

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Thursday, April 23, 2015
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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6440	University of California
6610	California State University

Issue 1: SB 1210 Dream Loan (Informational Only)**Presenter**

- Senator Ricardo Lara, 33rd Senate District

Panel:

- Christian Osmena, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

California Dream Loan Program. SB 1210 (Lara), Chapter 754, Statutes of 2014, established the California Dream Loan Program (CDLP) which extends loans to students who meet requirements established by AB 540 (Firebaugh), Chapter 814, Statutes of 2001, and have financial need. The bill authorizes any campus of the UC and CSU to participate, and requires participating campus to annually contribute discretionary funds in their CDLP revolving fund that is at least equal to all of campus' CDLP fund. The purpose of this fund is to award loans and revolving loan repayments. The participating campus will administer the CDLP and will receive administrative cost allowance that cannot exceed five percent of the campus' total CDLP funds awarded. Specifically, the campus will award loan funds to students, provide entrance and exit counseling, service loans, collect loan repayment, among others.

Additionally, SB 1210 prohibits the loan amount from exceeding the students financial need, caps the loan amount at \$4,000 in a single academic year and \$20,000 from one institution, and requires the interest rates for loans as well as the eligibility for forbearance or deferment to be the same as those set by the William D. Ford Federal Direct Loan Program.

Under CDLP, the California Student Aid Commission is authorized to access any information to certify that students meet requirements specified under the bill, such as the student applied for financial aid through the Dream Act, or is enrolled in a program eligible for participation in the Cal Grant.

SB 1210 included intent language to provide funding to campuses based on the on the number of eligible students attending the campus who applied for financial aid under the Dream Act.

6610	California State University
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Issue 2: CSU Graduation Rates and Degree Completion (Oversight)

Coming out of the recession, California's universities face numerous critical issues that impact the state's ability to meet educational and workforce demands. In particular, the Public Policy Institute of California (PPIC) released a report in 2009, *Closing the Gap*

Meeting California's Need for College, which found that, in 2025, 41 percent of jobs in California will require at least a bachelor's degree. However, if current trends persist, only 35 percent of working-age California adults will have a bachelor's degree by 2025. This will lead to a shortfall of one million bachelor's degrees. Without more students entering and completing a college degree, California will not meet workforce demands in the future.

Panel:

- Christian Osmena, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Ken O'Donnell, Senior Director of Student Engagement and Academic Initiatives & Partnerships, California State University
- Geoff Chase, Dean Undergraduate Studies, San Diego State University
- Jenny Bach, Student at Sacramento State University

Background. Four of every five college students in California are enrolled in one of the state's three public higher education systems. In terms of graduation rates, 18 percent of all first-time freshmen at the CSU receive a bachelor's degree within four years. Just over half receive a bachelor's degree within six years. Even after 10 years, only 58 percent of the students who had entered the CSU system as full-time freshman in 2002 had graduated. Many of those who do earn a bachelor's degree take longer than four years to do so—and as research indicates, the longer one is enrolled in school, the odds that they will graduate is reduced significantly.

Taking extra time and credits to earn a degree is costly and makes college less affordable. The longer students are enrolled in college, the more they will pay for tuition, fees, books, and other education-related expenses. Students also forgo potential wages they could have been earning because they are in school and not in the workforce. And, for students who work, they miss out on the higher earning potential that a college credential provides.

Contributing Factors. Due to a lack of CSU specific data, it is difficult to ascertain the explanations of direct causal links to extended time and credits to degree for CSU students. PPIC is currently researching this topic. While there are a variety of research on causes of low graduation rates overall, the Campaign for College Opportunity is one of the few organizations that has recently released a report in July 2014, *The Real Cost of College: Time and Credits to Degree at the California State University*, specific to the CSU and notes that many factors contribute to students taking increased time and credits to complete their degrees. These findings include:

- **Reduced Capacity and Course Supply.** State funding to the CSU system was cut by almost one-third, from a high of \$2.97 billion in 2007-08 to a low of \$2.0 billion in 2011-12. However, CSU largely backfilled this decrease in state funding with increases in tuition from \$2,172 in 2007-08 to \$5,472 in 2011-12. The CSU reduced the selection of course offerings for continuing students, and as a result, students were unable to register for courses that were full, took fewer credits than they need, took a break from enrolling for a semester, or enrolled in available alternatives that were not a good fit for their intended degrees but help to maintain aid eligibility.
- **Enrollment Intensity and Financial Aid.** Unfortunately, many students are not aware that they must take and successfully complete 15 credits each semester to graduate in four years. While 12-14 units meets the requirements for full-time status for federal reporting and financial aid, low-income students may try to keep costs down associated with books, transportation or time away from work, and take 12 units instead of 15 units, putting them on a five-year track to graduation. While this may result in more manageable costs each semester, in the long-run, an additional year or more of tuition will cost more overtime.
- **Need for Employment.** Attending a CSU is more expensive today because fees and tuition have grown substantially and middle- and low-income students are shouldering a greater burden of this cost than they did in the past. As a result, more students may need to work—and work more hours—in order to pay for school. Research has demonstrated that working is a significant contributor to delayed time to degree. Time working is time spent away from class and studying.
- **Student Supports.** Students may need assistance with determining a clear degree plan, such as knowing the number of required credits to complete each semester and along with other supports that allow them to successfully complete their degrees. The median student-counselor ratio among the CSU campuses is 2,691 to 1—at California State University Los Angeles the ratio is 7,900 to 1—significantly above the recommended ratio of 1,500 to 1. Limited counseling can lead to a lack of understanding of degree requirements and can lead them to take extraneous courses.

In response to growing concerns regarding performance outcomes of the UC and CSU, the 2013-14 budget required UC and CSU to annually report, by March 15th of each year on a number of performance outcomes. Specifically:

- Number/Proportion of Transfers.
- Number/Proportion of Low-Income Students.
- 4-year Graduation Rates for both UC and CSU and 6-year Graduation Rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- Degree Completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- First-Years On Track to Degree (i.e., what percent of first years earned a specified number of units).
- Spending Per Degree (Core Funds).
- Units Per Degree.
- Number of Science, Technology, Engineering and Mathematics (STEM) Degrees.

Additionally, the state recently adopted broad goals for higher education. Specifically, SB 195 (Liu), Chapter 367, Statutes of 2013, establishes three goals for higher education: 1) improve student access and success, such as increasing college participation and graduation, 2) aligning degrees and credentials with the state's economic, workforce and civic needs, and 3) ensure the effective and efficient use of resources to improve outcomes and maintain affordability.

Moreover, provisional language in the 2014-15 budget act required the UC and CSU to adopt three-year sustainability plans by November 30, 2014. The two segments were required to report on targets for each of the performance measures mentioned above, as well as resident and nonresident enrollment projections based on revenue projects from the Department of Finance.

Below is a LAO chart that shows statutory performance measures used for budgeting purposes, along with the segments' corresponding performance targets.

Metric	University of California		California State University	
	Current Performance ²	Target ³	Current Performance ²	Target ³
CCC Transfers Enrolled. Number and as a percent of undergraduate population.	33,715 (19%)	33,358 (18%)	137,797 (36%)	142,226 (36%)
Low-Income Students Enrolled. Number and as a percent of total student population.	76,634 (42%)	60,667 (32%)	170,491 (44%)	167,755 (42%) (2016-17)
Graduation rates. Various graduation rates:	2010 cohort	2014 cohort	2010 cohort	2013 cohort
(1) 4-year rate--freshman entrants.	62%	66%	18%	19%
(2) 4-year rate--low-income freshman entrants.	56%	60%	11%	11%
(3) 4-year rate--non-low-income freshman entrants. (CSU only).			22%	24%
			2008 cohort	2011 cohort
(4) 6-year rate--freshman entrants (CSU only).			53%	55%
(5) 6-year rate--low-income freshman entrants (CSU only).			46%	48%
(6) 6-year rate--non-low-income freshman entrants. (CSU only).			57%	60%
	2012 cohort	2016 cohort	2012 cohort	2015 cohort
(7) 2-year rate--CCC transfers.	54%	58%	27%	29%
(8) 2-year rate--low-income CCC transfers.	50%	54%	25%	27%
(9) 2-year rate--non-low-income freshman entrants. (CSU only).			29%	31%
			2011 cohort	2014 cohort
(10) 3-year rate--CCC transfers (CSU only).			63%	68%
(11) 3-year rate--low-income CCC transfers (CSU only).			62%	67%
(11) 3-year rate--non-low-income			64%	69%

CCC transfers (CSU only).				
Degree completions. Number of degrees awarded annually for:				
(1) Freshman entrants.	31,866	36,200	34,254	41,966
(2) CCC Transfers.	14,651	15,400	43,741	44,673
(3) Graduate students.	17,300	20,000	18,574	19,308
(4) Low-income students.	21,469	22,700	40,318	41,302
(5) All students.	XXX	XXX	103,637	112,457
First-year students on track to graduate on time. Percentage of first-year undergraduates earning enough credits to graduate within four years.	51%	51%	48% ⁴	54% ⁴
Funding per degree. Core funding for divided by number of degrees for:				
(1) All programs.	\$98,300 (2012-13)	\$112,900	\$36,300 (2012-13)	\$41,100
(2) Undergraduate programs only.	In process	In process	Not reported	\$50,700
Units per degree. Average course units earned at graduation for:	Quarter Units		Semester Units	
(1) Freshman entrants.	187	187	139	139
(2) Transfers.	100	100	141	140
Degree completions in STEM fields. Number of STEM degrees awarded annually to:				
(1) Undergraduate students.	16,327	18,000	17,020	21,574
(2) Graduate students.	8,700	10,000	3,817	4,105
(3) Low-income students.	7,027	7,400	7,128	7,828

1 Universities' performance targets are based on administration's revenue assumptions for 2015-16 through 2017-18, that is, 4 percent General Fund augmentations and no tuition increases each year.

2 Fall 2014 for enrollment and annual 2013-14 for completions and units, unless otherwise specified.

3 Fall 2017 for enrollment and annual 2017-18 for completions and units, unless otherwise specified.

4 CSU excludes students not enrolled at the beginning of the second year. Including these students reduces performance by about 7 percentage points.

STEM=science, technology, engineering, and math.

As shown above, only 11percent of low income students in the freshman entering class of 2010 graduated in four years, compared with 22 percent of non low-income students. While data for the six year graduation rates of the 2010 entering class is not available, staff points to the freshman entering class of 2008, which shows that 46 percent for low-income students graduate in 6 years compared to 57 percent for non-low income students.

Overall, CSU's four year graduation rate has slightly increased from 15.7 percent for the 2007 cohort to about 18 percent for the 2010 cohort. Additionally about 53 percent of the 2007 cohort graduated within six years.

The gap between the graduation rates for low-income and non low-income transfer students is less pronounced than that for first-time freshman. Specifically, for 2012 transfer class, 25 percent of low income students graduated in 2 years compared to 29 percent of non-low income students. Additionally, the three year graduation rate for the 2011 cohort was about 62 percent of low income transfer students graduated in three years, compared to about 64 percent of non-low income students.

Overall, the trends for CSU transfer graduation rates have shown gradual improvement since the Fall of 2006. For example, the 2 year graduation rate increased from 24 percent to 27 percent and 3 year graduation rate rose from 55 percent to 63 percent when compared to the Fall 2009 and Fall 2010 transfer cohorts respectively.

For 2013-14, CSU reports that the total amount of undergraduate degrees CSU awarded was 85,191 (44,629 of which were low-income students and about 44,000 of which were transfer students).

Initiatives to Improve Performance

CSU has multiple initiatives underway to improve performance, including a Graduation Initiative, which has set improved graduation targets for each campus, and the Student Success Initiative, which aims to increase degree completion rates and reduce units per degree and achievement gaps.

Graduation Initiative. In 2009, the CSU launched the system wide Graduation Initiative to increase graduation rates for all students, which is in its 6th and final year. The goal of the initiative was to raise CSU’s six-year graduation rates for freshman by eight percentage points by 2015 from 46 percent to 54 percent. The second goal of the initiative was to cut the difference in graduation rates between Under-Represented Minorities (URMs) and other students in half. Below are the goals of the Graduation Initiative.

CSU Graduation Rates	Baseline	2015	Increase
Overall	46%	54%	8%
URM	41%	51%	10%
Non-URM	48%	55%	7%

While the data will not be finalized until after the upcoming spring 2015 commencement, CSU believes that it is on target to meet its first goal of increasing overall CSU graduation rates, but not on track to meet its second goal of closing the gaps.

All 23 campuses helped set the system goals, as well as individual campus goals, which were to raise the six-year graduation rates to the top quartile of national averages among their peer groups, which are a group of similar universities in the United States.

CSU recently launched its new initiative, Graduation Initiative 2025. The new goals are to:

- Increase six-year graduation rate for first time freshman to 60 percent
- Increase four-year graduation rate for first time freshman to 24 percent
- Increase the four-year graduation rate for transfer students to 76 percent
- Increase the two-year graduation rate for transfer students to 35 percent
- Close the achievement gap for underrepresented students to seven percent
- Close the achievement gap for low-income students to five percent

Student Success Initiatives

The Student Success Initiatives include a variety of efforts and strategies to close achievement gaps, facilitate student success and degree completions, and increase graduation rates. These strategies include, the CSU Enrollment Bottleneck Solutions Initiative, which was launched in 2013, and is designed to accelerate student progress to degree and decrease bottlenecks that negatively impact students. The other student success strategies and efforts are described in the CSU's budget plan.

Reducing Overall Units to Degree/Time to Degree

CSU implemented curricular reform between Spring 2009 and Fall 2014, and has shrunk the percentage of baccalaureate degrees in excess of 120 required units from 29 percent to 5 percent system wide. Efforts to support student success and timely degree completion have included eAdvising and early warning and predictive analytics where students receive better and faster feedback about their performance in critical courses.

CSU Budget Plan

The CSU's budget plan proposes \$97 million in additional state funding, above the Governor's four percent base budget adjustment of \$119 million. Specifically, the CSU's adopted budget includes:

- Mandatory Cost Increases: \$23.1 million for (e.g. health benefits, retirement and new space).
- Compensation Pool Increase: \$65.5 million for a two percent increase, subject to collective bargaining, for all employee groups effective July 1, 2015.
- Student Success and Completion Initiatives: \$38.0 million for a variety of strategies to close achievement gaps and degree completion. This would fund:
 - Tenure-track faculty hiring: \$11 million.
 - Enhanced advising: \$4 million to higher professional staff advisors system wide, and \$3 million to leverage e-advising technologies.
 - Augment bottlenecks solution initiatives: \$1.5 million to expand the initiative to \$11.5 million. The additional funding would support more online concurrent enrollment.
 - Student preparation: \$5 million augmentation to help incoming freshman attain college readiness before students arrive on campus.
 - Student retention practices: \$9 million for practices such as service learning projects, undergraduate research, first year learning communities, and peer mentoring.
 - Data Dashboard: \$4.5 million for the Data Dashboard, which will provide all campuses with data they need to make decisions related to time to degree and retention.
- Enrollment Growth: \$103.2 million for three percent increase in enrollment or approximately 10,400 FTES. This would accommodate for growth in number of students serviced, and could also accommodate existing demand by current students for additional courses.

- Information Technology Infrastructure: \$14.0 million to replace the remaining obsolete switching and routing hardware, obsolete wireless access points and controllers, and obsolete network security devices at all campuses.

Governor's 2015-16 Budget

The Governor's budget overview recognizes some of these issues by pointing out the low completion rates of the CSU. In particular, the Governor's budget proposes the continuation of the innovation awards. As heard in the March 12 subcommittee hearing, the budget would provide \$25 million for innovation awards to CSU campuses that improve policies, practices and/or systems to ensure that more students graduate with bachelor's degrees within four years of beginning higher education.

This is similar to the program that was launched in 2014-15 for all three segments; in 2015-16 the Governor's budget proposes to limit the innovation award to CSU campuses or other segments' campuses that partner with CSU. A committee, chaired by the Department of Finance, would select winners through an application process.

While the committee has selected applicants for awards, the committee has not approved how they can use their funds. Expanding this area before giving existing efforts time to show results would be premature. The subcommittee may wish to examine program results in the current year before investing more resources.

Legislative Analyst's Office Comments.

LAO notes that CSU's four-year graduation rate is significantly lower than the average for large public master's universities, whereas its six-year graduation rate is comparable to the average. Barely over half of entering full-time freshmen complete a CSU degree within six years, and most of the other half never complete their degrees.

In reviewing the segments performance targets set in the sustainability plans, LAO stated that overall, the segments targets were somewhat lackluster. For example, CSU set a goal of raising its current six-year graduation rate for low-income students from 46 percent to 48 percent by 2017-18.

LAO recommends the Legislature direct each of the segments to compare its performance against external benchmarks—in addition to comparing against its own targets—in its annual performance report. Comparisons should reflect the performance of public institutions serving similar students in other states. If the state identifies targets in the future for the segments, the Legislature could direct the segments to use these targets for comparisons.

LAO also recommends the Legislature amend statute to require the segments to include an analysis of current performance and strategies for improving it, in their annual performance reports. The analyses could help the Legislature track how each segment is approaching its key performance issues. For example, CSU's analysis could explain why it believes its four-year graduation rates are significantly below those of other large public master's universities, or why students take fewer units in their first year, but more units overall than required to graduate. A better understanding of the reasons for poor performance would help the state better target resources toward improving outcomes.

Staff Comments. A college education is an important tool for social and economic mobility. An individual between 25 and 64 years of age who completes at least a Bachelor of Arts degree can anticipate earning an additional \$1,300,000 in wages and salary. Census data also shows that the wages of college graduates are more than 50 percent higher than wages of workers with only a high school education. Even when the cost of attending college is factored in, graduates earn hundreds of thousands of dollars more than high school graduates over the course of their lives. Additionally, employment remains far better for college graduates than for less educated workers. PPIC reports that in 2014, unemployment rates for college graduates was 4.5 percent, compared to 11.3 percent of those with a just a high school diploma.

In response to growing concerns regarding the future of higher education, in December 2014, the Senate Democratic Caucus announced a comprehensive plan for higher education in California. The stated purpose of the plan is to establish higher education policies that promote affordability, access and completion for California students. Specifically, the plan will:

- Establish the Graduation Incentive Grant for CSU students who complete 30 units a year. If a student completes 30 units a year, he or she will graduate in four years.
 - Reduce the need for CSU students to work, thus allowing students to take more units per semester
- Provide \$25 million each to UC and CSU to increase course offering so students are able to take the courses they need to graduate on time.
- Provide \$50 million each to UC and CSU to increase student support services, such as academic advising, tutoring, etc.

As the state continues to reinvest in higher education, the Legislature may wish to consider how to effectively and efficiently use these investments to address current and long-term education and economic needs of the state, including increasing graduation rates and reducing time to degree. This is particularly critical in light of the PPIC's projections.

The subcommittee may wish to ask:

1. What are some practices and policies that have proven to be successful in helping low-income students, transfer students, or the student body as a whole? What have been the most effective strategies?
2. The performance report states that the cumulative six year graduation rate for the entering class of 2008 is 55 percent, what happened to the other 45 percent of students?
3. Why is the CSU not on track to meet its 2009 Graduation Initiative goal for underrepresented minorities?

6600	Hastings College of Law
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Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California. Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Policy for the college is established by the Board of Directors and is carried out by the chancellor and dean and other officers of the college. 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 approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by The Regents of the University of California and is signed by the President of the University of California and the Chancellor and Dean of Hastings College of the Law.

The mission of Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to ensure that its graduates have a comprehensive understanding and appreciation of the law and are well-trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs.

The following table displays the budgeted expenditures and positions for Hastings as proposed in the Governor's budget. Of the amounts displayed in the table, \$8.3 million in 2013-14, \$9.6 million in 2014-15, and \$10.6 million in 2015-16 are supported by the General Fund.

Governor's Budget – Hastings' Budgeted Expenditures and Positions			
	2013-14	2014-15	2015-16
Personal Services	\$32.5	\$43	\$35
Operating Expenses and Equipment	\$37	\$38	\$35
Special Items of Expense (Financial Aid)	\$13	\$12	\$12
Total Expenditures	\$70	\$72	\$70
Positions	251.1	254.2	254.2

Dollars in Millions

Issue 3: Hastings Budget Augmentation

Description: The Governor’s budget proposes increasing General Fund support for Hastings College of Law by \$1 million as part of the multi-year funding plan.

Panel:

- Christian Osmena, Department of Finance
- Paul Golaszewski, Legislative Analyst’s Office
- David Seward, Hastings College of Law

Background. In 2009-10, enrollment at Hastings reached a high point at 1,336 FTE students. Since then, enrollment has declined to an estimated 970 FTE students for 2015-16—a drop of 38 percent. Hastings indicates the decline was a strategic move intended to address decreased workforce demand for attorneys. Hastings is not budgeted on a per-student basis, and as a result the law school’s state budget appropriation has not been adjusted to reflect the decrease in enrollment. Notably, even though enrollment has decreased by 38 percent since 2009-10, state funding has increased 29 percent over the same time. Hastings indicates it has used the increased funding per student to cover increased retirement costs and lower its student to faculty ratio from 20:1 to 14:1, which is more comparable to other law schools.

Governor’s Budget

The Governor’s budget proposes \$10.6 million in General Fund support for Hastings, a 10 percent increase over the current year. As a part of the Governor’s multi-year funding plan, the Governor has provided General Fund increases to Hastings over the last two years. In the 2014-15 budget, the Legislature approved \$1.3 million for Hastings to support the Administration’s four- year investment plan. The Governor also expects “this funding will mitigate the need for Hastings to increase student tuition and fees and can be used by the law school to meet its most pressing needs.”

Hastings has a smaller budget compared to the University of California and California State University, which is why the General Fund increase has been a higher percentage for Hastings, when compared to UC and CSU.

Funding (amounts in millions)	2013-14	2014-15	2015-16	% change (2014-15 to 2015-16)
General Fund	\$8.4	\$9.6	\$10.6	10%
Lottery	\$1.5	\$1.7	\$1.7	0%
University Funds	\$61.5	\$62.8	\$59.9	-5%
Total	\$70	\$72.6	\$70.7	-3%

Legislative Analyst's Office (LAO) Comments

The LAO recommends rejecting unallocated base increases for Hastings, and instead provide a cost-of-living adjustment (COLA) to their base. LAO estimates that applying a 2.2 percent COLA to the base state appropriation for Hastings would cost \$212,000.

Additionally, LAO recommends adopting enrollment targets for the law school and setting the targets at current-year levels. Additionally, LAO recommends the Legislature require Hastings to submit a report by September 30, 2015, with a proposed methodology for funding enrollment growth (and adjusting for enrollment declines) moving forward.

Staff Comments. Hastings faces some of the same cost pressures as the UC, including rising retirement and health care costs, however Hastings receives no funding from the UC, and is a separate line item. While Hastings contracts with UC for payroll, investment and reprographic services, Hastings pays on a fee-for-service basis. In addition, decreased student enrollment has lowered revenue from tuition, making General Fund more critical to maintaining operations. (Total tuition and fees for students in 2015-16 will be \$44,186).

Staff Recommendation: Hold open.

Issue 4: Hastings Capital Outlay Proposal

Description. The Governor's budget proposes to develop a new 57,000 square foot academic facility, costing \$36.8 million in lease-revenue bonds, at 333 Golden Gate Avenue in San Francisco. The facility would replace Hastings' primary academic building, which was constructed in 1953 and has several outdated system.

Panel:

- Sally Lukenbill, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- David Seward, Hastings College of Law

Background. Hastings operates a single campus composed of four buildings in downtown San Francisco, and owns a vacant lot on Golden Gate Avenue. The academic facility on 198 McAllister is a 76,000 square foot, four-story building that serves as the primary classroom building, including 18 classrooms with a total capacity of 877 seats. The building also houses 80 offices.

Additionally, adjacent to this building is a 61,000 square foot annex which was built in 1960.

Hastings officials note that many of the academic building's features are outdated. Specifically, Hastings notes:

- The heating, ventilation, and air conditioning (HVAC) system has an estimated life of 7-10 years of useful life left, according to a 2011 report;
- The hot water system has five to seven years left;
- The roof and electrical system is outdated; and
- Elevators are too small to accommodate a wheelchair, making them non-compliant with the Americans with Disabilities Act.

Governor's 2015-16 Budget. The Governor's proposed budget requests state funds to construct a new academic building, while allowing for the continued use of the existing building, to avoid the need for temporary off-site academic wing space. This proposal will replace aging classrooms and upgrade other auxiliary student spaces.

Specifically, the Governor's proposed budget requests \$36.8 million in lease-revenue bonds to construct a new, 57,000 square foot building on a vacant lot owned by Hastings, as well as remodeling the annex. Hastings has conducted preliminary pre-design studies and cost analysis, and prepared a cost estimate, which the Department of Finance has reviewed.

The proposal breaks down the costs as follows:

- \$853,000 for preliminary plans;
- \$2.8 million for working drawings; and
- \$33.2 million for construction.

Beginning in 2018-19, the project will result in debt service payments of approximately \$2.7 million General Fund annually. Upon completion of the new building, Hastings has indicated that it may develop new student housing to replace or supplement the existing academic building.

Hastings considered three other alternatives before determining this proposal was the most cost-effective. Among these proposals, Hastings considered tearing down the current building and rebuilding on the same site; partially demolishing the building and rebuilding; or fully modernizing the existing building and annex. Hastings found that these alternatives were not cost-effective, largely due to the very high temporary relocation costs that would be required during the construction. Hastings states that moving students and staff to temporary locations would cost between \$15 to \$20 million.

Staff Comments. While the new building will have less square footage than the one it is replacing, Hastings has recently reduced its enrollment and plans to maintain current enrollment levels into the future.

Typically, the state uses traditional capital outlay process for Hastings where they submit capital outlay proposals to the state as part of the regular state budget process. The Governor and the Legislature review the projects as part of the annual budget process and decide which projects to fund. The state typically funds projects included in the final state budget with either general obligation or lease-revenue bonds. The state then pays the associated debt service on behalf of the segment. State funding for debt service is kept separate from state funding for the segments' support budgets.

Staff notes that it is somewhat unusual for the Administration to include three different phases of a capital outlay project in one request to the Legislature. The Legislature typically approves preliminary planning, working drawings, and construction and equipment phases separately, which allows for more public input and scrutiny of projects as they advance. The Administration notes that existing lease-revenue bond proceeds are available for this project; however, to utilize bond funding for the entire project, it is necessary to approve all three phases at once.

To ensure appropriate legislative oversight of the project, the subcommittee may wish to require that the administration provide the Joint Legislative Budget Committee with an update on the project and a 30-day review period before beginning the construction phase.

Staff Recommendation: Hold open.

6980 California Student Aid Commission

Since its creation by the Legislature in 1955, the California Student Aid Commission (CSAC) has continued to operate as the principal state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of CSAC is to make education beyond high school financially accessible to all Californians by administering state authorized financial aid programs.

CSAC is composed 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. Members serve four-year terms except the two student members, who are appointed by the Governor, and serve two-year terms.

Issue 5: Student Financial Aid Programs

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst’s Office
- Diana Fuentes-Michel, Director of the California Student Aid Commission

Cal Grant Program. The Cal Grant program is the primary financial aid program run directly by the state. Modified in 2000, to become an entitlement award, Cal Grants are guaranteed to students who graduated from high school in 2000-01, or beyond, and meet financial, academic, and general program eligibility requirements. Administered by CSAC, the following table displays the Cal Grant entitlement awards.

Cal Grant Entitlement Awards	
Cal Grant A	Provides tuition fee funding for the equivalent of four full-time years at qualifying postsecondary institutions to eligible lower and middle income high school graduates (income ceiling of \$87,400 for a family of four) who have at least a 3.0 grade point average (GPA) and apply within one year of graduation.
Cal Grant B	Provides funds to eligible low-income high school graduates (income ceiling of \$45,900 for a family of four) who have at least a 2.0 GPA and apply within one year of graduation. The award provides up to \$1,648 for book and living expenses for the first year and each year following for up to four years (or equivalent of four full-time years), this is also known as the Cal Grant B Access Award. After the first year, the award also provides tuition and fee funding at qualifying postsecondary institutions.
Community College Transfer	Provides a Cal Grant A or B to eligible high school graduates who have a community college GPA of at least 2.4 on a four-point scale and transfer to a qualifying baccalaureate degree granting college or university.

The maximum award for new Cal Grant A and B recipients in 2015-16 is equal to the mandatory systemwide tuition at the University of California (UC) and the California State University (CSU): \$8,056 at private, non-profit institutions, and private, for-profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) as of July 1, 2012, and \$4,000 at private, for profit institutions that are not WASC accredited as of July 1, 2012. Renewal award recipients at private, for-profit and non-profit institutions will continue to receive an award amount of \$4,000 to \$9,223, depending on when they received their first award.

In addition to the entitlement awards, the Cal Grant program includes a limited number of competitive awards and awards for occupational or technical training. These awards are displayed in the following table.

Non-Entitlement Cal Grant Awards	
Competitive Awards	There are 22,500 Cal Grant A and B competitive awards available to applicants who meet financial, academic, and general program eligibility requirements. Half of these awards (11,250) are offered to those applicants who did not receive an entitlement award and meet the March 2 deadline. The remaining 11,250 awards are offered to students who are enrolled at a California Community College and meet the September 2 deadline.
Cal Grant C	The Cal Grant C Program provides funding for financially eligible lower income students preparing for occupational or technical training. The authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,462 and the allowance for training-related costs is \$547.

The LAO points out that Cal Grant spending nearly doubled from 2007–08 to 2011–12, mostly in response to tuition increases at UC and CSU. Since 2011–12, tuition has remained flat and growth in Cal Grant costs has been driven mainly by participation increases. In 2014–15, for example, the number of new Cal Grant recipients increased 12 percent over the prior year. Implementation of the California Dream Act accounts for about one–eighth of the growth.

The following chart, from the LAO’s analysis of the Governor’s proposed 2014-15 higher education budget, displays three-year expenditures for Cal Grants by segment, program and award type. As the chart shows, the General Fund is the primary source of funding for the Cal Grant program, accounting for \$1.7 billion of the \$2 billion proposed for 2015-16.

Figure 35
Cal Grant Spending
(Dollars in Millions)

	2013-14 Actual	2014-15 Revised	2015-16 Proposed	Change From 2014-15	
				Amount	Percent
Total Spending	\$1,677	\$1,905	\$2,034	\$129	7%
By Segment:					
University of California	\$781	\$852	\$900	\$47	6%
California State University	519	621	688	68	11
Private nonprofit institutions	237	255	258	3	1
California Community Colleges	102	132	144	12	9
Private for-profit institutions	38	44	43	-1	-3
By Program:					
High School Entitlement	\$1,334	\$1,516	\$1,641	\$125	8%
CCC Transfer Entitlement	237	242	223	-19	-8
Competitive	100	133	149	16	12
Cal Grant C	6	13	20	7	55
By Award Type:					
Cal Grant A	\$968	\$1,080	\$1,143	\$63	6%
Cal Grant B	703	811	870	59	7
Cal Grant C	6	13	20	7	55
By Award Component:					
Cal Grant A, B, and C Tuition	\$1,442	\$1,603	\$1,706	\$102	6%
Cal Grant B Access (Stipend)	232	296	322	26	9
Cal Grant C Book and Supply	3	5	6	1	26
By New or Renewal:					
New	\$567	\$587	\$603	\$17	3%
Renewal	1,110	1,318	1,430	113	9
By Funding Source:					
General Fund	\$1,037	\$1,527	\$1,747	\$220	15%
Federal TANF	542	377	286	-91	-24
Student Loan Operating Fund	98	—	—	—	N/A

TANF = Temporary Assistance for Needy Families.

The Cal Grant maximum award for students attending private nonprofit colleges and universities is scheduled to decrease by 11 percent in the budget year. The 2012 budget act put in place reductions to the Cal Grant award amounts for independent non-profit and accredited for-profit institutions. The Governor's 2015-16 budget proposes to continue this reduction. More than 32,000 California students use Cal Grants to help them attend these schools, allowing access to college for low-income students during a period in which the CSU system is turning away eligible students. The chart below indicates the reduced amount of the Cal Grant for these schools.

Cal Grant Maximum Award for WASC Accredited Private Colleges and Universities						
	2011-12	2012-13	2013-14	2014-15	2015-16	Cumulative Change
Cal Grant Amount Per Student	\$9,708	\$9,223	\$9,084	\$9,084	\$8,056	-17%

A trailer bill associated with the 2011 budget act put into place state requirements for an institution's participation in the Cal Grant program. Currently, all participating institutions where more than 40 percent of students borrow federal loans must have a cohort default rate of no more than 15.5 percent and a graduation rate of at least 20 percent.

Other Awards. In addition to Cal Grants, CSAC administers various other financial aid programs, including:

- **The Assumption Program of Loans for Education (APLE).** Allows the state to issue agreements for loan assumptions annually to students and district interns who are pursuing careers in teaching and credentialed teachers teaching at schools ranked in the lowest 20 percentile of the Academic Performance Index (API). Through APLE, a participant who teaches a total of four years can receive up to \$11,000 toward outstanding student loans. Beginning in 2012-13, no new APLE warrants have been issued; only renewals will continue to be funded. There are similar programs for graduate and nursing studies, which also only currently fund renewal awards.
- **The Child Development Teacher and Supervisor Grant Program.** Provides grants to recipients who intend to teach or supervise in the field of child care and development in a licensed children's center. Recipients attending a California community college may receive up to \$1,000 annually and recipients attending a four-year college may receive up to \$2,000 annually for a total of \$6,000. This program is funded from federal funds through an agreement with the State Department of Education.
- **The California Chafee Grant Program.** Provides grants of up to \$5,000 to eligible foster youth who are enrolled in college or vocational school at least half-time. New and renewal awards are assigned based on available funding. This program is funded from federal funds and the General Fund through an agreement with the State Department of Social Services.
- **The California National Guard Education Assistance Award Program.** Provides funding for active members of the California National Guard, the State Military Reserve, or the Naval Militia who seek a certificate, degree, or diploma. Recipients attending the UC or CSU may receive up to the amount of a Cal Grant A award. Recipients attending a community college may receive up to the amount of a Cal Grant B award. Recipients attending a private institution may receive up to the amount of a Cal Grant A award for a student attending the University of California. An award used for graduate studies may not exceed the maximum amount of a Cal Grant A award plus \$500 for books and supplies. This program is funded from the General Fund through an agreement with the California Military Department.
- **The Law Enforcement Personnel Dependents Scholarship Program.** Provides college grants equivalent to Cal Grant amounts to dependents of: California law enforcement officers, officers and employees of the Department of Corrections and Rehabilitation, and firefighters killed or permanently disabled in the line of duty. This program is funded from the General Fund.

- The John R. Justice Program.** Provides loan repayments to eligible recipients currently employed as California prosecutors or public defenders who commit to continued employment in that capacity for at least three years. Recipients may receive up to \$5,000 of loan repayment; disbursed annually to their lending institutions. This program is federally funded through an agreement with the Office of Emergency Services.
- The Middle Class Scholarship Program.** Provides a scholarship to UC and CSU students with family incomes of up to \$150,000. The scholarship amount is limited to no more than 40 percent of the UC or CSU mandatory system-wide tuition and fees. The individual award amount is determined after any other publicly-funded financial aid is received. The program will be phased in over four years, with full implementation in 2017-18. The program is funded from the General Fund. The Governor’s 2015-16 budget includes \$141,000 and two positions to support the program, \$500,000 for outreach, and \$152 million to support the second year of the program.

CSAC provided the following information regard Middle Class Scholarship participation at its April 16 commission hearing.

Segment	Applicants ²	Awards	% Awarded of Applicants	Offered Award Amount	Amount Disbursed	% Disbursed of Offered Amount
UC	125,364	17,234	14%	\$18,466,645	\$10,865,560	59%
CSU	289,466	68,241	24%	\$40,378,647	\$26,864,474	67%
TOTAL	414,830	85,475	21%	\$58,845,292	\$37,730,034	64%

Overall, the average Middle Class Scholarship award is \$895 (the average UC and CSU student award is \$1,206 and \$584, respectively). Additionally, CSAC provided a breakdown of Middle Class Scholarship awardee asset levels.

Assets	UC	CSU	TOTAL
Not Reported	1,036	10,568	11,604
\$67,600	9,793	48,646	58,439
\$67,601-\$100,000	757	1,625	2,382
\$100,001-\$150,000	920	1,768	2,688
\$150,001-\$200,000	667	1,072	1,739
\$200,001-\$250,000	496	898	1,394
\$250,001-\$500,000	1,669	2,053	3,722
\$500,001-\$1,000,000	1,265	1,150	2,415
\$1,000,001-\$1,500,000	350	245	595
\$1,500,001-\$2,000,000	124	95	219
Over \$2,000,000	157	121	278
TOTAL	17,234	68,241	85,475

An asset includes real estate interests, such as second homes and rental properties, checking/savings accounts, stocks, bonds, mutual funds and money market accounts, trust funds and 529 college saving plans.

Other Issues to Consider

California Dream Act. The Dream Act was implemented in 2013-14, and allows undocumented and nonresident documented students who meet AB 540 requirements to apply for and receive private scholarships funded through public universities, state-administered financial aid, university grants, community college fee waivers, and Cal Grants. The Dream Act application is similar to the process of filing a Free Application for Federal Student Aid (FAFSA) and grade point average (GPA). Applicants who meet the Cal Grant eligibility requirements (as mentioned above) are offered a Cal Grant award.

Dream Act Award Offers by Segment

	Awards
Community College	3,473
UC	1,149
CSU	2,159
Private Non-Profit	153
Private For Profit	22
Total	6,956

Dream Act Award Offers by Program

	Awards
High School Entitlement	5,977
Transfer Entitlement	784
Cal Grant C	195
Total	6,956

College Access Tax Credit Fund. Senate Bill 798 (De León), Chapter 367, Statutes of 2014, created the College Access Tax Credit Fund, where individuals receive tax credits for charitable contributions to the College Access Tax Credit Fund. Individuals will receive tax credits in the amount of 60 percent of their contributions for 2014, 55 percent for 2015, and 50 percent for 2016, for the purpose of expanding Cal Grant B. The amount of the credit is capped at \$500 million per year (2014 through 2016), with unused amounts to carry forward. SB 174 (de León), Chapter 363, Statues of 2014 provides for the use of the funds for the

purpose of increasing the Cal Grant B access award. Cal Grant B access award will be able increase from \$1,473 to up to \$5,000 per year. Additionally, all General Fund revenue losses and administrative costs are reimbursed through the donated funds deposited in the College Access Tax Credit.

The California Educational Facilities Authority (CEFA), which operates under the State Treasurer's Office, is charged of administering fund. Specifically, CEFA must certify the contributions, establish procedures for taxpayers to contribute to the fund, obtain certification for the credit, and provide a copy of credit certificates to the Franchise Tax Board. CSAC will then determine the amount of the supplemental awards to be granted and administrative costs incurred.

Staff Comments. Between 2003-4 and 2010-11, tuition grew at the UC from \$4,984 annually to \$12,192, an increase of 145 percent. Similarly, during the same period, tuition at CSU grew from \$2,046 to \$5,970, an increase of 191 percent. In addition to tuition, students face considerable other costs, ranging from books to housing. The average cost of attendance this year for UC is \$33,000, while at CSU it is about \$23,000 for students not living at home.

Rising tuition and other costs have forced more California students to borrow in order to pay for college: California's class of 2012 graduated with an average student debt level of \$20,269, according to data published in 2014 by The Institute for College Access and Success. Students' ability to pay for college is an important factor in whether they go to college and stay once they are there.

California will spend more than \$1.6 billion General Fund on financial aid programs and administration in the current year. Most state financial aid spending is through the Cal Grant program, which is providing support for an estimated 331,000 California students this year. In fact, according the Institute for College Access and Success, the Cal Grant program is the largest state grant program nationally in terms of dollars awarded, fifth in the number of students served, and sixteenth in dollars provided per full-time equivalent student.

Cal Grants for Private Non-Profit Schools

Given the role that accredited private nonprofit colleges and universities play in California's postsecondary education system, and the need to maximize degree and certificate output, it is important to understand how the reductions in the maximum Cal Grant award impact access and affordability at these institutions. There is pending legislation that seeks to address this issue. Specifically, Senate Bill 15 (Block, de León) would increase the maximum tuition award amount for Cal Grant A and B for students at private nonprofit postsecondary educational institutions to \$9,084 for the 2015-16 award year, and each award year after.

Competitive Cal Grants

Every year the state turns away hundreds of thousands of eligible applicants because there aren't enough competitive Cal Grant awards. While everyone who qualifies for an entitlement grant receives one, existing law limits the number of competitive Cal Grant awards to 22,500 annually. Over recent years, the growing imbalance between available competitive grants and eligible applicants has led to increasingly slimmer odds of receiving a grant. In the most recent award cycle, for 2014-15, TICAs notes that the number of eligible applicants exceeded

the number of available competitive grants, for every competitive award available, there are 17 eligible applicants.

There is currently pending legislation that seeks to address this issue. Specifically, SB 15 would increase the total number of Competitive Cal Grant A and B awards granted annually to 30,000. Additionally, AB 200 (Alejo) would increase the total number of Competitive Cal Grant A and B awards to 45,000 for 2016-17, 80,000 for 2017–18, and 100,000 for 2018-19, annually thereafter.

Cal Grant B Access Award. The Cal Grant B access award is a crucial resource for low-income community college students because it provides financial aid to cover the cost-of-living expenses, transportation, textbooks and other related costs. However, the purchasing power of this grant has diminished over time because it is not adjusted for inflation. When the Cal Grant B access award was established in 1969, the maximum award was \$960 per year. The access award is currently set at \$1,648. However, if adjusted for inflation in today's dollars, the maximum award would be \$5,900. As noted earlier in the agenda, there is significant research that shows that students who work more hours take longer to graduate.

As noted above, the College Access Tax Credit seeks to raise the amount of the award to help offset cost of living expense. However, due to late implementation of the bill, the public may not have been aware of the program or its benefits. The program was only operative for two months in 2014, and as a result, the program is off to a slow start and has only been able to award \$3.6 million of the available \$500 million credits. Additionally, the bill had technical errors regarding the appropriation for administrating the program and for CSAC to award the Cal Grants.

Middle Class Scholarship

Until recently, federal and state financial aid programs have focused on increasing access and affordability for low-income students. The Middle Class Scholarship, as mentioned above, was created to help aid students with family incomes up to \$150,000. While the Middle Class Scholarship has an income ceiling, it does not have an asset ceiling. According to the chart above, at least 15,432 students have reported assets in excess of the Cal Grant asset ceilings, which is \$67,600 in 2014-15. This represents about 18 percent of total offers. Most notably, about 1,000 students have reported assets over \$1 million. Additionally, 11,600 students did not report their assets, therefore it is unclear if there are more students with high assets. Recently, the CSAC issued a letter suggesting the Legislature to reconsider this feature of the program.

Moreover, many financial aid programs, including Cal Grants, provide support for a limited number of years (typically four years of full-time enrollment or the equivalent). LAO points out that such limits provide a strong incentive for students to complete their studies expeditiously. For the new Middle Class Scholarship Program, however, the number of years a student may qualify for awards is unlimited.

Lastly, staff notes that the minimum GPA requirement to qualify for the Middle Class Scholarship is 2.0, whereas other awards require higher GPAs, for example the CCC Transfer and Cal Grant A require at least a 2.4 and 3.0, respectively. While the Cal Grant B has a minimum GPA requirement of 2.0, this grant is only for eligible low-income high school graduates.

Staff Recommendation: Adopt placeholder trailer bill language for technical clean-up of the College Access Tax Credit. Place holder language will align administrative funding with program timing, which will result in no General Fund costs, address certain tax issues, and to extend the program by one year due to late implementation.

Issue 6: Grant Delivery System Modernization

Description. The California Student Aid Commission (CSAC) is requesting \$840,000 in General Funds for four information technology positions and three consultants to modernize its legacy Grant Delivery System (GDS) and integrate the processing of all CSAC financial aid programs into a new system.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid Commission

Background. CSAC administers and oversees numerous financial aid programs, as mentioned previously, including the entitlement and competitive Cal Grant awards. Each of these awards has different eligibility requirements.

CSAC annually receives 150,000 to 200,000 calls per year from students who are requesting assistance with their award/grant. A vast majority of these calls/emails required CSAC staff to manually intervene and update or change information. On average, this takes staff 30-40 minutes to complete. Under the new system, students would be able to complete these tasks themselves. Additionally, CSAC process an estimated seven million student grant applications and nearly \$2 billion in various financial aid. CSAC officials note that due to outdated technology, each program is maintained separately, requiring students, campus administrators and CSAC staff to log into different systems separately.

CSAC's current IT system is based upon business rules and processes that were established in the 1980s and 1990s. The GDS's core system is approximately 30 years old. Since this time, the Cal Grant program has gone through numerous revisions. CSAC states that the GDS has many limitations, including security, integration, performance, flexibility and costs. As a result, many changes made through a manual process, which increases workload, and is prone to errors. Moreover, the security components of GDS are outdated and are more likely to be exploited by hackers, which can expose confidential data, such as a student's social security number or date of birth.

CSAC states that the capacity of the existing system is being over-taxed, and will be exacerbated further with the increased workload associated with the inclusion of the new programs, such as the Middle Class Scholarship.

The Governor's 2015-16 Budget. The Governor's budget provides \$840,000 General Fund to CSAC for four new information technology positions and three limited term consultants to begin the process of creating a new financial aid delivery system. The consultants will cost \$511,000 in the budget year, which will include a project manager, independent verification and validation (IV&V), and independent project oversight (IPO). Provisional language in the budget requires CSAC to work with the department, and CSAC has agreed to follow the department's procedures as it develops this project.

The four new information technology positions will include three staff programmer analysts and one systems software specialist II. The staff programmer analysts will support major functions of the GDS that are currently spread among existing staff. Often only one staff member has expertise on the applications with no one to back them up. CSAC states that if an ITSD person leaves CSAC or chooses to retire, it will put this modernization project at risk. Similarly, the new system software specialist will provide support for the current GDS, while the current staff works with the vendor to develop the new system. CSAC states that these positions need to be ongoing to continue the operations and maintenance of the current GDS system, and once the project is completed these staff will transition to support the new GDS system.

Preliminary estimates provided by CSAC indicate that the project could take up to five years with cost as much as \$28 million, with \$17 million in new costs and \$9 million in redirected funds. The consultants are limited-term, but the four new positions will remain.

This request is to begin the planning process. Planning will entail:

- Developing requirements for the new system;
- Preparing a Request for Proposal (RFP) based on system requirements;
- Based on responses to the RFP, selecting a vendor;
- Developing a contract with the selected vendor.

Once these steps are taken, CSAC and the Department of Finance will ask the Legislature for approval of the appropriate funds and implement the project.

Legislative Analyst's Office (LAO) Comments.

The LAO notes that the state typically does not determine the permanent staffing requirements to support a new IT system until the project is complete. CSAC is in the very early planning stages of the new system and the technical requirements of the new system have not yet been specified, therefore determining the permanent staffing requirements to support the new system is not possible at this time.

LAO recommends converting the four permanent positions to limited-term. LAO states that this approach ensures that the workload that has been justified to date (planning a new IT system) matches the time frame of the work to be performed (limited-term). LAO notes that if CSAC requires additional permanent staff to support the new system once the new system is complete, it could submit a budget request for additional staff at that time.

Staff Comments. The need for an updated financial aid distribution system is clear. The new system should help reduce the amount of paper forms, allow students to access their Cal Grant information via their mobile device and through a single seamless portal, as well as update security and privacy technology to align with state and federal policies. This will allow students to log into the system and view various financial programs and accounts simultaneously as well as reduce staff workload.

The State Auditor recently released a report regarding the California Department of Technology's (CalTech) and found that CalTech faces challenges in pursuing effective project oversight. Among other challenges, the State Auditor found is that CalTech did not formally set expectations for its oversight authorities with state agencies that are implementing IT projects. However, CSAC's GDS modernization is one of a few projects that will be going through CalTech's new State Technology Approval Reform (STAR) Project process. The STAR Project transforms approval process into separate stages to help improve the planning process, identify opportunities for reducing risk and preventing project cost-overruns, and provide CalTech more oversight over projects.

Since CSAC is still in the planning stages, the subcommittee may wish to consider whether or not the IT positions need to be ongoing once the project is finalized.

Staff Recommendation: Hold Open.

Issue 7: Senate Bill 1028 Implementation

Description. The Governor's budget requests \$95,000 General Fund and position authority for one Associate Governmental Program Analyst (AGPA), and associated operating expenses to fulfill the new responsibilities created in SB 1028 (Jackson), Chapter 692, Statutes of 2014.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid

Background. The Cal Grant C Program provides funding for financially eligible lower income students preparing for occupational or technical training. The annual authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,462 and the allowance for training-related costs is \$547. Funding is available for up to two years or the length of the program, whichever is shorter.

Awards are based on supplemental information provided by applicants, and is scored based on educational history, work experience, and occupational goals. Priority is given to students pursuing occupational or technical training in areas that meet two of the following three criteria: high employment need, high employment growth, and high wage. Examples of priority occupations include automotive service technicians and mechanics, carpenters, computer specialists, computer support specialists, registered nurses, and preschool teachers.

SB 1028 (Jackson), Chapter 692, Statutes of 2014, makes changes to the program by requiring CSAC to also consider family income and household size, whether the applicant is a single parent or child of a single parent, and give greater weight to someone who has been unemployed for more than 26 weeks. The law also requires CSAC to update the priority areas of training by January 1, 2016, and requires CSAC to consult with the Employment Development Department (EDD), the Economic and Workforce Development Division of the California Community Colleges Chancellor's Office (CCC EWD), and the California Workforce Investment Board (WIB) to publicize the existence of the Cal Grant C award program and to make students receiving awards aware of job search and placement services available through EDD and local workforce investment boards.

The Governor's proposed budget proposes \$95,000 General Fund for CSAC to create a new associate governmental programs analyst position to fulfill the new responsibilities created by SB 1028. CSAC notes the position will help develop a new scoring matrix for the Cal Grant C award, prepare outreach and informational materials, work with workforce development agencies and update the priority occupation lists.

Staff Comments. Staff has no concerns with this proposal. When this legislation was approved by the Appropriations committees in both houses, it was understood that implementation would require a new position for CSAC.

Staff Recommendation. Approve the funding and position to implement SB 1028.

Issue 8: Funding Financial Aid Outreach and Loan Assumption Programs

Description. The Governor's proposal to use \$15 million General Fund to support the California Student Opportunity and Access Program (Cal-SOAP), Cash for College program and Assumption Program of Loans for Education (APLE.) These programs have recently been support by federal funding, but that funding is expiring.

Panel:

- Matthew Saha, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Diana Fuentes-Michel, Director of the California Student Aid

Background. Cal-SOAP was established in 1978 to increase post-secondary education opportunities for students who are from low-income families, first-generation college students, or students who come from schools or regions with low college-going rates. Projects are operated through consortia that involve at least one secondary school district, at least one four-year college or university, at least one community college, and at least one nonprofit educational, counseling or community agency or accredited private vocational or technical school. All projects are required to increase the availability of information on post-secondary schooling and raise the achievement levels of students to increase the number of high school graduates eligible to pursue post-secondary opportunities. Projects include tutoring programs and outreach efforts. CSAC currently contracts with 14 consortia to conduct projects in specific regions of the state.

Cal-SOAP has received \$7.2 million annually through the federal College Access Challenge Grant in recent years, though the program has been funded by the state in the past. CalSOAP also receives \$500,000 to help promote the Middle Class Scholarship program.

The Cash for College program operates free workshops in schools across the state designed to help high school students and their families fill out the FAFSA, which is the form required for most federal and state financial aid programs. The program has received \$586,000 in federal funds.

APLE was created in 1983 and allowed students who used federal student loans and worked in specified areas, such as teachers in low-performing schools or nurses in state prisons, to access state funds to repay the loans. Most of the program focused on teachers, and provided up to \$11,000 in loan forgiveness for someone who taught for four consecutive years in a qualifying school.

New APLE warrants were suspended through a gubernatorial veto in the 2012-13 budget. No new students have entered the program since then, as the existing statue is subject to an annual appropriation in the budget and the administration has proposed no new funding. At the time of the veto, nearly 11,000 people participated in the program, almost all of them being teachers, at a cost of about \$35 million General Fund. Students with existing agreements with the state have been allowed to continue in the program. About 5,600 people are projected to participate in the program in 2015-16, at a cost of about \$19 million. Federal funds had been used to cover about \$7.2 million of these costs.

The Governor's 2015-16 Budget. The federal College Access Challenge Grant is set to expire. The Governor's budget proposes \$15 million General Fund to backfill this lost federal funding to support the Cal-SOAP, Cash for College, and APLE programs, as the chart below indicates. The proposal would maintain current funding levels for each program.

Traditionally, Cal-SOAP has been funded from non-Proposition 98 General Fund. In 2011-12, however, the state was awarded a federal College Access Challenge Grant that it has been using to fund the program since that time. The federal grant is set to expire at the end of the current federal fiscal year (September 30, 2015).

Program	2014-15 Federal Funds	2015-16 Proposed General Fund Backfill
APLE	\$7.2 million	\$7.2 million
Cal-SOAP	\$7.2 million	\$7.2 million
Cash for College	\$328,000	\$328,000
Total	\$15 million	\$15 million

Legislative Analyst's Office Comments.

According to a recent draft Cal-SOAP study, 85 percent of graduating seniors served by Cal-SOAP consortia attended college, which compares favorably to the statewide college-going rate of 62 percent. About 60 percent of Cal-SOAP students completed the FAFSA, which is 5 or 10 percent higher than statewide FAFSA completion rates. In 2013-14, the consortia report providing direct services to 25,000 students.

LAO notes several shortcomings with evaluation methodology and findings. For example, the evaluation relies on self-reported survey data from Cal-SOAP participants in their senior year regarding their plans to attend college. This almost certainly overstates the number of participants who actually go on to enroll in college. Similarly, the evaluation does not address why some consortia have better outcomes than other consortia.

A final problem is with the comparison of graduation rates. The study asserts that Cal-SOAP participants perform as well as other students at UC and CSU. Yet, UC reports that 54 percent of low-income freshmen (defined by Pell Grant status) who entered in fall 2008 graduated in four years, compared to only 39 percent of Cal-SOAP participants attending UC.

The Legislative Analyst's Office suggests the Legislature require a more thorough Cal-SOAP evaluation going forward, and at a minimum, this data should include measures for Cal-SOAP participants of persistence through high school, actual college enrollment, and college graduation. LAO recommends the Legislature to seek a similar evaluation of the Cash for College program, and report back by January 1, 2016 on program outcomes. This will help the Legislature determine whether to continue funding the program in 2016-17.

Additionally, LAO recommends supporting Cal-SOAP with Proposition 98 General Fund. The state currently counts school districts' spending on college preparation toward the Proposition 98 minimum guarantee. Moving forward, the Legislature could consider whether overlap

exists between the services provided by Cal-SOAP, the supplemental and concentration funding provided to schools for low-income students through the Local Control Funding Formula, and the services provided by schools in the college and career ready component of their Local Control Accountability Plans.

Staff Comments. Each of these programs meets a critical need in the state. Both the Cal-SOAP and Cash for College programs provide support, outreach and information to students to help boost college-going levels. Cal-SOAP is present in more than 300 elementary, middle and high schools and involves 9 of the 10 general campuses of the University of California and 18 of the 23 campuses of the California State University. Consortia efforts reached almost 200,000 students and families during the most recent reporting period. Members of the consortia are required to match state or federal funds dollar-for-dollar, allowing the funds to leverage other public or private funds.

Cal-SOAP funding has fluctuated, current program is limited. Funding for Cal-SOAP has fluctuated in recent years, ranging from \$8.6 million in 2002-03 to \$6.3 million in 2007-08. The Governor's proposal of \$7.2 million would maintain recent funding levels.

Staff notes that the Student Aid Commission submitted a budget request to the administration in the fall to increase the budget by \$3.25 million to improve current services and add consortia in areas of the state that are not currently covered. The expansion would provide services in the city of Los Angeles, the Inland Empire and parts of Northern California, including El Dorado and Placer counties.

APLE. While the APLE program remains in law, they are subject to annual budget language describing how many new loan assumption agreements will be funded in the coming year. Since the veto in the 2012-13 budget, the annual budget process has not included authorization for any new loan agreements.

This is despite mounting evidence of a teacher shortage. With about a third of the teaching force nearing retirement, the Center for the Future of Teaching and Learning estimates that California will need an additional 100,000 teachers over the next decade. Senate Bill 62 (Pavley) seeks to address this shortage by making certain program changes to expand the pool of credential candidates who could qualify for the program.

The Subcommittee may wish to ask:

- What type of activities do Cal-SOAP consortia typically sponsor? What specific type of activities have shown to be most effective?
- Where are the 14 Cal-SOAP consortia located, how were the locations chosen and how are they developed?
- Why do some consortia have better outcomes than other consortia?
- Why hasn't the Administration proposed funding for the APLE program or authorized any new loan agreements?

Staff Recommendation: Hold Open