\$1,185	\$1,337	\$1,626	\$289	21.6%
Federal TANF	1,043	1,066	1,066	—	—
Other federal funds and reimbursements	16	21	21	— ^b	0.1
College Access Tax Credit Fund	5	6	6	—	—
^a Includes Cash for College, Child Development Teacher/Supervisor Grants, Every Kid Counts, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, Military Department GI Bill Awards, and State Nursing Assumption Program of Loans for Education for Nursing Faculty. ^b Less than \$500,000. TANF = Temporary Assistance for Needy Families.					

Issue 5: Cal Grant Program – Student Parents

Panel

- Bijan Mehryar, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

Background

State Offers Multiple Types of Cal Grant Awards. In the late 1970s, the state consolidated its financial aid programs into the Cal Grant program. There are three types of Cal Grant awards today:

- Cal Grant A: covers full systemwide tuition and fees at the public universities and up to a fixed dollar amount toward tuition costs at private colleges.
- Cal Grant B: covers tuition in all but the first year of college and provides additional aid to help pay for nontuition expenses, including books, supplies, and transportation.
- Cal Grant C: provides a fixed amount of aid for tuition and nontuition expenses for students enrolled in career technical education programs.

A student may receive a Cal Grant A or B award for up to the equivalent of four years of full-time study, whereas a Cal Grant C award is available for up to two years. Students apply for Cal Grants by submitting a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application. They must reapply each year in which they wish to renew their award. The chart below summarizes that maximum award amounts for full-time students.

Cal Grant Award Amounts Maximum Annual Award for Full-Time Students, 2018-19	
Cal Grant A Tuition awards for up to four years. Full systemwide tuition and fees (\$12,570) at UC. Full systemwide tuition and fees (\$5,742) at CSU. Fixed amount (\$9,084) at nonprofit colleges. Fixed amount (\$8,056) at WASC-accredited for-profit colleges. Fixed amount (\$4,000) for other for-profit colleges.	
Cal Grant B Tuition coverage comparable to A award for all but first year. \$1,648 toward nontuition expenses for up to four years. ^a	
Cal Grant C \$2,462 for tuition and fees at private colleges for up to two years. \$1,094 for nontuition expenses at CCC for up to two years. \$547 for nontuition expenses at private colleges for up to two years.	
^a Excludes \$24 add-on from College Access Tax Credit. WASC = Western Association of Schools and Colleges.	

Entitlement and Competitive Programs Have Certain Eligibility Criteria. In 2000, the Legislature restructured Cal Grants into a relatively large entitlement program and a smaller competitive program. Students must meet certain income and asset criteria to qualify for these programs. For the entitlement program only recent high school graduates and transfer students under age 28 are eligible for entitlement awards. The competitive program is designed for those students ineligible for entitlement awards—typically older students who have been out of school for at a least a few years. Both programs generally require a minimum grade point average (GPA) ranging from 2.0 to 3.0. The below summarizes the various Cal Grant eligibility criteria.

2018-19 Cal Grant Eligibility Criteria

Financial Criteria^a
<p>Cal Grant A and C</p> <ul style="list-style-type: none"> • Family income ceiling: \$88,900 to \$114,300, depending on family size. • Asset ceiling: \$76,500. <p>Cal Grant B</p> <ul style="list-style-type: none"> • Family income ceiling: \$41,500 to \$62,800, depending on family size. • Asset ceiling: same as A and C.
Other Major Criteria
<p>High School Entitlement (A and B)</p> <ul style="list-style-type: none"> • High school senior or graduated from high school within the last year. • Minimum high school GPA of 3.0 for A award and 2.0 for B award. <p>Transfer Entitlement (A and B)</p> <ul style="list-style-type: none"> • CCC student under age 28 transferring to a four-year school. • Minimum community college GPA of 2.4. <p>Competitive (A and B)</p> <ul style="list-style-type: none"> • An individual ineligible for one of the entitlement awards, typically due to age or time out of high school. • Minimum GPA requirements same as for entitlement awards. <p>Competitive (C)</p> <ul style="list-style-type: none"> • Must be enrolled in career technical education program at least four months long. • No minimum GPA. <p>^aReflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24). GPA = grade point average.</p>

Total Cost of Attendance Includes Both Tuition and Living Costs. Apart from tuition, college students incur costs for housing, food, transportation, books, and personal expenses. For many students, these nontuition costs can exceed their tuition costs. In addition to Cal Grants, other state and federal aid programs assist students with their living expenses. The federal Pell Grant program provides

low-income students with awards of up to \$6,095 annually that can be used for tuition or other expenses. Because Pell Grant recipients at California's public segments typically receive tuition coverage through Cal Grants or other state-funded fee waivers, these students commonly use Pell Grants for living costs. At California Community Colleges, Cal Grant recipients who enroll full-time are eligible for Student Success Completion Grants, which provide up to \$4,000 annually for living costs. In addition, University of California's institutional aid program provides grants on a sliding scale to assist with students' living costs. Some low-income students are also eligible for programs such as CalWORKs (cash assistance), CalFresh (food assistance), and subsidized child care and preschool. While student financial aid programs are administered by the CSAC and the segments, public assistance programs are primarily administered by state and local social services agencies.

Award Time-Frame. As noted above, existing education law prohibits the receipt of a Cal Grant award in excess of the amount equivalent to the award level for four years of full-time attendance in an undergraduate program. Additionally, existing law specifies that CSAC increase the Cal Grant award amount in proportion to the period of additional attendance for students who accelerate their college attendance by enrolling during the summer, but that the total award amount a student may receive over a four-year period may not be increased as a result of such acceleration. SB 461 (Roth), currently under consideration by the Legislature, seeks to expand eligibility for Cal Grant awards by allowing a Cal Grant A or B recipient to receive up to two summer term Cal Grant awards for the purpose of timely completion at a public postsecondary institution.

In 2018-19, approximately 469,000 new and renewal Cal Grant awards were offered, of this, 432,000 awardees attended the public segments (218,718 CCC awardees, 72,128 UC awardees and 141,259 CSU awardees).

Governor's Budget Proposal

Caseload Increase. The budget increases 2018-19 Cal Grant spending by \$33 million above the 2018 budget level due to higher-than-expected caseload. Compared with the revised 2018-19 level, the budget provides a \$158 million (seven percent) increase for 2019-20, excluding augmentations for proposed policy changes. The budget-year increase is due to a projected 6.1 percent increase in recipients coupled with a small increase (\$48 or 0.8 percent) in average award size. The cost estimate for 2019-20 assumes no changes in tuition and fees at UC and CSU.

Governor Assumes No Reduction in Award Size for Nonprofit Colleges. Last year, the state placed a new condition on Cal Grant awards at private nonprofit colleges. Specifically, this sector must admit at least 2,000 students with an associate degree for transfer in 2018-19 or the award amount for all Cal Grant recipients at that sector will be reduced from \$9,084 to \$8,056 in 2019-20. The target number of students admitted with an associate degree for transfer is scheduled to increase in subsequent years. The Governor's budget assumes that the sector will meet its target, thus maintaining the higher award amount for 2019-20. The Administration will report at the May Revision as to whether the sector is on track to meet the target. Were the sector not to meet the goal, the LAO estimates that the associated Cal Grant costs would decline by \$9 million in 2019-20.

Nontuition Coverage for Student Parents. The Governor proposes \$122 million General Fund ongoing to provide additional nontuition aid for student parents. The proposal would create a Cal Grant A Access award and would increase the size of the Cal Grant B Access award and Cal Grant C Book and Supply award for eligible student parents. The maximum grant for student parents attending full time would range from \$4,000 to \$6,000, depending on the award type. As with all Cal Grants, the

award amount would be prorated downward for part-time students. Only student parents enrolled at CCC, CSU, and UC would be eligible for the higher grants. Student parents attending private colleges would be ineligible. CSAC estimates that it would cost approximately \$5.9 million to include this sector. The Administration's \$122 million cost estimate assumes that most eligible student parents would receive the maximum award. The Administration will likely adjust this estimate downward at May Revision to account for student parents who enroll part-time.

**Proposed Increase in Nontuition Coverage for Student Parents
Maximum Annual Award for Full-Time Students at Public Segments**

Award	Current Award Size	Award Size Under Governor's Proposal
Cal Grant A Access	—	\$6,000
Cal Grant B Access ^a	\$1,648	6,000
Cal Grant C Book and Supply	1,094	4,000
^a Excludes \$24 add-on from College Access Tax Credit.		

Profile of Student Parents Receiving Cal Grants in 2017-18

	Number	Percent
Recipients by Award Type ^a		
Competitive award	25,215	79%
Cal Grant C	3,149	10
High School Entitlement award	2,217	7
Transfer Entitlement award	1,270	4
Totals	31,851	100%
Recipients by Segment		
California Community Colleges	21,392	67%
California State University	6,475	20
Private for-profit schools	1,600	5
Private nonprofit schools	1,589	5
University of California	766	2
Other public schools	29	— ^b
Totals	31,851	100%
^a Reflects new and renewal awards.		
^b Less than 0.5 percent.		

According to the LAO, student parents comprise nine percent of all Cal Grant recipients. Of student parents receiving a Cal Grant, 79 percent receive a competitive award. Two-thirds of student parents awarded a Cal Grant attended CCC, and 20 percent attended CSU. Most student parents do not meet the Cal Grant high school or transfer entitlement eligibility criteria and must instead apply for a competitive award. State law authorizes a limited number of competitive awards annually. Each year, the number of

eligible applicants for new awards significantly exceeds the number of authorized new awards. Of about 62,000 eligible student parents who applied for a competitive award in 2017-18, about 44,000 (71 percent) did not receive one. The competitive Cal Grant program will be discussed later in the agenda.

Legislative Analyst's Office Comments

Caseload Cost Estimates Appear Reasonable. From 2013-14 to 2017-18, Cal Grant caseload increased by an average annual rate of 5.8 percent. For 2018-19, caseload is estimated to increase 7.6 percent. Given these recent growth rates, we think CSAC's projection that caseload will increase by 6.1 percent in 2019-20 is reasonable. Regarding average award size, CSAC's estimated increase for 2019-20 (0.8 percent) is somewhat higher than the average annual increase in award size from 2013-14 to 2017-18 (0.1 percent). The LAO believes the higher adjustment is reasonable because caseload is expected to grow faster at the universities than at CCC in 2019-20; this is because awards for students attending UC and CSU cost more than awards for students attending CCC. The LAO anticipates that CSAC will update its current- and budget-year cost estimates at the May Revision to reflect the latest Cal Grant data available.

Student Parent Proposal Further Complicates Financial Aid System for Students. Over the last few years, the Legislature has expressed an interest in making the state's financial aid system easier for students to understand and navigate. Much of this conversation has centered around streamlining the Cal Grant program, which currently consists of multiple award types that each have different rules regarding eligibility and award amounts. The Governor's proposal to increase nontuition coverage for student parents acts counter to this objective. Rather than streamlining the Cal Grant program, the Governor's proposal creates a new award (the Cal Grant A Access award), adds tiers to two existing awards (the Cal Grant B Access award and the Cal Grant C Book and Supply award), and introduces a new set of eligibility criteria and rules that applies only to one subset of financially needy students.

Proposal Does Not Strictly Target Aid Toward Highest-Need Students. A student's financial need is determined primarily by a federal formula, which takes into account family size. While all Cal Grant recipients have financial need, the level of need varies widely. Because the Governor's proposal provides additional aid based on a student's parental status rather than financial need, the proposal could have unintended distributional consequences. For example, the proposal could provide an additional \$6,000 in aid to a student parent receiving a Cal Grant A award, while providing no additional aid to a lower-income dependent student receiving a Cal Grant B award. This is inconsistent with a need-based approach to prioritizing funding.

Under Proposal, Most Student Parents Still Would Not Receive a Cal Grant. Based on recent caseload data, the Administration estimates that about 29,000 student parents would receive the proposed Cal Grant awards. Tens of thousands of other financially needy student parents, however, would not benefit from the proposal. Specifically, the LAO estimates about 44,000 eligible student parents with financial need would not receive any Cal Grant award because of the limited number of competitive awards authorized each year. Additionally, the LAO estimates another 3,000 student parents would not benefit from the proposal because they are attending private colleges.

More Information Needed on Other Public Assistance for Student Parents. Currently, state agencies do not collect and report comprehensive data on student parents' participation in programs such as CalWORKs, CalFresh, and subsidized child care and preschool. As a result, policymakers have a limited understanding of the total benefits that student parents receive across these programs. Data on this issue

would allow the Legislature to better understand the extent to which these programs collectively meet student parents' needs and how much unmet need remains. The Legislature also may wish to explore options for (1) improving coordination between student financial aid and public assistance programs or (2) delivering students' nontuition coverage all through one system. As the Legislature evaluates its options, it likely will face tradeoffs between expanding nontuition coverage for students and expanding public assistance for low-income individuals more broadly.

State in Midst of Collecting Updated Cost of Attendance Data. CSAC is currently administering the Student Expenses and Resources Survey (SEARS) for the first time since 2006-07. This survey collects data on what students in various demographic groups (including students with dependents) spend on housing, food, transportation, child care, and other living costs. CSAC anticipates that survey results will be available in fall 2019. These data on living costs, coupled with information on unmet financial need, would allow the Legislature to make more informed decisions about nontuition coverage for student parents.

Reject Governor's Proposal, but Consider Further Study of Student Parents' Unmet Needs. The Governor's proposal to expand nontuition coverage for student parents would further complicate the state's financial aid system and could have unintended distributional effects. For these reasons, the LAO recommends the Legislature reject this proposal. The proposal, however, raises important questions about the unmet financial need of student parents. If the Legislature wishes to pursue further information in this area, it could request that CSAC, the segments, and relevant social services agencies assess the costs facing student parents and the extent to which current financial aid and public assistance programs meet student parents' needs.

Staff Comments

The 2017-18 budget required CSAC to report by February 1, 2018, on options to consolidate existing programs that serve similar student populations in order to lower students' total cost of college attendance, including: tuition and fees, books and supplies, transportation, and room and board. The intent is to identify: (1) similarities between the state's nine grant and scholarship programs and the four loan assumption programs, including similarities in student and family eligibility requirements; (2) options for how programs could be streamlined or consolidated; and (3) any technology or systems barriers, or other challenges to streamlining or consolidating programs. CSAC may convene a group of stakeholders, including high school and college students, to provide input in the development of the recommendations.

CSAC contracted with the Century Foundation, and released a report *Expanding Opportunity, Reducing Debt: Reforming California Student Aid*, on April 3, 2018. The report recommended a substantial overhaul to the existing system, which included: (1) combining major CSAC programs into one Cal Grant entitlement that would be available without regard to students' age, time out of high school or high school GPA, (2) removing the income and asset ceiling and base it on the expected family contribution, (3) providing institutional financial aid on-top of the Cal Grant to address nontuition expenses, (4) revising the expected family contribution to be adjusted to regional costs, and (5) creating a standardize methodology to determine the cost of attendance that takes into regional cost-of-living, among others.

CSAC recognizes that this would be a significant undertaking of CSAC, the Legislature and other relevant stakeholders. As a result, CSAC took action to develop an incremental approach. CSAC

submitted two budget change proposals to this effect, which were not included in the Governor's January budget proposal. These requests were:

1. Increase the Cal Grant B Access Award from \$1,648 to \$2,100. This would cost approximately \$101.4 million General Fund in 2019 and would impact approximately 264,000 students. This would be a part of a four-year plan to increase the Access Award to \$3,000 by 2022-23, which would cost \$351 million.
2. Improve the Cal Grant Transfer Entitlement by: (1) allowing more time between completing at a community college to transferring to a four-year institution (\$21.1 million), (2) refining the residency requirement by requiring the student to be a resident at the time of transfer, not at the time of high school graduation (\$2.8 million), (3) adjusting the application deadline (\$38.0 million), and (4) removing the limitation that a student can only receive a transfer entitlement if they transfer prior to turning age 28 (\$25.9 million). These changes could allow for an additional 10,000 new students to receive Cal Grant when they transfer. CSAC estimates that this would cost approximately \$88.1 million.

Staff shares many of the same concerns as the LAO regarding the proposal. Specifically, it is not clear what other forms of public assistance that this population receives and if there are barriers for students to access those services. For example, the Governor is proposing \$350 million General Fund in 2019-20 to increase the CalWORKs grant for eligible families, bringing monthly grants up to \$442 to \$1,205 depending on family size and income level. Conversely, the 2018 budget included a multi-year plan to provide \$360 million annually to bring all families to at least 50 percent of the federal poverty level. Additionally, the LAO notes that most student parents do not receive an entitlement award, with 79 percent of student parent awardees receiving a competitive Cal Grant, however in 2017-18 about 44,000 (71 percent) eligible student parents who applied did not receive one. If the subcommittee wishes to target this population of students, it may wish to consider the competitive Cal Grant program. Moreover, while the Governor's proposal acknowledges the total cost of attendance for this population of students, it ignores the costs of lower-income students under the Cal Grant B program.

Staff Recommendation. Hold Open.

Issue 6: Competitive Cal Grant Program

Panel

- Bijan Mehryar, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

Background

As noted in the previous item, existing law also establishes the Cal Grant Competitive Award program, which provides 25,750 Cal Grant A and B awards to applicants who meet financial, academic and general program eligibility requirements. Half of these awards are reserved for students enrolled at a community college and who met the September 2 application deadline. According to CSAC's website, eligibility for this program is geared toward nontraditional students, such as those who did not go to college right after high school, and takes into account not only GPA, but also time out of high school, family income, parents' education levels, high school performance standards and other factors, such as whether the student comes from a single-parent household or was a foster youth.

Number of Eligible Applicants Far Exceeds Current Supply of Awards. According to the CSAC, this program is oversubscribed with applicants that did not meet the high school or transfer entitlement programs eligibility requirements. Since the competitive program was last expanded, between 295,000 and 325,000 eligible students have applied for the 25,750 competitive awards annually. Each year, only 11 percent of applicants have been offered awards.

Students Receiving Awards Have Relatively Low Income. Although competitive award recipients are eligible for either Cal Grant A or Cal Grant B, nearly all of them receive Cal Grant B (signifying they are lower income). The average income among students offered a competitive award in 2018-19 was approximately \$7,382. This is considerably lower than the average income of students offered a high school entitlement award (about \$33,000) and students offered a transfer entitlement award (about \$32,000). In contrast, competitive recipients have an average high school GPA that is comparable to that of entitlement recipients. Additionally, the average age of a competitive Cal Grant awardee is 33 years old, compared to 18 years old for the high school entitlement and 23 years old for the CCC transfer entitlement.

Remaining Unserved Applicants Also Have High Financial Need. In 2018-19, the average income among approximately 261,551 eligible applicants not offered a competitive award was about \$28,000. This suggests that the Legislature could expand the supply of competitive awards by a substantial amount and still serve students who have high financial need.

CSAC Selects Competitive Award Recipients Based on Several Criteria. Cal Grant applicants who do not qualify for an entitlement award are considered for a limited number of competitive awards. CSAC uses a scoring matrix to prioritize among applicants. Each applicant is assigned a score out of a maximum 1,000 points. Those with the highest scores receive award offers. The scoring matrix places greatest weight on an applicant's financial need. Applicants also receive points for certain socioeconomic factors and their GPA. The chart on the following page describes the components of the selection criteria.

Competitive Award Scoring Matrix 2018-19

Component	Maximum Points
Expected family contribution ^a	250
Family income and size	250
Dependents ^b	100
Parents' educational level	100
Disadvantaged high school experience ^c	100
Disadvantaged family experience ^d	100
Grade point average	100
Total	1,000
^a Refers to how much a student's family is expected to pay for college, as calculated by a federal need-based formula. ^b Points awarded to single independent students with dependents. ^c Points awarded to students who attended schools with high poverty rates, schools with low college-going rates, or continuation schools. ^d Points awarded to students who are foster youth, orphans, wards of the court, unaccompanied, or at risk of homelessness.	

Governor's Budget Proposal

Proposes Increasing Number of Competitive Awards. The Governor proposes to augment ongoing Cal Grant funding by \$9.6 million to support 4,250 additional competitive awards. This proposal would increase the total number of new competitive awards authorized annually to 30,000. Consistent with current law, half of these awards would be reserved for students attending CCC.

Legislative Analyst's Office Comments

Recommend Legislature Prioritize Increasing the Number of Competitive Awards. The LAO estimates expanding the number of authorized awards by 4,250 would increase the share of eligible applicants offered an award to 12 percent, assuming no change in the number of eligible applicants or the associated paid rate. If the Legislature chooses to augment funding for Cal Grants, the LAO believes that increasing the number of competitive awards would be a reasonable use of funds. Currently, the number of applicants vastly exceeds the number of authorized awards, and the applicant pool is relatively low income. Should the Legislature wish to increase the number of new competitive awards beyond the 4,250 proposed by the Governor, the LAO estimates that every \$1 million would allow the state to authorize about 440 additional awards. This estimate assumes no changes in tuition, the distribution of awards across segments and award types, and the percentage of available awards that are paid.

Staff Recommendation. Hold Open.

Issue 7: Grant Delivery System Modernization

Panel

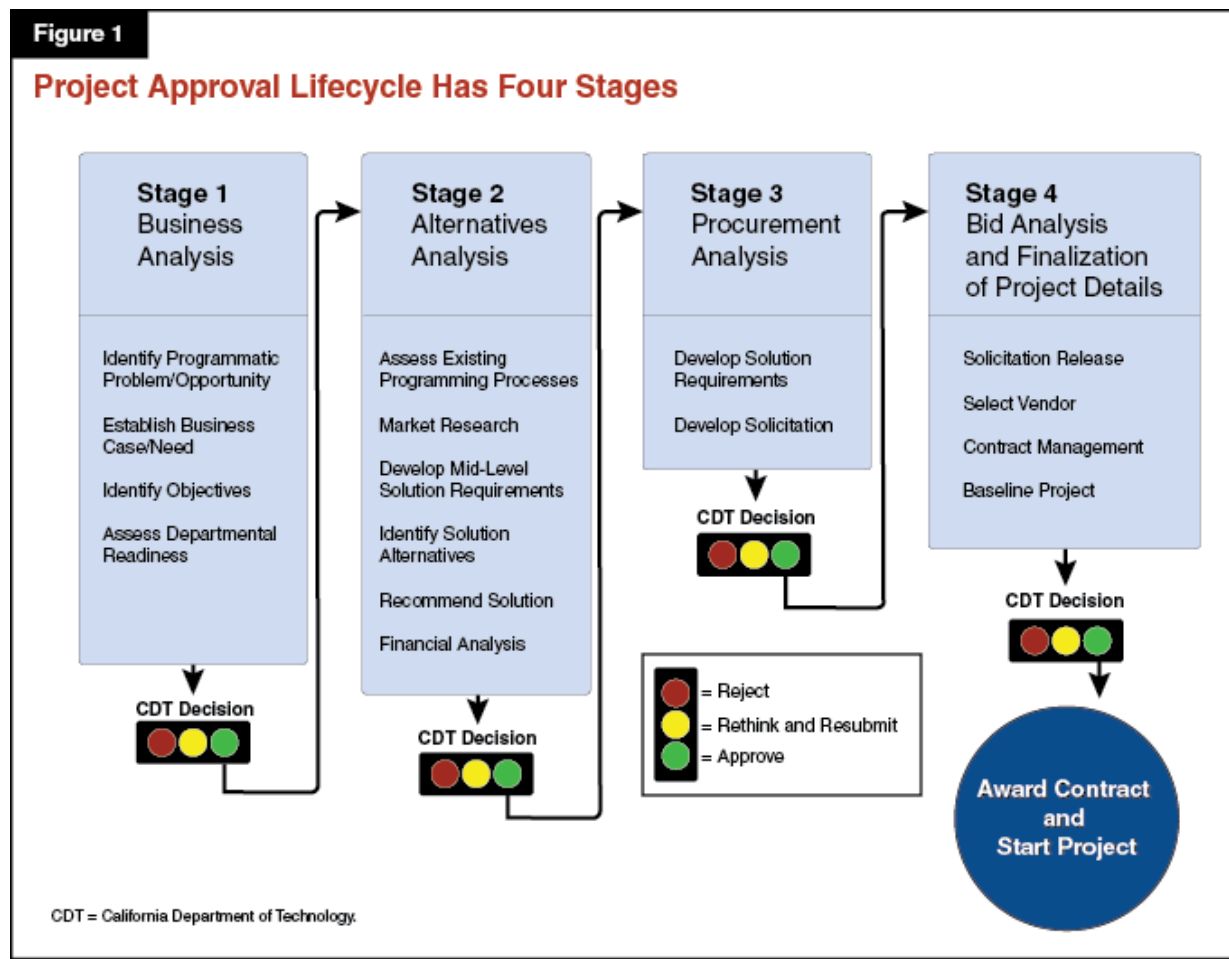
- Bijan Mehryar, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

Background

Grant Delivery System Is How CSAC Administers Its Financial Aid Programs. CSAC uses an information technology (IT) platform known as the Grant Delivery System (GDS) to process student financial aid applications, make aid offers to students, and manage aid payments. Students, high school staff, and college financial aid administrators also use the system. Most notably, students and high school staff use the system to submit information needed for financial aid applications, and college administrators use the system to process aid payments.

CSAC Is in the Process of Replacing Its Existing System. Since the system was developed about 30 years ago, the state has made substantial changes to CSAC's financial aid programs; however, the system has been unable to fully accommodate these changes. Instead, CSAC has needed to adopt numerous manual processes, which have in turn increased staff workload. In addition, the system is experiencing frequent unplanned outages, during which students and high schools cannot submit application information and colleges cannot request payments.

Project Recently Completed State Approval Process. Most state IT projects are required to go through the Project Approval Lifecycle (PAL), a four-stage planning process overseen by the California Department of Technology (CDT). CSAC completed the final stage of PAL in October 2018 and has since started implementing its system modernization project. The initial anticipated completion date for the project was November 2020. CDT is providing independent project oversight during implementation of the project. As part of its oversight, CDT releases monthly reports that assess the project's overall health and provide ratings (green, yellow, or red) in ten focus areas, including time management, cost management, scope management, and resources.



State Has Provided \$7.3 Million for Project Through 2018-19. From 2015-16 through 2017-18, the state provided CSAC with a total of \$1.8 million for project planning. In 2018-19, the state provided \$5.5 million for the first year of project implementation. In addition to these new resources, CSAC has redirected some current staff (the equivalent of ten positions) from working on the current GDS to assisting in developing the new system.

- The 2015 Budget Act included \$842,000;
- The 2016 Budget Act included \$396,000;
- The 2017 Budget Act included \$546,000; and
- The 2018 Budget Act included \$5.5 million.

Governor's Budget Proposal

Governor Proposes \$6.2 Million One-Time for the Second Year of the Project. Of this amount, \$5.3 million would go to vendors to develop and test the new system, conduct project management, and provide related staff training. The remaining funds (\$0.9 million) would go toward hardware, initial software licensing, and required services from other state agencies (including CDT for project oversight). CSAC anticipates requesting additional one-time funding in 2020-21 and 2021-22 for any remaining project costs, with a potential future funding request for certain ongoing operational costs. The chart on the following page provides a breakdown of costs.

Components for 2018-2019	GDSM Project Costs	Total
1. Solution Costs – 1 year: July 1, 2019 to June 30, 2020	\$5,286,500	\$5,286,500
2. Hardware – 1 year: July 1, 2019 to June 30, 2020	\$307,000	\$307,000
3. Software Licensing	\$312,977	\$312,977
4. CDT/DGS Charges	\$258,352	\$258,352
Grand Total BCP 2019-2020	\$6,164,829	\$6,164,829

Legislative Analyst's Office Comments

Project Generally Appears on Track. As of March 2019, CDT reports the project is in good health overall, rating it "green" in all ten focus areas – governance, time management, cost management, scope management, resources, quality, risk and issues, transition readiness, conditions of approval and corrective action (no corrective action plans are in place at this time).

An earlier monthly report (January 2019) had rated the project “yellow” in the focus area of resources, reflecting delays in hiring certain contractors. Since that time, CSAC’s progress in hiring contractors has resulted in an improved rating. CSAC indicates the delays have had a minor impact on the project schedule, with a new estimated completion date of March 2021. At this time, the project remains within its original scope and budget.

Approve Governor’s Proposal. Because CSAC’s Grant Delivery System project is generally on track, the LAO recommends approving the Governor’s proposal to provide a second year of funding for the project in 2019-20. During the budget year, the Legislature can continue to monitor the project through CDT's monthly oversight reports, summarized on CDT's IT Project Tracking website. The LAO anticipates the Legislature will have another opportunity to provide project oversight when CSAC requests additional funds as part of the 2020-21 budget process.

Staff Comments

CSAC indicates that the current GDS uses outdated technology that has not been able to fully and effectively support the required changes of programs, and meet processing demands. For example, the Web Grants for Students application, used by students to manage their Cal Grant or Chafee account, only works on Microsoft Explorer or Mozilla Firefox, and does not support any modern devices such as tablets or smartphones. Additionally, the core system is 30 years old, and has not been able to effectively administer certain programs, which are currently housed in excel spreadsheets. Lastly, in the last twelve months GDS experienced over 25 unplanned outages due to hardware and software data, which cost more than 140 business hours.

Staff Recommendation. Hold Open

Issue 8: State Operations

Panel

- Bijan Mehryar, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

Background

CSAC is comprised of four divisions: (1) program administration and services, (2) fiscal and administrative services, (3) information technology services, and (4) policy research and data. The division of program administration and services provides institutional support, outreach and training, system analysis and operations, program compliance, customer assistance and processing and specialized programs. In 2018-19, CSAC had 104.2 positions across all divisions.

The CSAC Executive Office consists of the Executive Director, the Chief Deputy Director, the Director of Government Affairs, the Legislative Representative, a Commission Liaison, and an assistant to the Executive Director. The Chief Counsel and the Chief Informational Officer (CIO) for the agency are also located in the Executive Office. None of the Executive Office team members, other than the Executive Director, have any support staff. Instead, they spend a significant percentage of their workload doing tasks that fall within the typical duty statement of an Office Technician – such as scheduling meetings, processing travel reimbursements, etc.

Institutional Support – Training and Customer Service. Since 2016, CSAC has significantly increased their efforts to increase its customer service presence in the field. Beginning in 2017, CSAC added four regional two-day intensive trainings for college Financial Aid Administrators (FAA), and doubled the number in 2018 to eight regional workshops and all were fully subscribed, serving 456 registered FAAs. Additionally, CSAC increased the number of High School Counselor workshops to 41 that are currently underway or scheduled for fall 2018, with more than 5,800 registered attendees to date. These increased efforts have been achieved without additional staff. Currently, CSAC does not have a dedicated training unit.

Beginning in 2017, the Institutional Support Unit also increased the hours during which the Institutional Support call center receives calls. Previous opening hours had been from 9:00-11:45 a.m. and 1:00-3:45 p.m., Monday through Friday; these were expanded to 9:00 a.m.-4:45 p.m., with rotating staff lunches to accommodate calls. The volume of student contacts in the call center has increased substantially in recent years, with emails increasing to 30,695 (an increase of 390) in the 12 months from October 2017 through September 2018, and calls increasing from 72,812 to 86,978 – an increase of more than 19 percent. CSAC notes that the average wait time is approximately 3-5 minutes; however, thousands of calls are dropped each year.

In 2017-18, the seven existing Institutional Support staff collectively worked nearly 650 hours of overtime.

Governor's Budget Proposal

The Administration proposes \$390,000 General Fund in 2019-20 and \$290,000 General Fund ongoing starting in 2020-21, and an increase of three permanent positions at CSAC. This funding will be divided as follows:

- Support Foster Youth (\$100,000): This item requests \$100,000 one-time General Fund to enable CSAC to make modifications to its current GDS to accommodate the mandates specified in AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018 and AB 1809 (Committee on Budget) Chapter 33, Statutes of 2018, that expanded eligibility for financial aid programs for current and former foster youth.
- Institutional Support (\$220,000): This item requests two positions (Associate Governmental Program Analysts) to strengthen institutional support provided to high school counselors and College Financial Aid analysts.
- Executive Office Support (\$70,000): This item requests one position (Office Technician) to support the Executive Office, the Commission, and back up the Commission Liaison, and to enable the Executive Director, Chief Deputy Director, Chief Counsel, Chief Information Officer, and Governmental Relations Director to focus their time and attention on their primary responsibilities.

Legislative Analyst's Office Comments

The LAO notes that the Governor's budget proposals regarding the modifications to the GDS to accommodate foster youth eligibility changes as well as the additional position to support the executive office appear reasonable.

With regards to the institutional support proposal, the LAO believes that one position could absorb the overtime worked by existing staff under the current level of service. The Administration has indicated that, in proposing two additional positions, it intends to allow for a higher level of service. If the Legislature chooses to approve both proposed positions, it may wish to consider provisional language that would direct CSAC to report on the Institutional Support Unit's services to ensure the new positions are having the intended effect.

Staff Recommendation. Hold Open.