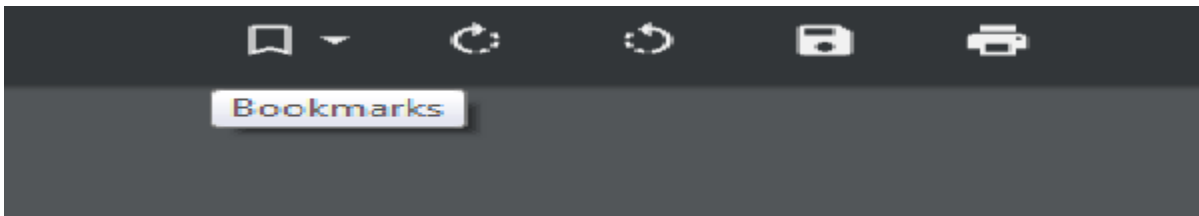


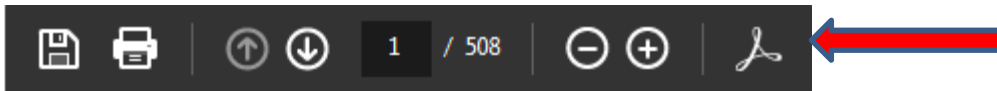
Senate Budget and Fiscal Review

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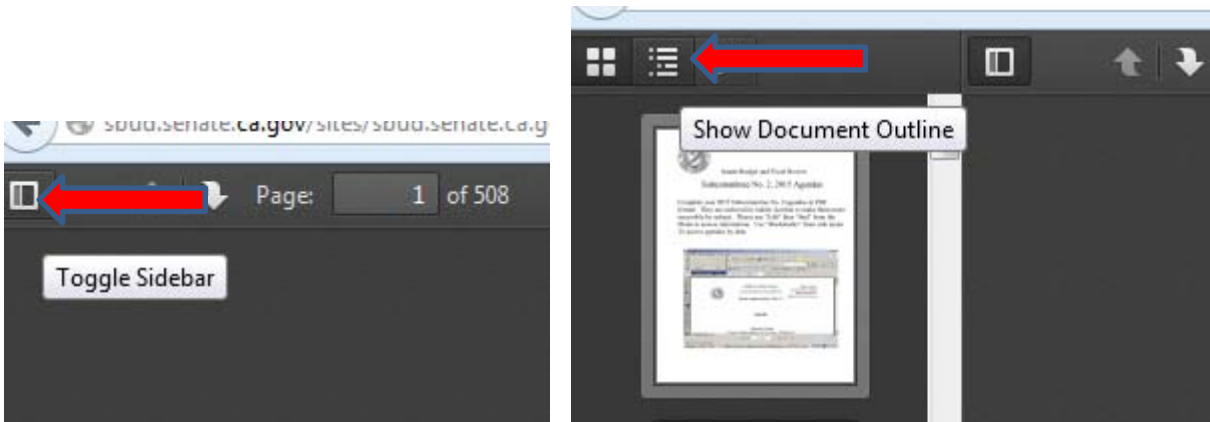
Chrome has access to Acrobat bookmark located in the upper right hand corner



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Mozilla Firefox on upper left, click toggle sidebar, and then document outline.



SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 7, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

AGENDA

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6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**Issue 1: Overview of Proposition 98 and 2019-20 Budget Proposals (Information Only)****Panel I:**

- Chief Deputy Superintendent of Public Instruction Lupita Cortez Alcalá
- Chancellor of the California Community Colleges Eloy Ortiz Oakley
- Chancellor of the California State University Timothy P. White
- Nathan Brostrom, Executive Vice President - Chief Financial Officer for the University of California

Panel II:

- Aaron Heredia, Department of Finance
- Jack Zwald, Department of Finance
- Michelle Nguyen, Department of Finance
- Jennifer Kuhn Pacella , Legislative Analyst's Office

K-12 Education and Early Education Budget Proposals:

Proposition 98 Overall Funding Levels – The proposed budget estimates a total Proposition 98 funding level of \$80.7 billion (K-14). This is a \$2.3 billion increase over the 2018-19 Proposition 98 level provided in the 2018 Budget Act (a \$2.8 billion increase over the revised 2018-19 Proposition 98 level). The budget proposes to provide total Proposition 98 funding (K-14) for 2017-18 of \$75.5 billion, a decrease of \$120 million over the 2018 final budget act level, but \$44 million above the revised 2017-18 Guarantee level. For 2018-19, the Governor estimates a decrease in the total Guarantee of \$526 million (for a total of \$77.9 billion), but provides \$475 million in settle-up funding to offset the need for expenditure reductions. These adjustments are the result of revised average-daily attendance (ADA) numbers for each of the years and the certification of prior year Guarantee levels.

Proposition 98 K-12 Changes – The proposed budget includes a Proposition 98 funding level of \$71.2 billion for K-12 programs. This includes a year-to-year increase of \$2.6 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2018-19. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$11,568 provided in 2018-19 (revised) to \$12,003 in 2019-20, an increase of 3.8 percent.

K-12 Local Control Funding Formula – The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The proposed budget provides a COLA of 3.46 percent, approximately \$2 billion, for the 2019-20 fiscal year, bringing total LCFF funding to \$63 billion. The Administration also proposes to cap the continuous appropriation of COLA for LCFF, existing in current law, during future years if the COLAs for LCFF and other K-14 programs would exceed growth in the minimum Guarantee.

K-12 Pensions – The proposed budget includes a \$3 billion one-time non-Proposition 98 General Fund payment to the California State Teachers’ Retirement System (CalSTRS). Of this total, \$700 million (\$350 million in each of 2019-20 and 2020-21) is proposed to buy down employer contribution rates. The Administration estimates this would reduce the scheduled employer rate for 2019-20 from 18.1 percent to 17.1 percent and for 2020-21 from 19.1 percent to 18.1 percent. The remaining \$2.3 billion is proposed to pay down employers’ long-term unfunded liability.

K-12 School Facilities – In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 billion in bond authority in 2019-20 for new construction, modernization, career technical education, and charter facility projects, an increase of \$906 million over bond sales authorized in 2018-19.

Full- Day Kindergarten Facilities – The proposed budget includes \$750 million in one-time non-Proposition 98 General Fund for eligible LEAs to retrofit or expand existing facilities to allow for an expansion of full-day kindergarten programs.

K-12 Special Education – The proposed budget includes \$576 million in Proposition 98 General Fund (\$390 million of this is ongoing) for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. The funds would support services that are supplemental to those identified in a student’s individualized education plan, preventative services to prevent the need for additional services in future years, and other strategies to improve outcomes for students with disabilities.

Kindergarten Child Savings Account – The proposed budget includes \$50 million in one-time non-Proposition 98 General Fund to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments, and philanthropy to create models for working towards providing Child Savings Accounts for incoming kindergartners.

K-12 Statewide System of Support – The proposed budget includes \$20.2 million in Proposition 98 General Fund for county offices of education to support school districts that are in need of improvement under the state’s accountability system to be distributed pursuant to a statutory formula enacted in the 2018-19 budget. These funds would support 374 school districts identified in 2018-19 through the state’s accountability measures (displayed in the recently created online tool, the California School Dashboard) to need targeted technical assistance.

Longitudinal Education Data System – The proposed budget includes \$10 million in one-time non-Proposition 98 General Fund for the planning and initial implementation of a longitudinal data system to connect student information from early education through K-12, higher education, workforce and other agencies.

K-12 Enrollment - The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$388 million Proposition 98 General Fund in 2018-19, as a result of a decrease in the projected ADA, as compared to the 2018 Budget Act. For 2019-20, the Governor’s proposed budget reflects a decrease of \$187 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments – The proposed budget also provides \$187 million Proposition 98 General Fund to support a 3.46 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments – The proposed budget includes a decrease of \$283 million in Proposition 98 General Fund in 2018-19 and a decrease of \$1.25 billion in Proposition 98 General Fund in 2019-20 for school districts and county offices of education related to higher offsetting local property taxes.

Child Care and Early Education

The Governor’s budget increases funding for child care and preschool programs, including Transitional Kindergarten, by \$665 million for a total of \$5.3 billion in state and federal funds. This reflects an increase of 14.2 percent from 2018-19. Major changes are described below:

State Preschool Program Expansion

- The proposed budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration proposes to also increase slots in 2020-21 and 2021-22, bringing the total to 30,000 slots by the end of the three-year period and serving all low-income four year olds.
- The budget also shifts \$297 million provided for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full- day State Preschool through non-Proposition 98 General Fund and this proposal would unify the funding source for the program for non-LEA providers.
- The proposed budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.
- Finally, the proposed budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year’s budget that commence in April 1, 2019.

Child Care Quality and Facilities – The proposed budget provides \$500 million in one-time non-Proposition 98 General Fund to improve the state’s child care system. Of this, \$245 million is to increase the educational attainment of the child care workforce, \$245 million is to expand facilities for subsidized child care, and \$10 million is to contract for the development of a universal preschool blueprint and plan for improving child care.

Non-CalWORKs Child Care – The proposed budget includes \$79 million for a 3.46 percent cost-of-living adjustment for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.

CalWORKs Child Care – The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage 1, a \$36 million increase in Stage 2, and a \$83 million increase in Stage 3.

Transitional Kindergarten – The proposed budget also includes an increase of \$24 million (for a total of \$890 million) Proposition 98 General Fund for Transitional Kindergarten, reflecting ADA growth and COLA. This funding is included within LCFF totals as discussed earlier in this report.

Other Adjustments – The proposed budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.

California Community Colleges Budget Proposals:

Student Centered Funding Formula – The Governor proposes to postpone a scheduled increase in the share of apportionments tied to student outcomes. Under current law, the share of funding tied to student outcomes is scheduled to increase from 10 percent in 2018-19 to 15 percent in 2019-20, and then to 20 percent in 2020-21. Over the same period, the share tied to enrollment is scheduled to decline from about 70 percent to 60 percent. Instead of changing the shares in these ways, the budget keeps the 2018-19 rates (adjusted by COLA) in place for 2019-20. The Administration indicates that the postponement would “better ensure that the CCC Chancellor’s Office and the Oversight Committee have sufficient time to consider revisions that would further the goals of the formula.”

In addition, the Governor proposes to limit a district’s year-to-year growth in its student outcome allotment to 10 percent so as to “make the formula more sustainable over the long run.”

The budget proposes \$435,000 one-time General Fund to support the Student Centered Funding Formula Oversight Committee.

College Promise Program – The budget provides \$40 million ongoing Proposition 98 General Fund to support a second year of the California College Promise Program. Additionally, the budget proposes \$5 million one-time General Fund for the Chancellor’s Office to increase outreach for the program.

Apportionments – The budget includes \$248 million to cover a 3.46 percent cost-of-living adjustment (COLA) and \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional full-time equivalent [FTE] students).

Capital Outlay Projects – The budget proposes \$18 million (Proposition 51 bond funding) to fund 12 new projects submitted by the Chancellor’s Office for 2019-20. In addition, the budget proposes \$341 million in Proposition 51 funds to continue 15 projects that were approved in previous years.

Legal Services – The budget provides \$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty and staff on CCC campuses.

Adult Education Block Grant Program. The budget provides \$18 million ongoing Proposition 98 General Fund to fund the cost-of-living adjustment of 3.46 percent for the program.

California State University Budget Proposals:

Operating Costs – The budget provides \$193 million ongoing General Fund to support operational costs. The budget assumes that tuition at CSU will remain flat at 2018-19 levels.

Enrollment – The budget proposes \$62 million ongoing General Fund to increase enrollment by two percent, or 7,000 students.

Degree Attainment and Student Success – The budget provides \$45 million ongoing General Fund to continue investments in the Graduation Initiative.

Immigrant Legal Services – The budget provides \$7 million ongoing General Fund to provide legal services to undocumented students, family and staff at the CSU. The budget summary specifies services that this funding may support.

Project Rebound – The budget provides a \$250,000 General Fund ongoing increase to support Project Rebound, which provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.

New CSU Campus – The budget proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely in the City of Stockton.

Student Hunger and Housing Initiatives – The budget provides \$15 million one-time General Fund to assist each campus's existing efforts to address student hunger and housing needs.

University of California (UC) Budget Proposals:

Operational Costs – The budget proposes a \$119.8 million General Fund unrestricted base increase for UC. The budget assumes that undergraduate resident tuition remain, flat at 2018-19 levels.

The budget summary notes that this investment should begin a conversation between the Administration and UC on the short and long-term goals to provide fiscal certainty for students, increase access and improve student success, creating a more cost-efficient UC, and improving linkages between UC and the workforce.

Enrollment – The budget proposes \$10 million ongoing General Fund to support enrollment of 1,000 additional resident students above previously budgeted levels. UC used one-time funds in the 2018-19 budget to support this enrollment. The budget does not propose any additional funding for enrollment in 2019-20.

UC Extension Programs – These programs provide continuing education for adults and are self-supported programs. The budget proposes \$15 million one-time General Fund to provide outreach to Californians and to reform existing program and course offerings. The budget summary notes the administration's expectation that programs will continue to be supported by student fees.

Degree Attainment and Student Success – The budget proposes \$50 million ongoing General Fund to improve student success and timely degree completion.

Mental Health Services – The budget proposes \$5.3 million ongoing General Fund to hire additional clinicians to serve students.

Student Hunger and Housing Initiatives – The budget proposes \$15 million ongoing General Fund to augment UC’s existing efforts to address student hunger and housing needs.

Immigrant Legal Services – The budget provides \$1.3 million ongoing General Fund to support immigrant legal services programs starting in 2022-23. The budget summary notes that the \$4 million one-time General Fund provided in the 2018-19 budget is sufficient to support the program until 2022-23.

Graduate Medical Education – The budget provides an increase of \$40 million General Fund ongoing to end the shift of Proposition 56 funds supporting medical residency programs.

Firearms Violence Research Center – The budget provides \$1 million ongoing General Fund starting in 2021-22 to support the Center at UC Davis. The 2016-17 Budget provided \$5 million General Fund one-time for this purpose.

Deferred Maintenance – The budget provides \$138 million one-time General Fund to address deferred maintenance at UC.

Staff Comments

The subcommittee will discuss these items in further detail in upcoming hearings.

Staff Recommendation

No action, this issue is information only.

Issue 2: Statewide Longitudinal Data Systems (Information Only)

Panel I:

- Dan Hanower, Department of Finance

Panel II:

- Sarah Neville-Morgan, Early Learning & Care Division, California Department of Education
- Cindy Kazanis Director of the Analysis, Measurement & Accountability Reporting Division, California Department of Education
- Christian Osmeña, Vice Chancellor College Finance and Facilities Planning, California Community Colleges
- Nathan Evans, Chief of Staff and Senior Advisor, Academic and Student Affairs, California State University Office of the Chancellor
- Pamela Brown, Vice President of Institutional Research and Academic Planning for the UC Office of the President
- David O'Brien, Acting Chief of Research, Evaluation, and Data, and Director of Government Affairs, California Student Aid Commission
- Muhammad Akhtar, Ph.D., Deputy Division Chief for the Labor Market Division at the Employment Development Department

Panel III:

- Colleen Moore, Assistant Director, Education Insights Center
- Valerie Lundy-Wagner, Senior Research Analyst, California Competes

Background:

California currently does not have a statewide longitudinal data system that links data and outcomes for students across segments of education and into the workforce. Through a variety of investments, the state has built several robust data systems, operated by the various educational segments. Select data is shared for specific purposes or research projects, but California lacks the organized data sharing or overarching system that would allow for deeper insights into how students move through our education system and into the workforce. In addition, the transfer of information across systems, especially as students move into postsecondary education, is not automated and requires students, parents, teachers, administrators and others to navigate multiple systems. Finally, the state cannot provide data-backed evidence on the outcomes from many policy changes. The state's current data systems are described below:

Early Education Data

Currently no statewide student level data is collected for children in child care or early education settings, including preschool. In some cases school districts that are providing state preschool may assign the same unique identifiers to preschool students that they are assigning to their kindergarten through grade 12 students, but this is not widespread nor required. One of the challenges with collecting data for young children is that they are served in a variety of settings. For those who are not cared for at home by a parent or guardian, there is a patchwork of care from unlicensed or licensed

family child care arrangements to center-based care to specific federal or state programs for early education such as Healthy Start and State Preschool. In addition, these settings have varying degrees of access to technology or funding to upgrade or create systems. For families receiving subsidized care and early education, the information that is currently collected, is related to verification of eligibility for benefits. Some information is also collected for young children with special needs as they receive services related to their disabilities through their school district of residence.

K-12 Data

For Kindergarten (including transitional kindergarten) through grade 12, student level data is collected primarily through the California Longitudinal Pupil Achievement Data System (CALPADS). This system was originally created in response to the requirements of the federal No Child Left Behind (NCLB) Act of 2001, and has been fully operational since 2009. CALPADS was designed to aggregate a variety of other existing data systems and provide aggregate information across many fields. Under current statutory authority, local educational agencies (LEAs) (includes school districts, county offices of education, and independent charter schools) must report the following:

- Statewide Student Identifier (SSID) data
- Student enrollment and exit data
- Data to calculate graduation and dropout rates
- Demographic data
- Data necessary to comply with the No Child Left Behind Act of 2001
- Other data elements deemed necessary by the Superintendent of Public Instruction and approved by the State Board of Education in order to meet the requirements of NCLB

Student level data is tracked through the assignment of an SSID. This number is non-personally identifiable and assigned locally to students in the K-12 educational system. Data linked to an SSID includes scores on statewide assessments, the exit and entrance of students from schools and districts to inform graduation and dropout rates, English language acquisition status, immigrant counts, and Free and reduced price meal eligibility.

K-12 schools, districts, and county offices of education also submit data through the California Basic Educational Data System (CBEDS). CBEDS data includes aggregate information about schools and districts, including staffing levels and types, instructional program types, and the school district of choice program. CBEDS information is collected in October of each year.

K-12 schools, districts, and county offices of education also report pupil attendance, tax, and other data that are used to calculate funding for the LCFF, special education and other programs through the Principal Apportionment Data Collection (PADC) Software.

California Community Colleges Data

CCC Management Information Systems (MIS) Data. The CCCs submit data to MIS regarding a variety of topics three to four times a year depending on the topic, and MIS is publically available through Data Mart on the Chancellor's Office website. Data may be sorted based on term, college district, and statewide. Information available on Data Mart are as follows:

1. Students and headcounts. This data includes: (1) annual and term student count, (2) enrollment status, (3) day/evening Status, (4) full-time/Part-time Status, (5) citizenship status, (6) education status, (7) full-time equivalent student (FTES) Counts, and (8) distance education counts.
2. Student Services. This data reports student counts with demographic information, and whether the student participates in programs or services overseen by the Student Services Division of the Chancellor's Office. These programs include: (1) the California Work Opportunity and Responsibility to Kids (CalWORKs), (2) Disabled Student Program and Services (DSPS), (3) Extended Opportunity Program and Services (EOPS), (4) financial aid, and (5) matriculation.
3. Outcomes. This data reports outcomes in enrollment and programs, with demographic breakout. The outcome data includes: (1) basic skills cohort progress tracker, (2) enrollment retention and success rate, (3) grade distribution and program awards, (4) student success scorecard and skill builders metrics, (5) transfer velocity, (6) system wage tracker, (7) college wage tracker, and (8) transfer volume.
4. Courses and Calendar. This data reports course characteristics such as number of course of sections offered, students enrolled, and FTES by credit, noncredit, and basic skills course characteristics.
5. Faculty and Staff. This data reports annual statewide staffing reports and faculty and staff demographics.

CCC Salary Surfer. The Chancellor's Office provides comparative information about the earnings of recent CCC graduates who received an award in a specific program of study on their Salary Surfer website. Salary Surfer uses the aggregated earnings of graduates from a five-year period to provide an estimate on the potential wages to be earned two and five years after receiving a certificate or degree in certain disciplines. This tool also provides information on which colleges offer programs in those specific disciplines. Salary Surfer does not contain information about wages earned by community college students who transfer to a four-year institution.

The Chancellor's Office has a memoranda of understanding with the Employment Development Department (EDD), and is able to match a community college student's social security number with EDD's unemployment insurance (UI) data. UI data only contains wages for those who are employed in occupations covered by UI in the state, this excludes individuals who are employed by the military or federal government, self-employed, employed out of state, unemployed, or not in the workforce after completion of an award. Additionally, students who transferred to a baccalaureate-granting institution, or enrolled in another community college are not included in this data.

CCC LaunchBoard. LaunchBoard is a statewide data system supported by the CCC Chancellor's Office and hosted by Cal-PASS Plus. LaunchBoard provides data on the effectiveness of college programs in both career technical education (CTE) and non-CTE pathways. It expands on data from the Chancellor's Office MIS system to include employment and earnings records, responses to the CTE Outcomes Survey, labor market information, and adult education records from CASAS (described below). LaunchBoard does not provide publically assessable data. Instead, only members of Cal-PASS Plus, such as K-12 institutions, adult education providers, community colleges and four-year institutions can access. LaunchBoard data includes: (1) adult education outcomes, (2) disaggregated Strong Workforce Program metrics, such as number of degrees or certificates, students

who transferred, median earnings, job outcomes, (3) disaggregated Guided Pathways metrics, such as on student retention, course completion, and unit accumulation, and (4) information on outcomes of high school CTE students who enroll in CCC, including basic skills and completion outcomes.

Adult Education Data.

Adult education is generally provided by school districts and community colleges, with some other community partners, such as libraries and programs through the California Workforce Development Board. The California Department of Education (CDE) and the CCC Chancellor's Office administer the Adult Education program jointly. Under this program, providers utilize existing data collection systems to report on students served and student outcomes, including:

- **TOPSpro Enterprise (TE):** TE is a data reporting and analysis tool from the Comprehensive Adult Student Assessment Systems (CASAS) used to report K–12 adult education and WIOA Title II student data to CDE. CASAS is a nonprofit organization that provides assessments of basic skills for youth and adults and curricular tools to target instruction. CASAS is used by federal and state government agencies, business and industry, community colleges, education and training providers, correctional facilities, and technical programs. CASAS also holds the states WIOA Title II data, which include adult schools, community colleges, community-based organizations, correctional institutions, libraries, and state agencies.
- **CCC's MIS:** All local community college enrollment and student data is reported into the statewide MIS data system that records yearly and longitudinal educational data for all community college students in California. MIS records student information, enrollment, course outcomes (grades), and awards (certificates, degrees, and completion of requirements for transfer). Data from MIS is used to populate multiple data visualization tools including the Student Success Scorecard, Chancellor's Data Mart, and the LaunchBoard.

As part of the final 2018-19 Budget Act agreement, \$5 million was provided in ongoing funding for the development of a unified data set for students served through the Adult Education Program that at a minimum includes data on employment, wages, and transition to postsecondary education. Finally, the budget act also required, commencing in the 2019-20 fiscal year, an adult school to assign an enrolled student a statewide student identifier consistent with the identifiers assigned to pupils in K–12 education programs, if the student is not already identified and to share the assigned identifier with the CCC for inclusion in the student data system.

University of California Data

UC Information Center. UC publically shares data on their Information Center Website. This data includes: (1) degree outcomes, (2) diversity, (3) faculty and staff, (4) graduate and undergraduate experience, (5) institutional performance, (6) research and innovation, and (7) UC in the community. Data may be disaggregated by majors, UC campuses, community colleges, students' demographics, parent education levels, among others. The Institutional Research and Academic Planning (IRAP) unit is located in the UC Office of the President (UCOP) Academic Affairs Division, and provides systemwide data management services to access and analyze data across all ten UC campuses. UC has memorandum of understanding with CSU and CDE, and shares data on an as needed basis. UC also has an active three-year contract with EDD to obtain wage data of UC graduates. EDD is able to match UC's data with the students' social security number. UCOP collects data from campuses financial aid,

admissions, registrations and other offices to input into the database. Each campus department may have different information systems and programs.

California State University (CSU) Data

The Division of Institutional Research and Analyses at the CSU is responsible for compiling student data from the 23 campuses of the CSU and disseminating statistical information about applications received, new enrollments, continuing enrollments, and degrees conferred, and posts these statistical tables on their website. Campuses submit data to the Chancellor's Office at various academic census points. When applying for CSU, a high school student has the option of including their SSID; however, it is not required. Instead, CSU students are indexed based on their social security number or a campus assigned identification number for students without a social security number. CSU has memorandum of understandings with CCC, UC, EDD, CSAC, and K-12 districts on an ad hoc basis, and data may only be used for a specified purpose.

California Student Aid Commission (CSAC) Data

CSAC collects data from the Free Application for Federal Student Aid (FAFSA) for California residents applying for student aid at institutions of higher education in California. CSAC receives all individual student information from FAFSA, including the student's name, address, social security number, gender and family income. Additionally, Education Code 69432.9 requires all public high schools to electronically submit the grade point average for high school seniors to CSAC. Only some schools submit a student's SSID to CSAC when submitting the GPAs, and as a result, CSAC must match a student's GPA to their FAFSA based on their name, birthday, address and other information. CSAC receives limited information from campus institutions, this includes confirmation that the student is enrolled and has been paid, and enrollment information from CCCs for students attending multiple campuses. Additionally, AB 214 (Weber), Chapter 134, Statutes of 2017, requires CSAC to notify Cal Grant recipients who qualify for participation in the CalFresh program and requires the California Department of Social Services (DSS) to maintain a list of programs that provide a student potential eligibility for a CalFresh exemption if certain requirements are met. CSAC collects this data from DSS to notify students that they may be eligible for CalFresh. CSAC also receives information from the EDD for the purpose of administering the Cal Grant C program, which prioritizes aid for students who face economic barriers or hardships, such as unemployment. CSAC posts reports on their website regarding: (1) Cal Grant awardees and recipients, (2) average income, GPA, family size and age by segment, and (3) information by segments about students receiving a Middle Class Scholarship, high school and transfer entitlement program, or competitive Cal Grant.

The Education Insights Center chart below summarizes the state’s K-12 and higher education data collection.

System	Student Identifier	Data Elements	Source of Data	Data Tools (publicly accessible)
California Department of Education	Statewide Student Identifier (SSID)	<ul style="list-style-type: none"> Demographics Course enrollments Attendance Special program eligibility Discipline incidents Completion (diploma, GED) 	K-12 school districts report data twice in the fall, and at the end of the school year	<ul style="list-style-type: none"> DataQuest California School Dashboard Other summary reports on CDE website Ed Data⁸
California Community Colleges	Social Security Number (SSN)	<ul style="list-style-type: none"> Demographics Course enrollments/grades Financial aid Special populations/ programs (e.g. disabled) Educational goal Participation in orientation, other matriculation services Degrees/certificates 	Colleges/districts submit some data each term and other data annually	<ul style="list-style-type: none"> Datamart Student Success Scorecard Salary Surfer
California State University	SSN	<ul style="list-style-type: none"> Application information Demographics Course enrollments/grades Financial aid Degrees 	Campuses submit some data each term and other data annually	<ul style="list-style-type: none"> Student Information Dashboard Other summary reports on Analytic Studies Division website
University of California	SSN	<ul style="list-style-type: none"> Application information Demographics Course enrollments/grades Financial aid Degrees 	Campuses submit some data each term and other data annually	<ul style="list-style-type: none"> UC Information Center UC Accountability Report

Employment Development Department (EDD) Data

The EDD Data Library provides publically accessible data regarding the state’s industries, occupations, employment projects, wages and the labor force. EDD collects data from employers on a quarterly basis regarding the number of employees, their taxable wages, social security numbers and other information. EDD uses social security numbers to match wage data outcomes and unemployment and disability claims. The UC, CSU, CCC and private higher education institutions provide students’ social security numbers to EDD to conduct various studies, such as employment data outcomes. Additionally, unemployment insurance code section 1095 (aj) requires EDD to share quarterly wage data to the California Workforce Development Board, CCC, CDE, the Department of Rehabilitation, the State Department of Social Services, the Bureau for Private Postsecondary Education, the Department of Industrial Relations, the Division of Apprenticeship Standards, and the Employment Training Panel to evaluate program outcomes.

Other Data Systems

Integrated Postsecondary Education Data System (IPEDS). IPEDS is a data system by the U.S. Department of Education’s National Center for Education Statistics (NCES) that annually collects information from every college, university, and technical and vocational institution that participates in federal student financial aid programs. Institutions report data on enrollment, program completions,

graduation rates, faculty and staff, finances, institutional prices, and student financial aid. More than 7,500 institutions complete IPEDS surveys each year.

Cal-PASS Plus. Cal-PASS Plus is a pre-K through higher education student data system created and funded by the CCC Chancellor's Office. The system and initiatives are managed through a partnership between the San Joaquin Delta College and Educational Results Partnership, a 501(c)(3) non-profit. Cal-PASS Plus offers longitudinal data charts, detailed analysis of pre-K through higher education transitions and workplace outcomes, information and artifacts on success factors, and comparisons among like universities, colleges, K-12 school systems and schools.

California College Guidance Initiative (CCGI). CCGI supports 6th –12th grade students and their families as they prepare for college. The budget provides \$3.5 million in Proposition 98 funding for the initiative, CSU provides \$250,000, CCGI collects district fees for some services and pursues philanthropy to support the project with a total budget of approximately \$7 million. CCGI uses technology planning tools that links academic data between K-12 districts and higher education for the purpose of student admission, placement, guidance, and educational planning. CCGI manages the CaliforniaColleges.edu, which allows all California students to: (1) explore career interests, (2) explore majors and programs of study, (3) develop a college financing plan, and (4) choose the high school courses needed to meet college eligibility requirements. CCGI partner districts receive personalized services. Specifically, CCGI provides intersegmental data transmission to participating school districts. For participating districts, CCGI articulates with application platforms for the CCC and CSU, and enables students to launch applications from an account that is tied to their K-12 SSID.

California Postsecondary Education Commission (CPEC). In 1974, CPEC was created to coordinate the state's public, independent, and private postsecondary education, as well as provide independent policy analyses and recommendations to the Legislature and the Governor on postsecondary education issues. CPEC served as the state's planning and coordinating body for higher education. Its predecessor, the Coordinating Council for Higher Education, was established as part of the 1960 Master Plan for Higher Education. CPEC's primary responsibilities included ensuring quality of education and cooperation among the segments of public postsecondary education system and eliminating duplication and waste of resources. Additional duties included the creation and maintenance of collection databases capable of documenting performance of postsecondary education institutions, administration of federally funded education programs, and acting as the state's clearinghouse on postsecondary education information. CPEC was dissolved in November 2011, following the line item veto of its funding by Governor Brown.

CPEC compiled data on individual student records and was able to link data across the three higher education segments. CPEC also compiled aggregate data from other public sources, such as CDE, Census Bureau, Bureau of Labor Statics, and the state Employment Development Department. The records that were held by CPEC (records from 1961-2011) are currently being held by the Corporation for Education Network Initiatives in California (CENIC). The data held by CENIC is static with no new data being added. CPEC transferred its reports and historical materials to the State Archives and the California State Library. Since the closure of CPEC, there is no statewide entity that serves as the State's planning and coordinating body for higher education or that houses postsecondary education data. There have been numerous unsuccessful attempts to reestablish such a body.

Sharing of data across segments and systems. Existing law requires the CCC, CSU and the UC to issue a unique statewide student identifier to each student, and authorizes these segments, along with CDE, the Commission on Teacher Credentialing and the EDD, to enter into interagency agreements to

facilitate the implementation of a comprehensive longitudinal P-20 statewide data system, transfer of data from one educational segment to another, and transfer of workforce data to the educational segments. While unique student identifiers have been assigned by public K-12 schools and are being assigned by the public postsecondary segments, and are being utilized to some degree, they are not yet being utilized to broadly share data across segments or systems.

Existing law requires the CCC, CSU and UC to annually provide a progress report with a detailed timeline for the implementation, maintenance, and use of the unique statewide student identifiers. According to the 2018 progress report from the CSU, “No progress was made in 2017-18. The CSU remains committed and interested in achieving a common identifier (SSID). CSU student data systems are ready to incorporate the SSID. In the absence of a common identifier (or a reliable SSN available in the datasets of other segment partners) the CSU has relied on the use of a combination of student specific variables common across the segments to uniquely identify and match records.” The same statement was made in the 2016 progress report.

According to the 2018 progress report from the UC, “The SSID has already been incorporated into UC student data systems and acquisition can now be tracked over time. Usefulness of the SSID is limited until the data are more accurately reported by K-12 schools and more readily available in electronic form. UC is participating in efforts to facilitate the sharing of student data between the three public segments of higher education and K-12 institutions...Attaining this goal continues to be dependent on getting SSID included on all student high school transcripts, and provision of a comprehensive dataset of valid SSID’s matched with student name and high school from CDE (so data received can be validated).” The same statement was made in the 2016 progress report.

The CDE, CCC, CSU and UC have been authorized to enter into interagency agreements to facilitate the implementation of a comprehensive longitudinal P-20 statewide data system since 2010, but haven’t yet achieved the goal of creating and utilizing a shared statewide student data system. During the administration of Governor Brown there was little support or funding for making progress towards a longitudinal data system.

Comparison to Other States. The Education Commission of the States compared all 50 states in 2016 and found that while all have some ability to connect data across some systems, as described below; California is one of 13 states that do not have, or have very limited, data connection across systems.

- 37 states connect data between 2 of 4 education systems (Early Learning, K-12, Postsecondary, and Workforce).
- 16 states have a P20W (Pre-Kindergarten through Workforce) system.
- 26 states have centralized systems that collect, retain, and maintain data from multiple agencies in a centralized warehouse.
- 11 states have federated systems that link data systems on an “as needed” basis.

Family Educational Rights and Privacy Act (FERPA). FERPA, a federal law, requires schools to have written permission from the parent or eligible student in order to release any information from a student’s education record. However, FERPA allows schools to disclose those records, without consent, to the following parties:

- School officials with legitimate educational interest;

- Other schools to which a student is transferring;
- Specified officials for audit or evaluation purposes;
- Appropriate parties in connection with financial aid to a student;
- Organizations conducting certain studies for or on behalf of the school;
- Accrediting organizations;
- To comply with a judicial order or lawfully issued subpoena;
- Appropriate officials in cases of health and safety emergencies; and,
- State and local authorities, within a juvenile justice system, pursuant to specific state law.

FERPA also authorizes schools to disclose, without consent, “directory” information such as a student’s name, address, telephone number, and date and place of birth. Existing law requires schools to notify parents and eligible students about directory information and allow them a reasonable amount of time to request that the school not disclose such information. Existing law requires schools to also notify parents and eligible students annually of their rights under FERPA.

Research

Since the closure of CPEC, the state has lacked a coordinating agency for higher education or the ability to collect, maintain or make decisions about higher education data. In response to this gap, various research entities have released reports and recommendations on a modernized education data system.

In May 2018, California Competes released a report, *Out of the Dark: Bringing California’s Education Data into the 21st Century*, and made the following recommendations:

1. Create a higher education coordinating entity, which is independent of the higher education segments and CDE, and submits annual reports on data indicators.
2. Create a statutory mandate on specified departments and entities to submit data, and match data with the EDD. Data sharing must be safe and legal.
3. Develop and adopt standardized data metrics and a common student ID number.
4. Develop a public portal for sharing linked system data.

From 2016 to 2018, the Education Insights Center at CSU Sacramento released four reports regarding student data systems. In June 2018, Ed Insights released, *A Hunger for Information: California’s Options to Meet its Statewide Education Data Needs*, and made the following recommendations:

1. Create a new state data agency within an existing state agency to align the state data system. The new agency would not have a role in planning or coordination. Instead, external researchers could analyze the data and make recommendations for improvements to education policy and practice. The report also notes that a new coordinating body is not needed to create an effective data system.
2. Create a centralized data warehouse.

The report notes that this kind of data system would not provide schools and colleges with real-time information to serve the immediate needs of current students. Ed Insights notes that a real-time data system on a statewide scale is more technically challenging and costly.

Governor's Proposal:

The Governor's proposed budget includes \$10 million in one-time non-Proposition 98 General Fund for the planning and initial implementation of a longitudinal data system. The Administration proposes to connect student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities and health and human service agencies. Of the total funding, the Administration proposes a portion is used for initial planning while the majority of the funds would support initial implementation.

Finally, the Administration notes an intention to focus on improving data quality and signals intent to develop additional K-12 accountability measures, improve collaboration between schools and health and human services agencies, and collect more relevant data on the relationship between the state's education program and the state's workforce.

At this time, staff does not have additional details or trailer bill language regarding this proposal.

Staff Comments

Data System Structures. As the Legislature reviews the Governor's proposal to create a longitudinal data system, it may wish to consider where the data should be housed. Some states have built a "centralized" system, where data from all agencies are collected in a data warehouse. Centralized data warehouses may allow access to data for analyses, as the data are already matched and held in a single system. However, the data are only as current as the most recent upload. Other states have a "federated" data system, where each participating agency continues to house its own data, but custom data sets are created by drawing data from each agency as needed to address particular research purposes. More than twice the number of states use a centralized data warehouse for their longitudinal data systems than use a federated structure.

Data System Audience. In addition to deciding where the data is housed, the Legislature may wish to consider who will benefit from and use the data system. For example, in Minnesota, the system allows school districts to observe student participation and outcomes in higher education. Tennessee and Virginia conduct data analysis for making changes to placement policies and remedial education in community colleges. Other states have utilized "real time" data systems to help inform students and families about their college choices. This type of data system can match data across education institutions for programs that provide students with direct services, such as counseling and advising.

Planning and Implementation Process. While discussions about longitudinal data have been happening for many years, the Governor's proposal to put funding behind it has propelled the conversation forward and valid questions have been raised about the purpose and design of the system. At this point there are still many details and discussions outstanding, including what total costs might be for each option, the timing of building out a system, and the governance of the system. The Legislature may wish to determine priorities around some these remaining questions and based on those to request the exploration of the costs and logistical challenges of multiple approaches before committing to the provision of implementation funding.

Staff Recommendation:

Hold Open.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
Data Collected	<p>(1) Disability Insurance (DI) data: Claimant’s Social Security Number (SSN), Full name, gender, date of birth (DOB), mailing and residence address, occupation title, physician information.</p> <p>(2) Paid Family Leave (PFL) data: Claimant’s SSN, full name, DOB, gender, name and address of employer, name of person claimant is caring for, occupation.</p>	<p>Base Wage File: Employee names, Social Security Numbers, wages paid, and personal income tax withheld.</p>	<p>UI Claimant Data: Claimant’s SSN, full name, DOB, gender, spoken language, benefits paid, mailing address, education level, veteran, Standard Industrial Classification (SIC), Dictionary of Occupational Titles (DOT), citizenship, ethnicity (optional), and disabled (optional).</p>	<p>(1) Program Data (Workforce Innovation and Opportunity Act, Wagner-Peyser Act, and the Trade Adjustment Act): Federally required data elements for each jobseeker, including demographics, barriers to employment, program services received, credentials received, measurable skills gains received, and employment data.</p> <p>(2) Eligible Training Provider (ETPL) List Data: Federally required providers and program information including program description, cost, performance, and locations.</p> <p>(3) Employer Data: Employer name, locations, contacts, and job orders.</p> <p>(4) Labor Exchange: Job seeker information, resumes, and employer job orders.</p> <p>(5) UI Branch Mandated Workshops: Roster and completion status for each jobseeker scheduled for a workshop.</p>	<p>(1) Quarterly Census of Employment & Wages (QCEW): Universe count of UI covered employment and wages by industry.</p> <p>(2) Occupational Employment Survey (OES): Occupational employment and wages by area and industry.</p> <p>(3) Local Area Unemployment Statistics (LAUS): Civilian labor force, employment, unemployment, and unemployment rate for states and local areas.</p> <p>(4) Employment Projections:</p> <ul style="list-style-type: none"> • Industry Employment Projections: Nonfarm employment by major industry sector, farm employment (crops, animals, fish, etc. does not include logging), self-employed workers, and private household workers. • Occupational Employment Projections: Industry employment projections, occupational staffing patterns by industry.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
Data Sources	(1) DI claimants (2) PFL claimants	California employers	UI Claimants	(1) Program Data: Jobseekers (2) ETPL Data: Training providers (3) Employer Data: Employers (4) Labor Exchange: Job seekers, employers, and job orders entered into the system from external sources. (5) UI Branch Mandated Workshops: workshop participants	(1) QCEW: Establishments (2) OES: Semi-annual establishment survey (3) LAUS: Input from Current Population Survey of Households (CPS), CES, and UI. (4) Employment Projections: QCEW, CES, OES, and BLS (national projections, separation rate, and change factors).
Data Sharing	Entities authorized under California UI Code Section 1095. Aggregated data are shared with California Legislature, education entities, research groups, media, and the public as necessary via the EDD website.	Entities authorized under California UI Code Section 1095. The EDD Tax Branch has existing data sharing agreements with: (1) Education entities for the disclosure of certain data for specific purposes: California Department of Education, California Community Colleges Chancellor’s Office, California State University and California State University Chancellor’s Office,	Entities authorized under California UI Code Section 1095. The EDD cannot legally share personal identifying information, due to confidentiality, with non-authorized entities. (1) The Department of Labor, Governor’s Office, federal and state legislatures, media, students, and the public as necessary via the EDD website.	Program data are shared with the Department of Labor’s Employment & Training Administration (DOL ETA), California Workforce Development Board (CWDB), and the EDD UI Branch.	Entities authorized under California UI Code Section 1095: <ul style="list-style-type: none"> • 1095 (r) local government planning agencies to develop economic forecasts for planning purposes • 1095 (ai): federal, state, or local government agencies to evaluate public social services programs Aggregated data are shared with economic developers, education entities, researchers, job seekers, employment/school counselors, and the media.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
		<p>and the University of California.</p> <p>EDD also has a data sharing agreement in place with the California Workforce Development Board, California Community Colleges Chancellor’s Office, California Department of Education, California Department of Social Services, California Department of Industrial Relations, California Department of Rehabilitation, and California Employment Training Panel to exchange data for the Cross-System Analytics and Assessment for Learning and Skills Attainment (CAAL Skills) program..</p>			
Data Coordination & Communication	External entities request data from the EDD through a data request. Upon receipt, EDD evaluates the data request and all relevant legal statutes that allow or disallow the sharing of the data.	External entities request data from the EDD through a data request. Upon receipt, the EDD evaluates the data request and all relevant legal statutes that allow or disallow	Meetings, email, and electronic measures via interagency agreements.	Files are: <ul style="list-style-type: none"> • Uploaded to the Workforce Integrated Performance System for the DOL ETA • Provided on a secure thumb drive for the CWDB • Automatically transferred internally to UI Branch 	External entities request data from the EDD through a data request. Upon receipt, EDD evaluates the data request and all relevant legal statutes that allow or disallow the sharing of the data. Once the need, use, and legal authority have been identified and approved, the department

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
	Once the need, use, and legal authority have been identified and approved, the department negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.	the sharing of the data. Once the need, use, and legal authority have been identified and approved, the department negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.			negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.
Challenges in Collecting & Aligning Data	Requests for unique data not previously provided require building data marts, validating data, and using other research tools before the unique data can be used.	<p>Educating customers about the sensitive and confidential nature of the data and the need to ensure that the data are used for its intended UI purposes.</p> <p>The volume of data as a result of receiving wage data and other required forms and payments from the state’s 1.5 million employers.</p>	A reporting challenge is the ability to make reporting changes to the Single Client Data Base. For example, the system uses outdated SIC and DOT codes that may not represent the current industry/occupational coding system for the claimant.	Willingness of sources to provide accurate information, knowledge of definitions of required data elements, lack of alignment across programs on data element definitions, and the lack of a unique identifier across workforce and education systems. (Individuals are not required to enter their SSN into the system to receive services from the EDD WSB administered programs.)	<p>(1) QCEW: Employers report data late; QCEW staff make necessary adjustments to employment and wages reported due to an employer’s lack of information and/or errors.</p> <p>(2) OES: Employers are reluctant to respond to surveys and provide accurate employment and wage information.</p>

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 7, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

AGENDA

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**Issue 1: Overview of Proposition 98 and 2019-20 Budget Proposals (Information Only)****Panel I:**

- Chief Deputy Superintendent of Public Instruction Lupita Cortez Alcalá
- Chancellor of the California Community Colleges Eloy Ortiz Oakley
- Chancellor of the California State University Timothy P. White
- Nathan Brostrom, Executive Vice President - Chief Financial Officer for the University of California

Panel II:

- Aaron Heredia, Department of Finance
- Jack Zwald, Department of Finance
- Michelle Nguyen, Department of Finance
- Jennifer Kuhn Pacella , Legislative Analyst's Office

K-12 Education and Early Education Budget Proposals:

Proposition 98 Overall Funding Levels – The proposed budget estimates a total Proposition 98 funding level of \$80.7 billion (K-14). This is a \$2.3 billion increase over the 2018-19 Proposition 98 level provided in the 2018 Budget Act (a \$2.8 billion increase over the revised 2018-19 Proposition 98 level). The budget proposes to provide total Proposition 98 funding (K-14) for 2017-18 of \$75.5 billion, a decrease of \$120 million over the 2018 final budget act level, but \$44 million above the revised 2017-18 Guarantee level. For 2018-19, the Governor estimates a decrease in the total Guarantee of \$526 million (for a total of \$77.9 billion), but provides \$475 million in settle-up funding to offset the need for expenditure reductions. These adjustments are the result of revised average-daily attendance (ADA) numbers for each of the years and the certification of prior year Guarantee levels.

Proposition 98 K-12 Changes – The proposed budget includes a Proposition 98 funding level of \$71.2 billion for K-12 programs. This includes a year-to-year increase of \$2.6 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2018-19. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$11,568 provided in 2018-19 (revised) to \$12,003 in 2019-20, an increase of 3.8 percent.

K-12 Local Control Funding Formula – The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The proposed budget provides a COLA of 3.46 percent, approximately \$2 billion, for the 2019-20 fiscal year, bringing total LCFF funding to \$63 billion. The Administration also proposes to cap the continuous appropriation of COLA for LCFF, existing in current law, during future years if the COLAs for LCFF and other K-14 programs would exceed growth in the minimum Guarantee.

K-12 Pensions – The proposed budget includes a \$3 billion one-time non-Proposition 98 General Fund payment to the California State Teachers’ Retirement System (CalSTRS). Of this total, \$700 million (\$350 million in each of 2019-20 and 2020-21) is proposed to buy down employer contribution rates. The Administration estimates this would reduce the scheduled employer rate for 2019-20 from 18.1 percent to 17.1 percent and for 2020-21 from 19.1 percent to 18.1 percent. The remaining \$2.3 billion is proposed to pay down employers’ long-term unfunded liability.

K-12 School Facilities – In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 billion in bond authority in 2019-20 for new construction, modernization, career technical education, and charter facility projects, an increase of \$906 million over bond sales authorized in 2018-19.

Full- Day Kindergarten Facilities – The proposed budget includes \$750 million in one-time non-Proposition 98 General Fund for eligible LEAs to retrofit or expand existing facilities to allow for an expansion of full-day kindergarten programs.

K-12 Special Education – The proposed budget includes \$576 million in Proposition 98 General Fund (\$390 million of this is ongoing) for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. The funds would support services that are supplemental to those identified in a student’s individualized education plan, preventative services to prevent the need for additional services in future years, and other strategies to improve outcomes for students with disabilities.

Kindergarten Child Savings Account – The proposed budget includes \$50 million in one-time non-Proposition 98 General Fund to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments, and philanthropy to create models for working towards providing Child Savings Accounts for incoming kindergartners.

K-12 Statewide System of Support – The proposed budget includes \$20.2 million in Proposition 98 General Fund for county offices of education to support school districts that are in need of improvement under the state’s accountability system to be distributed pursuant to a statutory formula enacted in the 2018-19 budget. These funds would support 374 school districts identified in 2018-19 through the state’s accountability measures (displayed in the recently created online tool, the California School Dashboard) to need targeted technical assistance.

Longitudinal Education Data System – The proposed budget includes \$10 million in one-time non-Proposition 98 General Fund for the planning and initial implementation of a longitudinal data system to connect student information from early education through K-12, higher education, workforce and other agencies.

K-12 Enrollment - The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$388 million Proposition 98 General Fund in 2018-19, as a result of a decrease in the projected ADA, as compared to the 2018 Budget Act. For 2019-20, the Governor’s proposed budget reflects a decrease of \$187 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments – The proposed budget also provides \$187 million Proposition 98 General Fund to support a 3.46 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments – The proposed budget includes a decrease of \$283 million in Proposition 98 General Fund in 2018-19 and a decrease of \$1.25 billion in Proposition 98 General Fund in 2019-20 for school districts and county offices of education related to higher offsetting local property taxes.

Child Care and Early Education

The Governor’s budget increases funding for child care and preschool programs, including Transitional Kindergarten, by \$665 million for a total of \$5.3 billion in state and federal funds. This reflects an increase of 14.2 percent from 2018-19. Major changes are described below:

State Preschool Program Expansion

- The proposed budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration proposes to also increase slots in 2020-21 and 2021-22, bringing the total to 30,000 slots by the end of the three-year period and serving all low-income four year olds.
- The budget also shifts \$297 million provided for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full- day State Preschool through non-Proposition 98 General Fund and this proposal would unify the funding source for the program for non-LEA providers.
- The proposed budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.
- Finally, the proposed budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year’s budget that commence in April 1, 2019.

Child Care Quality and Facilities – The proposed budget provides \$500 million in one-time non-Proposition 98 General Fund to improve the state’s child care system. Of this, \$245 million is to increase the educational attainment of the child care workforce, \$245 million is to expand facilities for subsidized child care, and \$10 million is to contract for the development of a universal preschool blueprint and plan for improving child care.

Non-CalWORKs Child Care – The proposed budget includes \$79 million for a 3.46 percent cost-of-living adjustment for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.

CalWORKs Child Care – The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage 1, a \$36 million increase in Stage 2, and a \$83 million increase in Stage 3.

Transitional Kindergarten – The proposed budget also includes an increase of \$24 million (for a total of \$890 million) Proposition 98 General Fund for Transitional Kindergarten, reflecting ADA growth and COLA. This funding is included within LCFF totals as discussed earlier in this report.

Other Adjustments – The proposed budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.

California Community Colleges Budget Proposals:

Student Centered Funding Formula – The Governor proposes to postpone a scheduled increase in the share of apportionments tied to student outcomes. Under current law, the share of funding tied to student outcomes is scheduled to increase from 10 percent in 2018-19 to 15 percent in 2019-20, and then to 20 percent in 2020-21. Over the same period, the share tied to enrollment is scheduled to decline from about 70 percent to 60 percent. Instead of changing the shares in these ways, the budget keeps the 2018-19 rates (adjusted by COLA) in place for 2019-20. The Administration indicates that the postponement would “better ensure that the CCC Chancellor’s Office and the Oversight Committee have sufficient time to consider revisions that would further the goals of the formula.”

In addition, the Governor proposes to limit a district’s year-to-year growth in its student outcome allotment to 10 percent so as to “make the formula more sustainable over the long run.”

The budget proposes \$435,000 one-time General Fund to support the Student Centered Funding Formula Oversight Committee.

College Promise Program – The budget provides \$40 million ongoing Proposition 98 General Fund to support a second year of the California College Promise Program. Additionally, the budget proposes \$5 million one-time General Fund for the Chancellor’s Office to increase outreach for the program.

Apportionments – The budget includes \$248 million to cover a 3.46 percent cost-of-living adjustment (COLA) and \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional full-time equivalent [FTE] students).

Capital Outlay Projects – The budget proposes \$18 million (Proposition 51 bond funding) to fund 12 new projects submitted by the Chancellor’s Office for 2019-20. In addition, the budget proposes \$341 million in Proposition 51 funds to continue 15 projects that were approved in previous years.

Legal Services – The budget provides \$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty and staff on CCC campuses.

Adult Education Block Grant Program. The budget provides \$18 million ongoing Proposition 98 General Fund to fund the cost-of-living adjustment of 3.46 percent for the program.

California State University Budget Proposals:

Operating Costs – The budget provides \$193 million ongoing General Fund to support operational costs. The budget assumes that tuition at CSU will remain flat at 2018-19 levels.

Enrollment – The budget proposes \$62 million ongoing General Fund to increase enrollment by two percent, or 7,000 students.

Degree Attainment and Student Success – The budget provides \$45 million ongoing General Fund to continue investments in the Graduation Initiative.

Immigrant Legal Services – The budget provides \$7 million ongoing General Fund to provide legal services to undocumented students, family and staff at the CSU. The budget summary specifies services that this funding may support.

Project Rebound – The budget provides a \$250,000 General Fund ongoing increase to support Project Rebound, which provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.

New CSU Campus – The budget proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely in the City of Stockton.

Student Hunger and Housing Initiatives – The budget provides \$15 million one-time General Fund to assist each campus's existing efforts to address student hunger and housing needs.

University of California (UC) Budget Proposals:

Operational Costs – The budget proposes a \$119.8 million General Fund unrestricted base increase for UC. The budget assumes that undergraduate resident tuition remain, flat at 2018-19 levels.

The budget summary notes that this investment should begin a conversation between the Administration and UC on the short and long-term goals to provide fiscal certainty for students, increase access and improve student success, creating a more cost-efficient UC, and improving linkages between UC and the workforce.

Enrollment – The budget proposes \$10 million ongoing General Fund to support enrollment of 1,000 additional resident students above previously budgeted levels. UC used one-time funds in the 2018-19 budget to support this enrollment. The budget does not propose any additional funding for enrollment in 2019-20.

UC Extension Programs – These programs provide continuing education for adults and are self-supported programs. The budget proposes \$15 million one-time General Fund to provide outreach to Californians and to reform existing program and course offerings. The budget summary notes the administration's expectation that programs will continue to be supported by student fees.

Degree Attainment and Student Success – The budget proposes \$50 million ongoing General Fund to improve student success and timely degree completion.

Mental Health Services – The budget proposes \$5.3 million ongoing General Fund to hire additional clinicians to serve students.

Student Hunger and Housing Initiatives – The budget proposes \$15 million ongoing General Fund to augment UC’s existing efforts to address student hunger and housing needs.

Immigrant Legal Services – The budget provides \$1.3 million ongoing General Fund to support immigrant legal services programs starting in 2022-23. The budget summary notes that the \$4 million one-time General Fund provided in the 2018-19 budget is sufficient to support the program until 2022-23.

Graduate Medical Education – The budget provides an increase of \$40 million General Fund ongoing to end the shift of Proposition 56 funds supporting medical residency programs.

Firearms Violence Research Center – The budget provides \$1 million ongoing General Fund starting in 2021-22 to support the Center at UC Davis. The 2016-17 Budget provided \$5 million General Fund one-time for this purpose.

Deferred Maintenance – The budget provides \$138 million one-time General Fund to address deferred maintenance at UC.

Staff Comments

The subcommittee will discuss these items in further detail in upcoming hearings.

Staff Recommendation

No action, this issue is information only.

Issue 2: Statewide Longitudinal Data Systems (Information Only)

Panel I:

- Dan Hanower, Department of Finance

Panel II:

- Sarah Neville-Morgan, Early Learning & Care Division, California Department of Education
- Cindy Kazanis Director of the Analysis, Measurement & Accountability Reporting Division, California Department of Education
- Christian Osmeña, Vice Chancellor College Finance and Facilities Planning, California Community Colleges
- Nathan Evans, Chief of Staff and Senior Advisor, Academic and Student Affairs, California State University Office of the Chancellor
- Pamela Brown, Vice President of Institutional Research and Academic Planning for the UC Office of the President
- David O'Brien, Acting Chief of Research, Evaluation, and Data, and Director of Government Affairs, California Student Aid Commission
- Muhammad Akhtar, Ph.D., Deputy Division Chief for the Labor Market Division at the Employment Development Department

Panel III:

- Colleen Moore, Assistant Director, Education Insights Center
- Valerie Lundy-Wagner, Senior Research Analyst, California Competes

Background:

California currently does not have a statewide longitudinal data system that links data and outcomes for students across segments of education and into the workforce. Through a variety of investments, the state has built several robust data systems, operated by the various educational segments. Select data is shared for specific purposes or research projects, but California lacks the organized data sharing or overarching system that would allow for deeper insights into how students move through our education system and into the workforce. In addition, the transfer of information across systems, especially as students move into postsecondary education, is not automated and requires students, parents, teachers, administrators and others to navigate multiple systems. Finally, the state cannot provide data-backed evidence on the outcomes from many policy changes. The state's current data systems are described below:

Early Education Data

Currently no statewide student level data is collected for children in child care or early education settings, including preschool. In some cases school districts that are providing state preschool may assign the same unique identifiers to preschool students that they are assigning to their kindergarten through grade 12 students, but this is not widespread nor required. One of the challenges with collecting data for young children is that they are served in a variety of settings. For those who are not cared for at home by a parent or guardian, there is a patchwork of care from unlicensed or licensed

family child care arrangements to center-based care to specific federal or state programs for early education such as Healthy Start and State Preschool. In addition, these settings have varying degrees of access to technology or funding to upgrade or create systems. For families receiving subsidized care and early education, the information that is currently collected, is related to verification of eligibility for benefits. Some information is also collected for young children with special needs as they receive services related to their disabilities through their school district of residence.

K-12 Data

For Kindergarten (including transitional kindergarten) through grade 12, student level data is collected primarily through the California Longitudinal Pupil Achievement Data System (CALPADS). This system was originally created in response to the requirements of the federal No Child Left Behind (NCLB) Act of 2001, and has been fully operational since 2009. CALPADS was designed to aggregate a variety of other existing data systems and provide aggregate information across many fields. Under current statutory authority, local educational agencies (LEAs) (includes school districts, county offices of education, and independent charter schools) must report the following:

- Statewide Student Identifier (SSID) data
- Student enrollment and exit data
- Data to calculate graduation and dropout rates
- Demographic data
- Data necessary to comply with the No Child Left Behind Act of 2001
- Other data elements deemed necessary by the Superintendent of Public Instruction and approved by the State Board of Education in order to meet the requirements of NCLB

Student level data is tracked through the assignment of an SSID. This number is non-personally identifiable and assigned locally to students in the K-12 educational system. Data linked to an SSID includes scores on statewide assessments, the exit and entrance of students from schools and districts to inform graduation and dropout rates, English language acquisition status, immigrant counts, and Free and reduced price meal eligibility.

K-12 schools, districts, and county offices of education also submit data through the California Basic Educational Data System (CBEDS). CBEDS data includes aggregate information about schools and districts, including staffing levels and types, instructional program types, and the school district of choice program. CBEDS information is collected in October of each year.

K-12 schools, districts, and county offices of education also report pupil attendance, tax, and other data that are used to calculate funding for the LCFF, special education and other programs through the Principal Apportionment Data Collection (PADC) Software.

California Community Colleges Data

CCC Management Information Systems (MIS) Data. The CCCs submit data to MIS regarding a variety of topics three to four times a year depending on the topic, and MIS is publically available through Data Mart on the Chancellor's Office website. Data may be sorted based on term, college district, and statewide. Information available on Data Mart are as follows:

1. Students and headcounts. This data includes: (1) annual and term student count, (2) enrollment status, (3) day/evening Status, (4) full-time/Part-time Status, (5) citizenship status, (6) education status, (7) full-time equivalent student (FTES) Counts, and (8) distance education counts.
2. Student Services. This data reports student counts with demographic information, and whether the student participates in programs or services overseen by the Student Services Division of the Chancellor's Office. These programs include: (1) the California Work Opportunity and Responsibility to Kids (CalWORKs), (2) Disabled Student Program and Services (DSPS), (3) Extended Opportunity Program and Services (EOPS), (4) financial aid, and (5) matriculation.
3. Outcomes. This data reports outcomes in enrollment and programs, with demographic breakout. The outcome data includes: (1) basic skills cohort progress tracker, (2) enrollment retention and success rate, (3) grade distribution and program awards, (4) student success scorecard and skill builders metrics, (5) transfer velocity, (6) system wage tracker, (7) college wage tracker, and (8) transfer volume.
4. Courses and Calendar. This data reports course characteristics such as number of course of sections offered, students enrolled, and FTES by credit, noncredit, and basic skills course characteristics.
5. Faculty and Staff. This data reports annual statewide staffing reports and faculty and staff demographics.

CCC Salary Surfer. The Chancellor's Office provides comparative information about the earnings of recent CCC graduates who received an award in a specific program of study on their Salary Surfer website. Salary Surfer uses the aggregated earnings of graduates from a five-year period to provide an estimate on the potential wages to be earned two and five years after receiving a certificate or degree in certain disciplines. This tool also provides information on which colleges offer programs in those specific disciplines. Salary Surfer does not contain information about wages earned by community college students who transfer to a four-year institution.

The Chancellor's Office has a memoranda of understanding with the Employment Development Department (EDD), and is able to match a community college student's social security number with EDD's unemployment insurance (UI) data. UI data only contains wages for those who are employed in occupations covered by UI in the state, this excludes individuals who are employed by the military or federal government, self-employed, employed out of state, unemployed, or not in the workforce after completion of an award. Additionally, students who transferred to a baccalaureate-granting institution, or enrolled in another community college are not included in this data.

CCC LaunchBoard. LaunchBoard is a statewide data system supported by the CCC Chancellor's Office and hosted by Cal-PASS Plus. LaunchBoard provides data on the effectiveness of college programs in both career technical education (CTE) and non-CTE pathways. It expands on data from the Chancellor's Office MIS system to include employment and earnings records, responses to the CTE Outcomes Survey, labor market information, and adult education records from CASAS (described below). LaunchBoard does not provide publically assessable data. Instead, only members of Cal-PASS Plus, such as K-12 institutions, adult education providers, community colleges and four-year institutions can access. LaunchBoard data includes: (1) adult education outcomes, (2) disaggregated Strong Workforce Program metrics, such as number of degrees or certificates, students

who transferred, median earnings, job outcomes, (3) disaggregated Guided Pathways metrics, such as on student retention, course completion, and unit accumulation, and (4) information on outcomes of high school CTE students who enroll in CCC, including basic skills and completion outcomes.

Adult Education Data.

Adult education is generally provided by school districts and community colleges, with some other community partners, such as libraries and programs through the California Workforce Development Board. The California Department of Education (CDE) and the CCC Chancellor's Office administer the Adult Education program jointly. Under this program, providers utilize existing data collection systems to report on students served and student outcomes, including:

- **TOPSpro Enterprise (TE):** TE is a data reporting and analysis tool from the Comprehensive Adult Student Assessment Systems (CASAS) used to report K–12 adult education and WIOA Title II student data to CDE. CASAS is a nonprofit organization that provides assessments of basic skills for youth and adults and curricular tools to target instruction. CASAS is used by federal and state government agencies, business and industry, community colleges, education and training providers, correctional facilities, and technical programs. CASAS also holds the states WIOA Title II data, which include adult schools, community colleges, community-based organizations, correctional institutions, libraries, and state agencies.
- **CCC's MIS:** All local community college enrollment and student data is reported into the statewide MIS data system that records yearly and longitudinal educational data for all community college students in California. MIS records student information, enrollment, course outcomes (grades), and awards (certificates, degrees, and completion of requirements for transfer). Data from MIS is used to populate multiple data visualization tools including the Student Success Scorecard, Chancellor's Data Mart, and the LaunchBoard.

As part of the final 2018-19 Budget Act agreement, \$5 million was provided in ongoing funding for the development of a unified data set for students served through the Adult Education Program that at a minimum includes data on employment, wages, and transition to postsecondary education. Finally, the budget act also required, commencing in the 2019-20 fiscal year, an adult school to assign an enrolled student a statewide student identifier consistent with the identifiers assigned to pupils in K–12 education programs, if the student is not already identified and to share the assigned identifier with the CCC for inclusion in the student data system.

University of California Data

UC Information Center. UC publically shares data on their Information Center Website. This data includes: (1) degree outcomes, (2) diversity, (3) faculty and staff, (4) graduate and undergraduate experience, (5) institutional performance, (6) research and innovation, and (7) UC in the community. Data may be disaggregated by majors, UC campuses, community colleges, students' demographics, parent education levels, among others. The Institutional Research and Academic Planning (IRAP) unit is located in the UC Office of the President (UCOP) Academic Affairs Division, and provides systemwide data management services to access and analyze data across all ten UC campuses. UC has memorandum of understanding with CSU and CDE, and shares data on an as needed basis. UC also has an active three-year contract with EDD to obtain wage data of UC graduates. EDD is able to match UC's data with the students' social security number. UCOP collects data from campuses financial aid,

admissions, registrations and other offices to input into the database. Each campus department may have different information systems and programs.

California State University (CSU) Data

The Division of Institutional Research and Analyses at the CSU is responsible for compiling student data from the 23 campuses of the CSU and disseminating statistical information about applications received, new enrollments, continuing enrollments, and degrees conferred, and posts these statistical tables on their website. Campuses submit data to the Chancellor's Office at various academic census points. When applying for CSU, a high school student has the option of including their SSID; however, it is not required. Instead, CSU students are indexed based on their social security number or a campus assigned identification number for students without a social security number. CSU has memorandum of understandings with CCC, UC, EDD, CSAC, and K-12 districts on an ad hoc basis, and data may only be used for a specified purpose.

California Student Aid Commission (CSAC) Data

CSAC collects data from the Free Application for Federal Student Aid (FAFSA) for California residents applying for student aid at institutions of higher education in California. CSAC receives all individual student information from FAFSA, including the student's name, address, social security number, gender and family income. Additionally, Education Code 69432.9 requires all public high schools to electronically submit the grade point average for high school seniors to CSAC. Only some schools submit a student's SSID to CSAC when submitting the GPAs, and as a result, CSAC must match a student's GPA to their FAFSA based on their name, birthday, address and other information. CSAC receives limited information from campus institutions, this includes confirmation that the student is enrolled and has been paid, and enrollment information from CCCs for students attending multiple campuses. Additionally, AB 214 (Weber), Chapter 134, Statutes of 2017, requires CSAC to notify Cal Grant recipients who qualify for participation in the CalFresh program and requires the California Department of Social Services (DSS) to maintain a list of programs that provide a student potential eligibility for a CalFresh exemption if certain requirements are met. CSAC collects this data from DSS to notify students that they may be eligible for CalFresh. CSAC also receives information from the EDD for the purpose of administering the Cal Grant C program, which prioritizes aid for students who face economic barriers or hardships, such as unemployment. CSAC posts reports on their website regarding: (1) Cal Grant awardees and recipients, (2) average income, GPA, family size and age by segment, and (3) information by segments about students receiving a Middle Class Scholarship, high school and transfer entitlement program, or competitive Cal Grant.

The Education Insights Center chart below summarizes the state's K-12 and higher education data collection.

System	Student Identifier	Data Elements	Source of Data	Data Tools (publicly accessible)
California Department of Education	Statewide Student Identifier (SSID)	<ul style="list-style-type: none"> Demographics Course enrollments Attendance Special program eligibility Discipline incidents Completion (diploma, GED) 	K-12 school districts report data twice in the fall, and at the end of the school year	<ul style="list-style-type: none"> DataQuest California School Dashboard Other summary reports on CDE website Ed Data⁸
California Community Colleges	Social Security Number (SSN)	<ul style="list-style-type: none"> Demographics Course enrollments/grades Financial aid Special populations/ programs (e.g. disabled) Educational goal Participation in orientation, other matriculation services Degrees/certificates 	Colleges/districts submit some data each term and other data annually	<ul style="list-style-type: none"> Datamart Student Success Scorecard Salary Surfer
California State University	SSN	<ul style="list-style-type: none"> Application information Demographics Course enrollments/grades Financial aid Degrees 	Campuses submit some data each term and other data annually	<ul style="list-style-type: none"> Student Information Dashboard Other summary reports on Analytic Studies Division website
University of California	SSN	<ul style="list-style-type: none"> Application information Demographics Course enrollments/grades Financial aid Degrees 	Campuses submit some data each term and other data annually	<ul style="list-style-type: none"> UC Information Center UC Accountability Report

Employment Development Department (EDD) Data

The EDD Data Library provides publically accessible data regarding the state's industries, occupations, employment projects, wages and the labor force. EDD collects data from employers on a quarterly basis regarding the number of employees, their taxable wages, social security numbers and other information. EDD uses social security numbers to match wage data outcomes and unemployment and disability claims. The UC, CSU, CCC and private higher education institutions provide students' social security numbers to EDD to conduct various studies, such as employment data outcomes. Additionally, unemployment insurance code section 1095 (aj) requires EDD to share quarterly wage data to the California Workforce Development Board, CCC, CDE, the Department of Rehabilitation, the State Department of Social Services, the Bureau for Private Postsecondary Education, the Department of Industrial Relations, the Division of Apprenticeship Standards, and the Employment Training Panel to evaluate program outcomes.

Other Data Systems

Integrated Postsecondary Education Data System (IPEDS). IPEDS is a data system by the U.S. Department of Education's National Center for Education Statistics (NCES) that annually collects information from every college, university, and technical and vocational institution that participates in federal student financial aid programs. Institutions report data on enrollment, program completions,

graduation rates, faculty and staff, finances, institutional prices, and student financial aid. More than 7,500 institutions complete IPEDS surveys each year.

Cal-PASS Plus. Cal-PASS Plus is a pre-K through higher education student data system created and funded by the CCC Chancellor's Office. The system and initiatives are managed through a partnership between the San Joaquin Delta College and Educational Results Partnership, a 501(c)(3) non-profit. Cal-PASS Plus offers longitudinal data charts, detailed analysis of pre-K through higher education transitions and workplace outcomes, information and artifacts on success factors, and comparisons among like universities, colleges, K-12 school systems and schools.

California College Guidance Initiative (CCGI). CCGI supports 6th –12th grade students and their families as they prepare for college. The budget provides \$3.5 million in Proposition 98 funding for the initiative, CSU provides \$250,000, CCGI collects district fees for some services and pursues philanthropy to support the project with a total budget of approximately \$7 million. CCGI uses technology planning tools that links academic data between K-12 districts and higher education for the purpose of student admission, placement, guidance, and educational planning. CCGI manages the CaliforniaColleges.edu, which allows all California students to: (1) explore career interests, (2) explore majors and programs of study, (3) develop a college financing plan, and (4) choose the high school courses needed to meet college eligibility requirements. CCGI partner districts receive personalized services. Specifically, CCGI provides intersegmental data transmission to participating school districts. For participating districts, CCGI articulates with application platforms for the CCC and CSU, and enables students to launch applications from an account that is tied to their K-12 SSID.

California Postsecondary Education Commission (CPEC). In 1974, CPEC was created to coordinate the state's public, independent, and private postsecondary education, as well as provide independent policy analyses and recommendations to the Legislature and the Governor on postsecondary education issues. CPEC served as the state's planning and coordinating body for higher education. Its predecessor, the Coordinating Council for Higher Education, was established as part of the 1960 Master Plan for Higher Education. CPEC's primary responsibilities included ensuring quality of education and cooperation among the segments of public postsecondary education system and eliminating duplication and waste of resources. Additional duties included the creation and maintenance of collection databases capable of documenting performance of postsecondary education institutions, administration of federally funded education programs, and acting as the state's clearinghouse on postsecondary education information. CPEC was dissolved in November 2011, following the line item veto of its funding by Governor Brown.

CPEC compiled data on individual student records and was able to link data across the three higher education segments. CPEC also compiled aggregate data from other public sources, such as CDE, Census Bureau, Bureau of Labor Statics, and the state Employment Development Department. The records that were held by CPEC (records from 1961-2011) are currently being held by the Corporation for Education Network Initiatives in California (CENIC). The data held by CENIC is static with no new data being added. CPEC transferred its reports and historical materials to the State Archives and the California State Library. Since the closure of CPEC, there is no statewide entity that serves as the State's planning and coordinating body for higher education or that houses postsecondary education data. There have been numerous unsuccessful attempts to reestablish such a body.

Sharing of data across segments and systems. Existing law requires the CCC, CSU and the UC to issue a unique statewide student identifier to each student, and authorizes these segments, along with CDE, the Commission on Teacher Credentialing and the EDD, to enter into interagency agreements to

facilitate the implementation of a comprehensive longitudinal P-20 statewide data system, transfer of data from one educational segment to another, and transfer of workforce data to the educational segments. While unique student identifiers have been assigned by public K-12 schools and are being assigned by the public postsecondary segments, and are being utilized to some degree, they are not yet being utilized to broadly share data across segments or systems.

Existing law requires the CCC, CSU and UC to annually provide a progress report with a detailed timeline for the implementation, maintenance, and use of the unique statewide student identifiers. According to the 2018 progress report from the CSU, “No progress was made in 2017-18. The CSU remains committed and interested in achieving a common identifier (SSID). CSU student data systems are ready to incorporate the SSID. In the absence of a common identifier (or a reliable SSN available in the datasets of other segment partners) the CSU has relied on the use of a combination of student specific variables common across the segments to uniquely identify and match records.” The same statement was made in the 2016 progress report.

According to the 2018 progress report from the UC, “The SSID has already been incorporated into UC student data systems and acquisition can now be tracked over time. Usefulness of the SSID is limited until the data are more accurately reported by K-12 schools and more readily available in electronic form. UC is participating in efforts to facilitate the sharing of student data between the three public segments of higher education and K-12 institutions...Attaining this goal continues to be dependent on getting SSID included on all student high school transcripts, and provision of a comprehensive dataset of valid SSID’s matched with student name and high school from CDE (so data received can be validated).” The same statement was made in the 2016 progress report.

The CDE, CCC, CSU and UC have been authorized to enter into interagency agreements to facilitate the implementation of a comprehensive longitudinal P-20 statewide data system since 2010, but haven’t yet achieved the goal of creating and utilizing a shared statewide student data system. During the administration of Governor Brown there was little support or funding for making progress towards a longitudinal data system.

Comparison to Other States. The Education Commission of the States compared all 50 states in 2016 and found that while all have some ability to connect data across some systems, as described below; California is one of 13 states that do not have, or have very limited, data connection across systems.

- 37 states connect data between 2 of 4 education systems (Early Learning, K-12, Postsecondary, and Workforce).
- 16 states have a P20W (Pre-Kindergarten through Workforce) system.
- 26 states have centralized systems that collect, retain, and maintain data from multiple agencies in a centralized warehouse.
- 11 states have federated systems that link data systems on an “as needed” basis.

Family Educational Rights and Privacy Act (FERPA). FERPA, a federal law, requires schools to have written permission from the parent or eligible student in order to release any information from a student’s education record. However, FERPA allows schools to disclose those records, without consent, to the following parties:

- School officials with legitimate educational interest;

- Other schools to which a student is transferring;
- Specified officials for audit or evaluation purposes;
- Appropriate parties in connection with financial aid to a student;
- Organizations conducting certain studies for or on behalf of the school;
- Accrediting organizations;
- To comply with a judicial order or lawfully issued subpoena;
- Appropriate officials in cases of health and safety emergencies; and,
- State and local authorities, within a juvenile justice system, pursuant to specific state law.

FERPA also authorizes schools to disclose, without consent, “directory” information such as a student’s name, address, telephone number, and date and place of birth. Existing law requires schools to notify parents and eligible students about directory information and allow them a reasonable amount of time to request that the school not disclose such information. Existing law requires schools to also notify parents and eligible students annually of their rights under FERPA.

Research

Since the closure of CPEC, the state has lacked a coordinating agency for higher education or the ability to collect, maintain or make decisions about higher education data. In response to this gap, various research entities have released reports and recommendations on a modernized education data system.

In May 2018, California Competes released a report, *Out of the Dark: Bringing California’s Education Data into the 21st Century*, and made the following recommendations:

1. Create a higher education coordinating entity, which is independent of the higher education segments and CDE, and submits annual reports on data indicators.
2. Create a statutory mandate on specified departments and entities to submit data, and match data with the EDD. Data sharing must be safe and legal.
3. Develop and adopt standardized data metrics and a common student ID number.
4. Develop a public portal for sharing linked system data.

From 2016 to 2018, the Education Insights Center at CSU Sacramento released four reports regarding student data systems. In June 2018, Ed Insights released, *A Hunger for Information: California’s Options to Meet its Statewide Education Data Needs*, and made the following recommendations:

1. Create a new state data agency within an existing state agency to align the state data system. The new agency would not have a role in planning or coordination. Instead, external researchers could analyze the data and make recommendations for improvements to education policy and practice. The report also notes that a new coordinating body is not needed to create an effective data system.
2. Create a centralized data warehouse.

The report notes that this kind of data system would not provide schools and colleges with real-time information to serve the immediate needs of current students. Ed Insights notes that a real-time data system on a statewide scale is more technically challenging and costly.

Governor's Proposal:

The Governor's proposed budget includes \$10 million in one-time non-Proposition 98 General Fund for the planning and initial implementation of a longitudinal data system. The Administration proposes to connect student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities and health and human service agencies. Of the total funding, the Administration proposes a portion is used for initial planning while the majority of the funds would support initial implementation.

Finally, the Administration notes an intention to focus on improving data quality and signals intent to develop additional K-12 accountability measures, improve collaboration between schools and health and human services agencies, and collect more relevant data on the relationship between the state's education program and the state's workforce.

At this time, staff does not have additional details or trailer bill language regarding this proposal.

Staff Comments

Data System Structures. As the Legislature reviews the Governor's proposal to create a longitudinal data system, it may wish to consider where the data should be housed. Some states have built a "centralized" system, where data from all agencies are collected in a data warehouse. Centralized data warehouses may allow access to data for analyses, as the data are already matched and held in a single system. However, the data are only as current as the most recent upload. Other states have a "federated" data system, where each participating agency continues to house its own data, but custom data sets are created by drawing data from each agency as needed to address particular research purposes. More than twice the number of states use a centralized data warehouse for their longitudinal data systems than use a federated structure.

Data System Audience. In addition to deciding where the data is housed, the Legislature may wish to consider who will benefit from and use the data system. For example, in Minnesota, the system allows school districts to observe student participation and outcomes in higher education. Tennessee and Virginia conduct data analysis for making changes to placement policies and remedial education in community colleges. Other states have utilized "real time" data systems to help inform students and families about their college choices. This type of data system can match data across education institutions for programs that provide students with direct services, such as counseling and advising.

Planning and Implementation Process. While discussions about longitudinal data have been happening for many years, the Governor's proposal to put funding behind it has propelled the conversation forward and valid questions have been raised about the purpose and design of the system. At this point there are still many details and discussions outstanding, including what total costs might be for each option, the timing of building out a system, and the governance of the system. The Legislature may wish to determine priorities around some these remaining questions and based on those to request the exploration of the costs and logistical challenges of multiple approaches before committing to the provision of implementation funding.

Staff Recommendation:

Hold Open.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
Data Collected	<p>(1) Disability Insurance (DI) data: Claimant’s Social Security Number (SSN), Full name, gender, date of birth (DOB), mailing and residence address, occupation title, physician information.</p> <p>(2) Paid Family Leave (PFL) data: Claimant’s SSN, full name, DOB, gender, name and address of employer, name of person claimant is caring for, occupation.</p>	<p>Base Wage File: Employee names, Social Security Numbers, wages paid, and personal income tax withheld.</p>	<p>UI Claimant Data: Claimant’s SSN, full name, DOB, gender, spoken language, benefits paid, mailing address, education level, veteran, Standard Industrial Classification (SIC), Dictionary of Occupational Titles (DOT), citizenship, ethnicity (optional), and disabled (optional).</p>	<p>(1) Program Data (Workforce Innovation and Opportunity Act, Wagner-Peyser Act, and the Trade Adjustment Act): Federally required data elements for each jobseeker, including demographics, barriers to employment, program services received, credentials received, measurable skills gains received, and employment data.</p> <p>(2) Eligible Training Provider (ETPL) List Data: Federally required providers and program information including program description, cost, performance, and locations.</p> <p>(3) Employer Data: Employer name, locations, contacts, and job orders.</p> <p>(4) Labor Exchange: Job seeker information, resumes, and employer job orders.</p> <p>(5) UI Branch Mandated Workshops: Roster and completion status for each jobseeker scheduled for a workshop.</p>	<p>(1) Quarterly Census of Employment & Wages (QCEW): Universe count of UI covered employment and wages by industry.</p> <p>(2) Occupational Employment Survey (OES): Occupational employment and wages by area and industry.</p> <p>(3) Local Area Unemployment Statistics (LAUS): Civilian labor force, employment, unemployment, and unemployment rate for states and local areas.</p> <p>(4) Employment Projections:</p> <ul style="list-style-type: none"> • Industry Employment Projections: Nonfarm employment by major industry sector, farm employment (crops, animals, fish, etc. does not include logging), self-employed workers, and private household workers. • Occupational Employment Projections: Industry employment projections, occupational staffing patterns by industry.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
Data Sources	(1) DI claimants (2) PFL claimants	California employers	UI Claimants	(1) Program Data: Jobseekers (2) ETPL Data: Training providers (3) Employer Data: Employers (4) Labor Exchange: Job seekers, employers, and job orders entered into the system from external sources. (5) UI Branch Mandated Workshops: workshop participants	(1) QCEW: Establishments (2) OES: Semi-annual establishment survey (3) LAUS: Input from Current Population Survey of Households (CPS), CES, and UI. (4) Employment Projections: QCEW, CES, OES, and BLS (national projections, separation rate, and change factors).
Data Sharing	Entities authorized under California UI Code Section 1095. Aggregated data are shared with California Legislature, education entities, research groups, media, and the public as necessary via the EDD website.	Entities authorized under California UI Code Section 1095. The EDD Tax Branch has existing data sharing agreements with: (1) Education entities for the disclosure of certain data for specific purposes: California Department of Education, California Community Colleges Chancellor’s Office, California State University and California State University Chancellor’s Office,	Entities authorized under California UI Code Section 1095. The EDD cannot legally share personal identifying information, due to confidentiality, with non-authorized entities. (1) The Department of Labor, Governor’s Office, federal and state legislatures, media, students, and the public as necessary via the EDD website.	Program data are shared with the Department of Labor’s Employment & Training Administration (DOL ETA), California Workforce Development Board (CWDB), and the EDD UI Branch.	Entities authorized under California UI Code Section 1095: <ul style="list-style-type: none"> • 1095 (r) local government planning agencies to develop economic forecasts for planning purposes • 1095 (ai): federal, state, or local government agencies to evaluate public social services programs Aggregated data are shared with economic developers, education entities, researchers, job seekers, employment/school counselors, and the media.

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
		<p>and the University of California.</p> <p>EDD also has a data sharing agreement in place with the California Workforce Development Board, California Community Colleges Chancellor’s Office, California Department of Education, California Department of Social Services, California Department of Industrial Relations, California Department of Rehabilitation, and California Employment Training Panel to exchange data for the Cross-System Analytics and Assessment for Learning and Skills Attainment (CAAL Skills) program..</p>			
<p>Data Coordination & Communication</p>	<p>External entities request data from the EDD through a data request. Upon receipt, EDD evaluates the data request and all relevant legal statutes that allow or disallow the sharing of the data.</p>	<p>External entities request data from the EDD through a data request. Upon receipt, the EDD evaluates the data request and all relevant legal statutes that allow or disallow</p>	<p>Meetings, email, and electronic measures via interagency agreements.</p>	<p>Files are:</p> <ul style="list-style-type: none"> • Uploaded to the Workforce Integrated Performance System for the DOL ETA • Provided on a secure thumb drive for the CWDB • Automatically transferred internally to UI Branch 	<p>External entities request data from the EDD through a data request. Upon receipt, EDD evaluates the data request and all relevant legal statutes that allow or disallow the sharing of the data. Once the need, use, and legal authority have been identified and approved, the department</p>

Employment Development Department Program Data

3/7/19 SENATE BUDGET COMMITTEE HEARING

	EDD Disability Insurance (DI) Branch	EDD Tax Branch	EDD Unemployment Insurance (UI) Branch	EDD Workforce Services Branch – CalJOBS	EDD Workforce Services Branch – Labor Market Information
	Once the need, use, and legal authority have been identified and approved, the department negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.	the sharing of the data. Once the need, use, and legal authority have been identified and approved, the department negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.			negotiates a contract, memorandum of understanding (MOU), or other legal agreement with the requesting entity.
Challenges in Collecting & Aligning Data	Requests for unique data not previously provided require building data marts, validating data, and using other research tools before the unique data can be used.	<p>Educating customers about the sensitive and confidential nature of the data and the need to ensure that the data are used for its intended UI purposes.</p> <p>The volume of data as a result of receiving wage data and other required forms and payments from the state’s 1.5 million employers.</p>	A reporting challenge is the ability to make reporting changes to the Single Client Data Base. For example, the system uses outdated SIC and DOT codes that may not represent the current industry/occupational coding system for the claimant.	Willingness of sources to provide accurate information, knowledge of definitions of required data elements, lack of alignment across programs on data element definitions, and the lack of a unique identifier across workforce and education systems. (Individuals are not required to enter their SSN into the system to receive services from the EDD WSB administered programs.)	<p>(1) QCEW: Employers report data late; QCEW staff make necessary adjustments to employment and wages reported due to an employer’s lack of information and/or errors.</p> <p>(2) OES: Employers are reluctant to respond to surveys and provide accurate employment and wage information.</p>

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 14, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION**Issue 1: Proposition 98****Panel I:**

- Aaron Heredia, Department of Finance
- Ken Kappahn, Legislative Analyst's Office

Background:

California provides academic instruction and support services to over six million public school students in kindergarten through twelfth grades (K-12) and 2.4 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and more than 1,200 charter schools throughout the state. Of the K-12 students, approximately 3.9 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.3 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

The proposed 2019-20 budget includes funding at the Proposition 98 minimum guarantee level of \$80.7 billion. The Governor's budget also proposes to provide total Proposition 98 funding for 2017-18 of \$75.5 billion, a decrease of \$120 million over the 2018 final budget act level, but \$44 million above the revised 2017-18 Guarantee level. For 2018-19, the Governor estimates a decrease in the total Guarantee of \$526 million (for a total of \$77.9 billion), but provides \$475 million in settle-up funding to offset the need for expenditure reductions. These adjustments are the result of revised average-daily attendance (ADA) numbers for each of the years and the certification of prior year guarantee levels. Additional Proposition 98 funds in 2019-20 are proposed to be used primarily to provide a cost-of-living-adjustment (COLA) for the Local Control Funding Formula (LCFF) and to provide funding for special education-related services. These proposals are more fully described later in this section.

Proposition 98 Funding. State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified by Proposition 111, establishes minimum funding requirements (referred to as the “minimum guarantee”) for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools' share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. Non-Proposition 98 education funds largely consist of revenues from local parcel taxes, other local taxes and fees, federal funds and proceeds from the state lottery. In recent years, there have been two statewide initiatives that increased General Fund revenues and therefore, the Proposition 98 minimum guarantee. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but was designed to phase out over seven years. Anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the

income tax portion of Proposition 30 for another 12 years.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges since 2007-08, or just prior to the beginning of the recent recession. 2011-12 marks the low point for the guarantee, with steady increases since then. The economic recession impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change in the past few years—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although Local Educational Agencies (LEAs) received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

**Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)**

	Pre-Recession 2007-08	Low Point 2011-12	Revised 2017-18	Revised 2018-19	Proposed 2019-20
Sources					
General Fund	42,015	33,136	52,887	54,028	55,295
Property taxes	14,563	14,132	22,610	23,839	25,384
Total	56,577	47,268	75,498	77,867	80,680
Distribution					
K-12	50,344	41,901	66,683	68,605	71,155
CCC	6,112	5,285	8,720	9,174	9,438
Other	121	83	95	88	87

Source: Legislative Analyst's Office and Department of Finance

Calculating the Minimum Guarantee. The Proposition 98 minimum guarantee is determined by comparing the results of three “tests,” or formulas, which are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student ADA, and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two “tests”, or formulas, to determine the required funding level. Test 1 calculates a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. The test 2 calculation is the prior year funding level adjusted for growth in student ADA and per capita personal income. K-14 education was initially guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3, which takes the prior year funding level and adjusts it for growth in student ADA and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1; and the higher of the tests determines the Proposition 98 minimum guarantee. Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly.

Proposition 98 Tests
Calculating the Level of Education Funding
(Including the 2019-20 Governor's Budget Estimate)

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38 percent).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	6
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is \leq growth in General Fund revenues plus 0.5 percent.	13
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth $>$ growth in General Fund revenues plus 0.5 percent.	11

The Governor's proposal assumes that in 2017-18 and 2019-20 the Proposition 98 minimum guarantee is calculated under Test 1 and that in 2018-19, the minimum guarantee is calculated under Test 3.

Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). In a Test 3 year, the Proposition 98 minimum guarantee does not grow as fast as in a Test 2 year, in recognition that the state's General Fund is not reflecting the same strong growth as personal income and the state may not have the resources to fund at a Test 2 level; however, a maintenance factor is created, as discussed in more detail later.

The Test 1 percentage is historically-based, but is adjusted, or "rebenched," to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the RDAs, and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In the budget year, the Test 1 calculation is adjusted to reflect RDA changes and for a new state preschool policy change. In 2019-20, the Governor's Budget adjusts the portion of the state preschool program that is provided by non-profit agencies for COLA and growth for a total program cost of \$297 million. The budget then proposes to move this program outside of the guarantee and rebench the guarantee level by a like amount. The portion of the state preschool program that is provided through local educational agencies remains within the Proposition 98 guarantee. The 2019-20 Proposition 98 guarantee is likely to remain a Test 1 even with some changes in factors at the May Revision. Revenues are growing steadily but slowly, ADA is declining, and also property tax growth is high, all contributing to a Test 1 for 2019-20 and for the out-years.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice; in 2004-05 and 2010-11. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

Maintenance Factor. When the state suspends the Proposition 98 minimum guarantee or when Test 3 is operative (that is, when the Proposition 98 minimum guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income (as determined by a specific formula also set forth in the state Constitution), the state is required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student ADA and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.
- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues, plus the established percentage of the General Fund—roughly 38 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than \$5.6 billion. However, in the past few years, the state has significantly increased funding for K-14 education due in part to payments made towards reducing the maintenance factor balance. As a result, the maintenance factor obligation is essentially paid off and the possibility of the Proposition 98 calculation absorbing an unusually large portion of state revenue gains is unlikely within the next few years.

For 2017-18 the Governor’s proposal reflects a \$1.2 billion maintenance factor payment, fully paying off the obligation in that year. The estimated Test 3 calculation in 2018-19 creates a maintenance factor obligation of \$143 million. Adjusted for growth in ADA and per-capita personal income, this obligation grows to \$150 million in 2019-20. No maintenance factor payment is required in 2019-20 as General Fund revenues are not growing significantly year over year, and low maintenance factor obligation balances mean maintenance factor creation and pay-off requirements will have only a minor impact on the Proposition 98 guarantee in the current multi-year window.

Average Daily Attendance. One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to decline slightly in

coming years and the hold harmless will no longer apply for the guarantee calculation, contributing to a dampening effect on Proposition 98 guarantee growth in future years.

Settle-Up. Every year, the Legislature and Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known. If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee, Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. The Governor's budget proposes General Fund settle-up payments of \$475.3 million in 2018-19 and \$211.3 million in 2019-20, fully paying off settle-up obligations from 2016-17 and prior years. In the recent past, the state was not required to make settle-up payments on schedule; however, Proposition 2, passed in 2014, requires the state to spend a minimum amount each year to buy down eligible state debt. In past years, Proposition 98 settle-up payments have counted towards the state's Proposition 2 requirement. By contrast, the Governor is not counting the settle-up payments proposed in the Governor's budget towards Proposition 2.

Proposition 98 Certification. The 2018 budget package included a new process for certifying the Proposition 98 guarantee. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education (CDE) and the Chancellor's Office of the Community Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Prior to this new process, the guarantee was last certified for 2008-09. The new process for certifying the Proposition 98 guarantee for a given year is detailed below:

- Each year, as part of the May Revision process, DOF shall calculate the state's Proposition 98 guarantee level for the prior fiscal year based on the most recently available underlying data and publish the proposed certification calculation and underlying data.
- The Superintendent of Public Instruction, the Chancellor of the Community Colleges and other stakeholders are provided the opportunity to comment on the proposed certification of the Proposition 98 guarantee. DOF is required to provide written responses to the comments on their website and to provide this information in a report to the Legislature.
- The Legislature is provided with the opportunity to review the comments and responses and to provide additional feedback to DOF prior to the final certification of the prior-year Proposition 98 guarantee. The final certification is followed by a 90-day period during which a legal challenge may be filed. DOF is required to publish the final certification of the Proposition 98 Guarantee and the underlying data in a separate schedule of the Governor's budget no later than January 10th of the following year.
- If the Director of Finance determines that, pursuant to the certification process, the state has provided appropriations in excess of the Proposition 98 guarantee for the prior fiscal year, it is required that the excess, not to exceed one percent of the value of the Proposition 98 guarantee in the certified year, be credited to a newly created Proposition 98 Cost Allocation Schedule. Any amounts in the Proposition 98 Cost Allocation Schedule may be credited to satisfy an outstanding obligation for K-14 education under the Proposition 98 guarantee in any prior year.

- To the extent an outstanding obligation remains for K-14 education under the Proposition 98 guarantee in any prior year, after any adjustments for amounts in the Proposition 98 Cost Allocation Schedule are made, the amounts necessary to satisfy the obligations to K-14 education entities are continuously appropriated. They are allocated by the State Controller pursuant to a schedule determined by DOF.
- The Legislature may adopt an alternative plan for repayment of any outstanding obligations determined as a result of the certification process through the annual budget process or other statute.
- For the 2009-10 through 2016-17 fiscal years, a truncated version of this process was established to certify the Proposition 98 guarantee. Related to this process, the 2015-16 Proposition 98 guarantee was rebenched to account for additional child care wraparound services related to the State Preschool program that were funded within the Proposition 98 guarantee beginning in 2015-16. According to the Legislative Analyst's Office (LAO), this rebenching increased the Proposition 98 guarantee levels by a total of approximately \$350 million over the 2016-17, 2017-18, and 2018-19 period.
- In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The total settle-up obligation associated with those five years was calculated at \$687 million, an increase of \$347 million compared to previous estimates, and is proposed to be paid off in the 2018-19 and 2019-20 years.

Proposition 98 Rainy Day Fund and District Reserve Caps. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. Related statute required that in the year following a deposit into this fund, a cap on local school district reserves would be implemented. However, SB 751 (Hill), Chapter 674, Statutes of 2017, amended the requirements to trigger the cap to specify that the trigger is when the Proposition 98 Rainy Day Fund is funded at three percent of the K-12 share of the Proposition 98 guarantee. SB 751 also loosens the requirements on local school districts in implementing the reserve cap. Under the Governor's estimates, small deposits to the Proposition 98 Rainy Day Fund may be required within the multi-year projection period.

Governor's Proposal

As discussed above, the Governor's budget includes some adjustments to prior year guarantee levels. In 2017-18, the budget proposes to provide total Proposition 98 funding (K-14) for 2017-18 of \$75.5 billion, a decrease of \$120 million over the 2018 final budget act level, but \$44 million above the revised 2017-18 guarantee level. For 2018-19, the Governor estimates a decrease in the total guarantee of \$526 million (for a total of \$77.9 billion), but provides \$475 million in settle-up funding to offset the need for expenditure reductions. These adjustments are primarily the result of revised ADA numbers for each of the years and the certification of prior year guarantee levels.

Certification Process Changes. The process adopted in the 2018-19 budget act to certify the Proposition 98 guarantee and use a separate account to help smooth increases and decreases in the guarantee level was intended to create stability for LEAs. The Governor's budget proposes to instead eliminate the separate account and no longer adjust the guarantee level down if the prior year

calculation changes after the fiscal year is over. The Governor proposes to still make adjustments to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year.

Funding Level. The budget includes a proposed Proposition 98 funding level of \$71.2 billion for K-12 programs (including preschool provided by LEAs). This includes a year-to-year increase of \$2.5 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2018-19. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$11,574 provided in 2018-19 (revised) to \$12,018 in 2019-20, an increase of 3.8 percent. The Governor's major K-12 spending proposals are identified below.

K-12 Programs. The bulk of funding for school districts and county offices of education for general operations is provided through the LCFF and the majority of K-12 Proposition 98 growth funding is used to provide a COLA of 3.46 percent, approximately \$2 billion, for the 2019-20 fiscal year. The proposed budget also includes \$576 million in Proposition 98 General Fund (\$390 million ongoing) for special education-related services for LEAs and a variety of other smaller proposals. Proposition 98 proposals will be discussed in more detail in future subcommittee hearings.

LAO Analysis and Recommendations

For the 2019-20 budget, the sensitivity of the minimum guarantee calculation to changes in underlying factors is described in the LAO's recent publication, *Overview of the Governor's Proposition 98 Budget Package*. In 2018-19, the LAO notes that for a dollar increase or decrease in revenues, the guarantee would increase or decrease by approximately 55 cents. However, if revenues increase over \$250 million, there will be no impact on the guarantee for the additional revenue, as the calculation would become a Test 2 at that point and not rely on revenue growth. For 2019-20, an increase or decrease of one dollar in revenue would increase or decrease the guarantee by approximately 40 cents. The LAO notes that a Test 1 is likely to remain operative in 2019-20, and therefore changes in 2018-19 will not roll forward to impact the 2019-20 guarantee.

The LAO notes that the Legislature may wish to prepare for a lower amount of Proposition 98 funding within the guarantee for the final budget negotiations. The LAO projections include some caution around economic events that could lead to less overall General Fund revenues being available, reducing the guarantee level. The LAO also identifies several proposals, workload and others, that are not accounted for in the Governor's budget under Proposition 98, including: 1) a property tax backfill for San Francisco, 2) adjustments for Community College shortfalls, 3) funding for county offices of education, and 4) funding for Oakland and Inglewood school districts based on the 2018-19 budget act agreement. The combination of changes in the guarantee level and adjustments to workload expenditures within the guarantee may reduce the amount of available discretionary funding at the May Revision. The LAO suggests that the Legislature consider identifying proposals that could be reduced or rejected, and consider utilizing more ongoing dollars within the guarantee for one-time priorities to help build a cushion against a future reductions.

In regards to the Governor's proposal on changing the certification process, the LAO notes that the suggested changes would make future budget balancing more difficult and instead recommends retaining the agreement put into place during the 2018-19 budget.

Staff Comments

Calculation of the Guarantee Level. The minimum guarantee level is calculated based on the best available factors at the time. However, between the January budget proposal and the May Revision of the budget, the minimum guarantee calculation can change significantly, usually due to changes in state revenues. The Legislature will want to consider potential changes in preparing a Proposition 98 expenditure package. The LAO notes that their estimate of the Proposition 98 minimum guarantee is very similar to the Governor's, however both the LAO and the Governor note that there is some economic risk that may impact revenues and the guarantee level going into the May Revision. In particular, since the LAO's November forecast and the release of the Governor's budget, there has been significant stock market volatility at the end of 2018 and beginning of 2019 that has not been factored in to either set of estimates.

One-Time or Ongoing Funding. In the past six years, enacted budgets have included substantial one-time expenditures within Proposition 98, from \$413 million to \$1.2 billion. While these funds have been dedicated to various one-time education priorities, they have also provided a cushion against having to make difficult cuts should the minimum guarantee decrease in future years. The Governor's proposed 2019-20 budget includes almost no one-time funding (only \$3 million in the 2019-20 guarantee). In addition, about \$77 million in ongoing program costs are being funded with one-time funds. As a result, the budget proposal essentially assumes the 2020-21 Proposition 98 guarantee grows enough to accommodate these program costs, as well as growth in other programs. If the guarantee should drop in a recession, without any built-in one-time cushion, cuts would need to be made to ongoing programs. The Legislature may wish to consider out year projections for the minimum guarantee and how they prefer to balance ongoing needs with prudent budgeting.

Rebenching of the Guarantee. The Governor's budget includes a proposal to move the non-LEA portion of the state preschool program outside of the guarantee and to fund it with General Fund. This action reduces the guarantee by a like amount, resulting in a budget neutral shift from the state's perspective. The Legislature may wish to consider the out-year consequences of such a shift. If a program is growing and if it is within the Proposition 98 guarantee, the risk is that the program grows faster than percentage growth in the guarantee, crowding out the availability of funding for other programs. Given that the Governor has proposed to increase the state preschool program for non-LEAs by \$125 million each year for the next three years, this would have taken up substantial "room" within the guarantee if the proposal had not shifted it to the General Fund. However, in the event of a recession, programs within the guarantee generally have some degree of protection from reductions. While the guarantee may drop in a recession, in the past more of the reductions are borne on the General Fund side.

Certification of the Guarantee. Finally, the Legislature will want to consider the Governor's proposal to change the Proposition 98 guarantee level certification process agreed to as part of the 2018-19 budget act. Under current law, with the use of a Proposition 98 true-up account, the increases and decreases in the guarantee would be smoothed out, protecting LEAs from painful adjustments. The Governor's Budget not only eliminates the true-up account, but prevents the Proposition 98 guarantee from being adjusted downward after the end of the fiscal year. However, if the guarantee increases after the end of the fiscal year, that amount would still be owed to K-14 education under the Governor's proposal. The Governor's budget proposal is beneficial for LEAs, but comes at the expense of the General Fund. Under current law, the funds due to the guarantee in the event of an increase are balanced with the funds (essentially due to the General Fund) in the event of a decrease. Under the proposal, additional funding for Proposition 98 must be allocated from the General Fund in the event of an increase; however, the General Fund gets no relief when the guarantee is realized to have been

over-estimated. The Legislature will want to consider whether to maintain the status quo or to retain discretion over when to over-appropriate the guarantee in prior years, based on the availability of General Fund resources.

Subcommittee Questions

- LAO/DOF: What are the multi-year projections for growth in the Proposition 98 minimum guarantee? Under potential recession scenarios, how does the guarantee level change?
- DOF: Under the new certification proposal, the state would be required to pay settle-up for prior years that are under appropriated, but not reduce the guarantee or score excess appropriations towards future years. Why are the two scenarios treated differently under the Governor's proposal?

Staff Recommendation

No action, the Proposition 98 guarantee calculation will be updated at the May Revision.

Issue 2: Local Control Funding Formula

Panel I:

- Aaron Heredia, Department of Finance
- Ryan Anderson, Legislative Analyst's Office

Background:

K-12 School Finance Reform. Commencing in the 2013-14 fiscal year, the state significantly reformed the system for allocating funding to LEAs - school districts, charter schools, and county offices of education (COEs). The LCFF replaced the state's prior system of distributing funds to LEAs through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs.

Under the previous system, revenue limits provided LEAs with discretionary (unrestricted) funding for general education purposes, and categorical program (restricted) funding was provided for specialized purposes, with each program having a unique allocation methodology, spending restrictions, and reporting requirements. Revenue limits made up about two-thirds of state funding for schools, while categorical program funding made up the remaining one-third portion. That system became increasingly cumbersome to LEAs as they tried to meet student needs through various fund sources that were layered with individual requirements.

Local Control Funding Formula. The LCFF combines the prior funding from revenue limits and more than 30 categorical programs that were eliminated, and uses new methods to allocate these resources, additional amounts of new Proposition 98 funding since 2013-14, and future allocations to LEAs. The LCFF allows LEAs much greater flexibility in how they spend the funds. There is a single funding formula for school districts and charter schools, and a separate funding formula for COEs that has some similarities to the district formula, but also some key differences.

School Districts and Charter Schools Formula. The LCFF is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. It also includes additional funding based on the enrollment of low-income students, English learners, and foster youth for increasing or improving services to these high-needs students. Low-income students, English learners, and foster youth students are referred to as "unduplicated" students in reference to the LCFF because, for the purpose of providing supplemental and concentration grant funding, these students are counted once, regardless of if they fit into more than one of the three identified high-need categories. Major components of the formula are briefly described below.

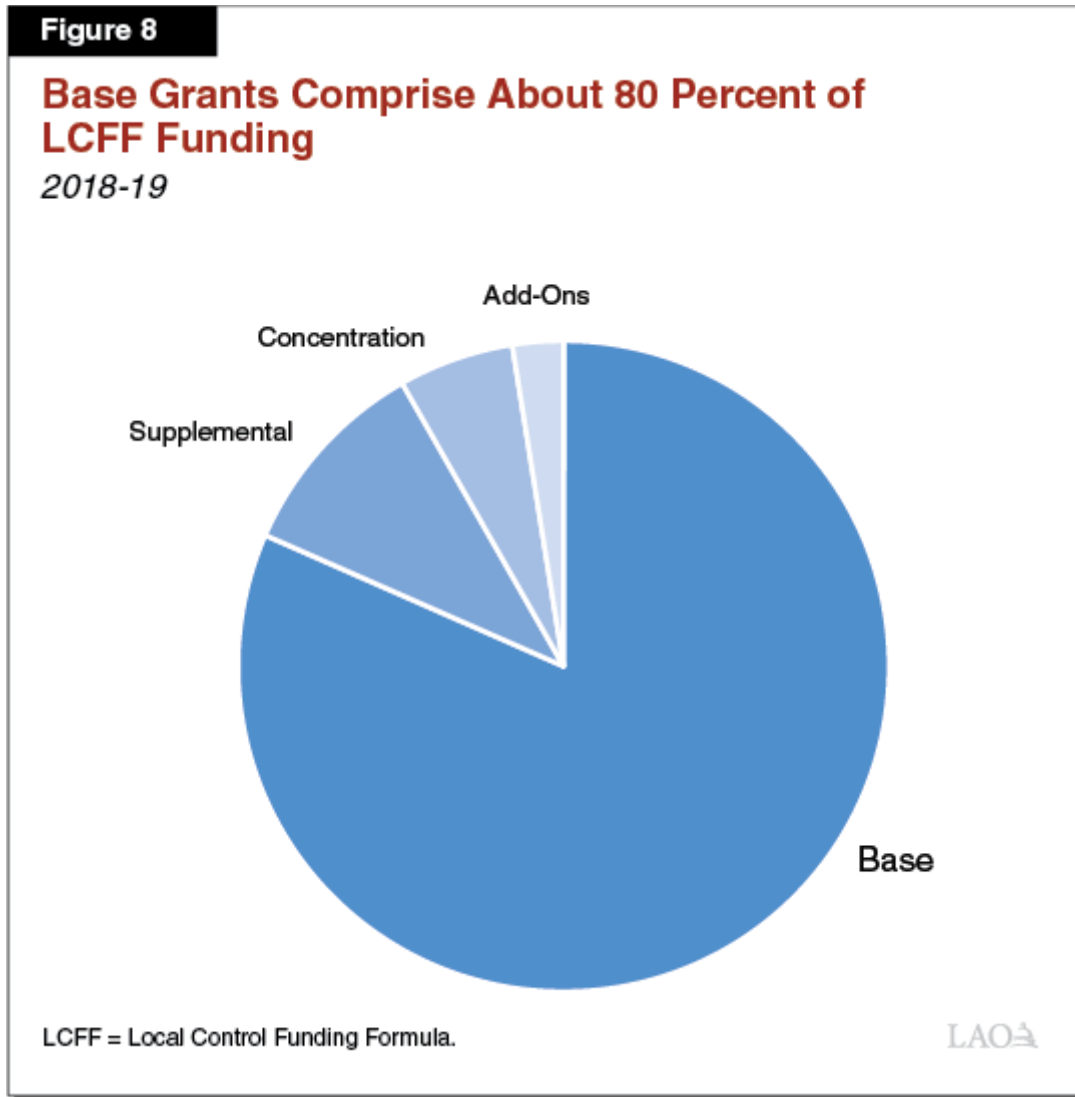
- **Base Grants** are calculated on a per-student basis (measured by student ADA) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for grades K-3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools.

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.
- **Concentration Grants** provide an additional 50 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.
- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.
- **LCFF Economic Recovery Target** add-on ensures that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.
- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level under the old system.

Budget Appropriations. The LCFF established new “target” LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLA and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional \$18 billion, with completion by 2020-21. However, Proposition 98 growth exceeded expectations and LCFF was fully funded in the 2018-19 fiscal year for school districts and charter schools. COEs reached their target funding levels in 2014-15, which adjusts each year for COLAs and ADA growth. The 2018-19 budget also provided an additional amount above the required COLA to provide a \$670 million increase to LCFF grants. With full-funding of the formula, LEAs and stakeholders can see how much funding is received through base, supplemental, and concentration grants on the CDE website and reported through each LEA’s local control and accountability plan (LCAP).

Restrictions on Supplemental Funding. Statute requires LEAs to increase or improve services for unduplicated students in proportion to the supplemental funding LEAs receive for the enrollment of these students. The law also allows this funding to be used for school-wide and district-wide purposes. The State Board of Education (SBE) adopted regulations governing LEAs expenditures of this supplemental funding that require an LEA to increase or improve services for unduplicated students, compared to the services provided for all students, in proportion to the supplemental funding LEAs receive for the enrollment of these students. LEAs determine the proportion by which an LEA must increase or improve services by dividing the amount of the LCFF funding attributed to the supplemental and concentration grant by the remainder of the LEA’s LCFF funding. Whereas, this percentage (known as the minimum proportionality percentage (MPP)), relied on an LEA’s estimates during the transition period, under a fully funded system is based on the actual allocation to each LEA as determined by the CDE. The regulations allow an LEA to meet this requirement to increase or improve services in a qualitative or quantitative manner and detail these expenditures in their LCAP.

The following chart shows that the majority of funds that LEAs receive under LCFF are for the base grant, with other grants and add-ons making up a much smaller share of overall LCFF funding.



Source: Legislative Analyst’s Office

County Offices of Education Formula. The COE formula is very similar to the school district formula, in terms of providing base grants, plus supplemental and concentration grants for the students that COEs serve directly, typically in an alternative school setting. However, COEs also receive an operational grant that is calculated based on the number of districts within the COE and the number of students county-wide. This operational grant reflects the additional responsibilities COEs have for support and oversight of the districts and students in their county.

Similar to the LCFF formula for school districts and charter schools, COEs were also guaranteed that they would not get less funding than was received in 2012-13. In addition, COEs were held harmless for the amount of state aid (essentially the value of the categorical funding) received in 2012-13. Unlike school districts, for COEs this minimum state aid amount floats above their target, meaning that as local property tax revenue grows in a county over time and funds their LCFF allocation, the minimum state aid allotment for that COE becomes a new bonus in base funding on top of their LCFF level.

Governor's Proposal:

K-12 Local Control Funding Formula – The bulk of funding for school districts and COEs for general operations is provided through the LCFF and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional COLA. The proposed budget provides a COLA of 3.46 percent, approximately \$2 billion, for the 2019-20 fiscal year, bringing total LCFF funding to \$63 billion.

The Administration also proposes to cap the continuous appropriation of COLA for LCFF, existing in current law, during future years if the COLA for LCFF and other K-14 programs would exceed growth in the minimum guarantee.

LAO Analysis and Recommendations

The LAO reviewed the Governor's LCFF related proposals in their recent publication, *The 2019-20 Budget: Proposition 98 Education Analysis*. The LAO notes that the COLA included in the Governor's budget is similar to the 3.26 percent COLA they estimated in their November revenue forecast and while the COLA factors will be updated in April, they do not anticipate significant changes.

In regards to the proposed COLA cap, the LAO notes that the Governor's proposal may create an additional formula that leads to further complication in the way the state budgets for education each year. The LAO reviewed prior year budgets and notes that since 1990-91, in about one-third of the state's budgets the COLA for K-12 was not fully funded. While the Governor's proposal would adjust the LCFF COLA in years where the state could not support the full COLA, the LAO recommends that instead of this automatic adjustment, the state go back to making the decision about funding COLA in the budget each year. This approach would allow the Governor and Legislature to consider all needs within the K-12 budget and make a decision related to COLA each year based on their priorities.

Finally, the LAO notes that in regards to the COE LCFF formula, growth in property taxes is widening inequities between the counties. A subset of counties with higher local property taxes and growth benefit from the minimum state aid provision of the formula, while others do not. The LAO also notes that the cost of the minimum state aid provision continues to grow. DOF projected this cost to be flat at \$113 million in 2019-20, while the LAO notes that the actual figure will likely be closer to \$134 million and funding this provision results in less ongoing Proposition 98 funding for other K-12 education priorities. As a result, the LAO recommends the Legislature adopt a hold harmless for minimum state aid at the 2018-19 value, and repeal the minimum state aid provision of the COE formula going forward.

Subcommittee Questions:

- 1) DOF: When will trailer bill language on the proposed LCFF COLA cap become available?
- 2) DOF/LAO: What COLAs are DOF/LAO predicting in the out years? Would they outpace anticipated growth in the minimum guarantee level?
- 3) Does DOF agree with the LAO's estimate of additional COE funding that may be needed at the May Revision due to the growth in the minimum state aid portion of the formula?

Staff Recommendation:

Hold Open.

Issue 3: Statewide Accountability System Update**Panel:**

- Sara Cortez, Legislative Analyst's Office
- Keric Ashley, Deputy Superintendent, Department of Education
- David Sapp, State Board of Education
- Tom Armelino, Executive Director, California Collaborative for Educational Excellence
- Dan Hanower, Department of Finance

Background:**State Accountability**

Local Control and Accountability Plans (LCAP). To ensure accountability for LCFF funds, the state requires that all LEAs annually adopt and update a LCAP. The LCAP must include locally-determined goals, actions, services, and expenditures of LCFF funds for each school year in support of the state educational priorities that are specified in statute, as well as any additional local priorities. In adopting the LCAP, LEAs must consult with parents, students, teachers, and other school employees.

The eight state priorities that must be addressed in the LCAP, for all students and significant student subgroups in a school district and at each school, are:

- *Williams* settlement issues (adequacy of credentialed teachers, instructional materials, and school facilities).
- Implementation of academic content standards.
- Parental involvement.
- Pupil achievement (measured in part by statewide assessments, Academic Performance Index, and progress of English-language learners toward English proficiency).
- Pupil engagement (measured by attendance, graduation, and dropout data).
- School climate (measured in part by suspension and expulsion rates).
- The extent to which students have access to a broad course of study.
- Pupil outcomes for non-state-assessed courses of study.

COEs must address the following two priorities, in addition:

- Coordination of services for foster youth.
- Coordination of education for expelled students.

School district LCAPs are subject to review and approval by COEs, while COE LCAPs are subject to review and approval by the State Superintendent of Public Instruction (SPI). Statute also established a process for districts to receive technical assistance related to their LCAPs. The SPI is authorized to intervene in a district that is failing to improve outcomes for students after receiving technical assistance.

In addition, under changes made as part of the 2017 Budget Act, COEs are also required to provide a summary of the plan for supporting schools and school districts within their county, including a description of goals for LCAP review, and provision of technical assistance and support. COEs must measure progress towards meeting these goals by identifying and assessing metrics, as well as specifying the actions and expenditures to meet these goals. Finally, COEs must identify how they are collaborating with the California Collaborative for Educational Excellence, the CDE, and other COEs.

Finally, the 2018-19 budget agreement specified updates to the LCAP including: 1) a summary table of planned expenditures for all actions for each goal included in the LCAP, broken out by fund source; 2) a summary of the actions and planned expenditures to increase or improve services for English learners, low-income and foster youth students; 3) specified that LEAs can prioritize their goals, actions and related expenditures within the eight state priorities; and 4) required the LCAP and Annual Update template adopted by SBE to use language that is understandable and accessible to parents and required school districts and county offices of education to post prominently on the homepage of their website their approved LCAP. These changes will be reflected in the next LCAP template cycle.

Evaluation Rubrics. Pursuant to LCFE statute, the SBE developed an online tool and interface for an evaluation rubric, called the California School Dashboard, which was launched at the end of 2017 and redesigned at the end of 2018. This tool includes the following components, some of which are still in progress:

1) State and local performance indicators that reflect performance on the LCFE priorities:

- State level indicators are available through the CDE data system, CALPADS, are comparable statewide, and include the following:
 - Academic indicator based on student test scores on English Language Arts (ELA) and Math for grades 3–8, including a measure of individual student growth, when feasible, and results on the Next Generation Science Standards assessment, when available.
 - College/career indicator, which combines Grade 11 test scores on ELA and Math and other measures of college and career readiness.
 - English learner indicator that measures progress of English learners toward English language proficiency and incorporates data on reclassification rates.
 - High school graduation rates.
 - Chronic absence rates, when available.
 - Suspension rates by grade span.
- Local indicators rely on local data and are not reported at the state level. These include:
 - Appropriately assigned teachers, access to curriculum-aligned instructional materials, and safe, clean and functional school facilities.
 - Implementation of state academic standards.
 - Parent engagement.

- School climate – local climate surveys.
- Coordination of services for expelled students (COEs).
- Coordination of services for foster youth (COEs).

2) Performance standards for each indicator allowing LEAs and schools to identify both progress and needed improvements. For each state indicator, the SBE has determined a measurement based on a LEAs current performance and improvement over time (over a three-year period if available). This combined measure then falls into a color-coded range, with each LEA, school, and student group measured annually. This method allows for an easily accessible display as part of the dashboard for district and school administrators, teachers, students, parents, and other stakeholders. Currently the SBE has approved performance standards for the state indicators and for local indicators, the SBE has approved some self-reflection tools and a method for LEAs to self-assess as “met”, “not met”, or “not met for more than two years.” The SBE and CDE have several working groups in special subject areas that will continue to inform and help refine the indicators over the next few years.

The dashboard uses a color-coded indicator to show how an LEA scores on a particular indicator. For example, blue means that the LEA is in the highest performance category, while red means that an LEA is in the lowest performance category. Additional functionality allows for the user to look at school and student group data and understand if an LEA is improving in any indicator area.

The LCAP template was updated in 2017 to include a description of those indicators for which the LEA scored orange or red and the actions and services an LEA is undertaking in these areas.

Technical Assistance and Support of LEAs. Along with the release of the Dashboard, beginning in December 2017, the SBE identified LEAs in need of assistance based on LEA scores on the dashboard indicators and created a tiered structure, based on statute, to provide this assistance. The tiers of support are described below in more detail.

Overview of Statewide System of Support

Level of Support	Description of Supports Available
<p>Support for All LEAs and Schools (Level 1)</p>	<p>Various state and local agencies provide an array of resources, tools, and voluntary assistance that all LEAs may use to improve student performance at the LEA and school level and narrow disparities among student groups across the LCFF priorities, including recognition for success and the ability to share promising practices.</p>
<p>Differentiated Assistance (Level 2)</p>	<p>County superintendents, the CDE, charter authorizers, and the California Collaborative for Educational Excellence (CCEE) provide differentiated assistance for LEAs and schools, in the form of individually designed assistance, to address identified performance issues, including significant disparities in performance among student groups.</p>
<p>Intensive Intervention (Level 3)</p>	<p>The State Superintendent of Public Instruction or, for charter schools, the charter authorizer may require more intensive interventions for LEAs or schools with persistent performance issues over a specified time period.</p>

Source: State Board of Education: January 18, 2018 Agenda, Item 3

In the first cohort identified for differentiated assistance in December of 2017, a total of 228 districts were identified with approximately two-thirds of the identified LEAs identified based on the performance of their students with disabilities student group in one or more priority areas. In December of 2018, the second cohort of LEAs was identified; totaling 374 LEAs are eligible to receive differentiated assistance in 2018, based solely on state indicators. Of the 374 LEAs, 239 obtained differentiated assistance eligibility status for the first time in 2018, 135 maintained their eligibility status from 2017, and 93 eligible for differentiated assistance in 2017 are no longer eligible for assistance in 2018. In January 2019, 12 additional LEAs were identified for differentiated assistance based on local indicator data. The three student groups in greatest need of support (based solely on state indicator data) are:

- Students with disabilities: 243 LEAs are eligible for differentiated assistance
- Homeless students: 145 LEAs are eligible for differentiated assistance
- Foster youth: 106 LEAs are eligible for differentiated assistance

As part of the 2018-19 budget agreement, a structure for providing support for LEAs identified for differentiated assistance or intervention was refined in statute, specifying the process for COEs to support school districts in need of technical assistance and the ability of a school district to seek assistance from the COE and other providers. Similar adjustments were made to the process for the SPI to assist struggling COEs.

Statute also established a formula for providing funding for COEs to support school districts. Under this formula, COEs would receive base funding plus additional funding determined by the number of school districts identified as in need of differentiated assistance on the dashboard, and a total of \$53.8 million in ongoing funding was provided to COEs for this purpose in 2018-19.

Additional Support Structures. In 2018-19, statute also established various lead agencies to provide support and spur capacity building across the state as well as to provide a resource for specific issue areas. These lead agencies are described below:

- **Geographic Lead Agencies.** The 2018-19 budget provided \$4 million in ongoing Proposition 98 funding to establish between six and 10 COEs as geographic lead agencies in their region. The responsibilities of the lead COEs include building the capacity of other COEs in the region, coordinating and collaborating technical assistance across the region, providing technical assistance to a school district if a COE is unable to, and identifying existing resources and developing new resources upon request of the CCEE or the SPI. As of March, 2019, seven geographic lead agencies have been established.
- **Special Education Local Plan Areas (SELPA) Lead Agencies.** The 2018-19 budget also included \$10 million in ongoing Proposition 98 funding to establish between six and 10 (SELPA) to serve as special education resource leads to work with COEs to improve outcomes for students with disabilities.
- **Expert Lead Agencies.** The 2018-19 budget also included funding from a variety of sources for lead agencies with different expertise.

California Collaborative for Educational Excellence. The CCEE was created as part of the new LCFF accountability framework, with its goal to advise and assist school districts charter schools, and COEs to achieve identified outcomes in their LCAPs under the LCFF. Statute allows the CCEE to accept requests or referrals for technical assistance after consulting with the SPI. The CCEE may contract with individuals, LEAs, or organizations with expertise in the LCAP state priority areas and experience in improving the quality of teaching, improving school and district leadership, and addressing the needs of student populations (such as unduplicated students or students with exceptional needs.) Since its inception, the CCEE has been provided one-time funding, totaling over \$30 million for its initial operations and one-time work to inform future operations. Although the initial infusion of funding was provided in the 2013-14 year, the CCEE has taken a few years to fully staff up and develop as an agency. Since 2018-19, the CCEE has been provided with approximately \$11 million in ongoing funding.

The CCEE has conducted statewide training for LEAs and education stakeholders on the LCAP and the school dashboard, with a focus on improving student outcomes and closing the achievement gap. Statewide trainings and webinars focusing on different components of the accountability system are continuing, as well as training for individual LEAs by request, or groups of stakeholders. In addition, the CCEE has facilitated the development of Professional Learning Networks (PLNs) made up of COEs, statewide organizations, and non-profits led by facilitators to support collaborative efforts to build capacity. The CCEE is currently reviewing results and deliverables from the PLNs.

The CCEE was also charged with conducting a pilot program designed to assist the CCEE in developing and designing their work in providing technical assistance and intervention to LEAs. The CCEE has undertaken pilot projects in 11 LEAs that reflect urban, suburban, and rural areas with different needs for technical assistance, including a COE and a charter school. LEAs volunteered for the pilot program and the CCEE selected LEAs to participate based on whether the LEA had: 1) persistent academic/achievement challenges as evidenced by achievement gaps between student

demographic groups, test scores, or other metrics; 2) a leadership team, including the Board of Trustees overseeing the LEA, that fully commits to participating in pilot process; and 3) the support of their COE. The CCEE is currently wrapping up the pilot program.

The work of the CCEE moving forward will be focused to a greater extent on capacity building through the regional leads and providing support for LEAs in differentiated assistance or intervention, as needed.

Federal Accountability.

In December 2015, Congress passed the Every Student Succeeds Act (ESSA), which reauthorized the Elementary and Secondary Education Act of 1965 and required every state to develop a plan for using supplemental federal funding that states receive under ESSA for low-income students and English learners. The SBE was responsible for developing California’s state plan as a condition of receiving approximately \$2.5 billion in annual federal funding under ESSA. The state plan, which the U.S. CDE approved in July 2018, aligned California’s approach to meet federal requirements to the greatest extent possible with state law. ESSA requires states to identify schools for different types of support, including:

1. At least the lowest performing five percent of Title I schools (comprehensive support)
2. High schools with graduation rates below 67 percent (comprehensive support)
3. Schools with “consistently underperforming” student groups (targeted support)
4. Schools identified under number three where a student group on its own is performing at or below the level of schools identified under number one additional targeted support

The table below shows the number of schools identified as eligible for federal support.

Identification Status	Number of Non-Charter Schools	Number of Charter Schools	Total
CSI (Based on Graduation Rate Only; Title I and non-Title I Schools)	206	94	300
CSI (Based on State Indicator Results; Title I Schools Only)	447	34	481
ATSI (Title I and non-Title I Schools)	818	41	859
General Assistance (Title I and non-Title I Schools)	7,230	1,040	8,270
Total	8,701	1,209	9,910

Governor’s Accountability-Related Proposals:

County Office of Education Technical Assistance – The proposed budget includes \$20.2 million in Proposition 98 General Fund for COEs to support school districts that are in need of improvement under the state’s accountability system to be distributed pursuant to a statutory formula enacted in the 2018-19 budget. These funds would support 374 school districts identified in 2018-19 through the state’s accountability measures to need targeted technical assistance.

Online Accountability Systems Alignment. The Administration proposes to provide \$350,000 in one-time Proposition 98 funding to support the alignment and integration of online platforms supporting the California School Dashboard, LCAP, and School Accountability Report Card. This project would allow for the streamlining of information, such that the public may access the data through one point of entry and eliminate duplicative information. This funding would go to the San Joaquin COE which currently supports each of these online platforms.

Key Agency Coordination. The Administration proposes trailer bill language that would require the CCEE, and the CDE, in consultation with the SBE, to establish a formal process for coordinate the work of the Departments and agencies (including geographic, expert, and special education resource lead agencies) in supporting LEAs.

Charter School LCAP transparency. The Administration proposes trailer bill language to specify that charter schools must comply with LCAP requirements, including holding a public hearing and specifies that charter schools must address state priorities 2-8 in their LCAP. The language would also require charter school LCAPs or links to the plans to be posted on the school district, COE, and CDE websites. Finally, the language would require charter schools to provide translation services if 15 percent or more of their students speak a primary language other than English, consistent with school district requirements.

Federal Accountability Funding. The Administration includes \$130.1 million in federal funding for schools identified for comprehensive support and improvement under ESSA.

Subcommittee Questions:

- 1) The budget has provided one-time support for various online projects supported by the San Joaquin COE. Does the Administration have an estimate on the amount of ongoing resources that will be needed to maintain these projects?
- 2) What initial activities have been undertaken by the regional leads and what does the CCEE anticipate their role will be in the upcoming year?
- 3) What feedback has been received on the differentiated assistance provided to LEAs to date?

Staff Recommendation:

Hold Open.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 21, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6440 UNIVERSITY OF CALIFORNIA (UC)

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

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

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

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

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

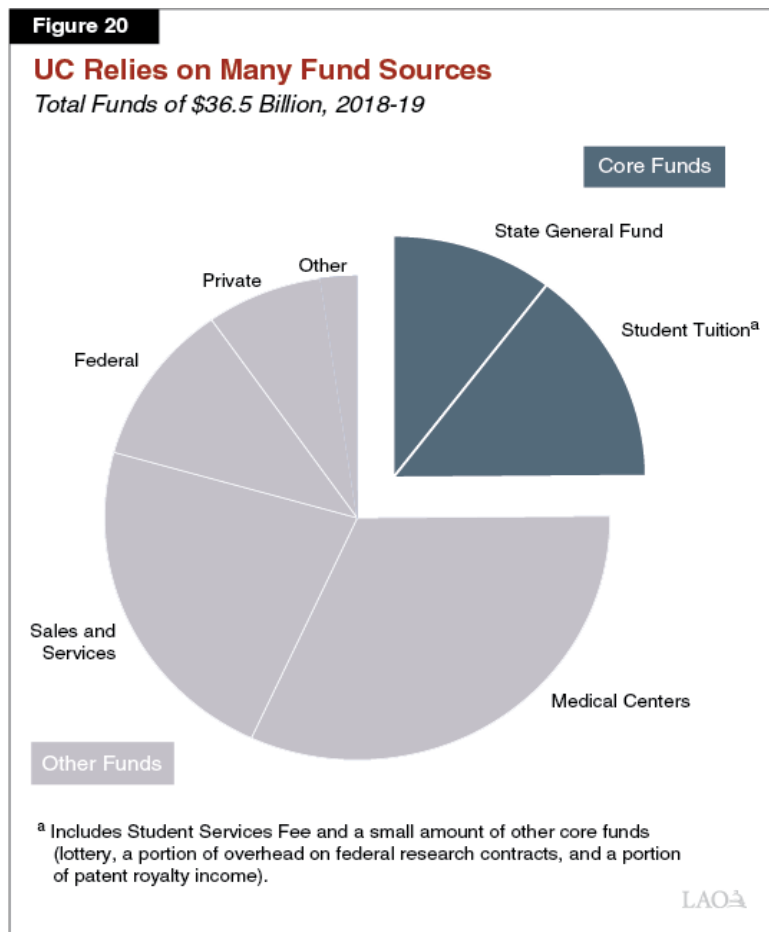
Issue 1: Budget Operations

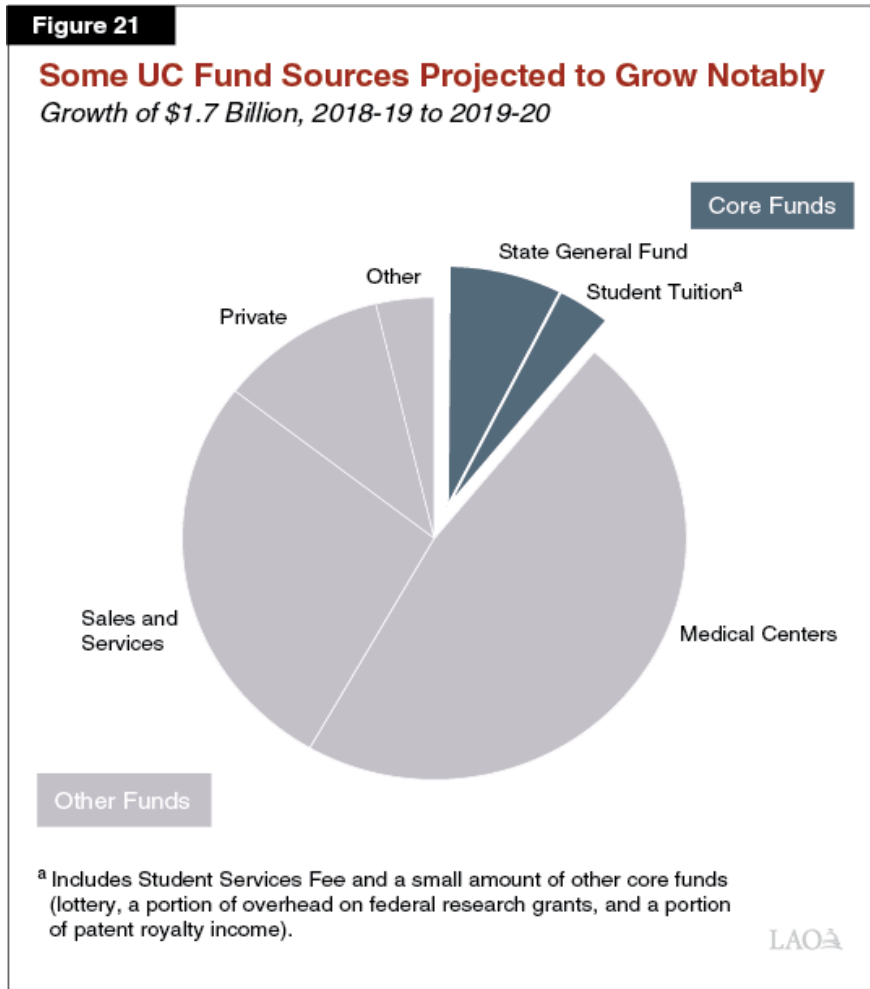
Panel:

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

UC’s budget is comprised of variety of funds, such as state General Fund, student tuition, medical center revenue from its five medical centers, sales and services such as housing, bookstore and extended education, federal government funds for research and student financial aid, private donations, among others. In 2018-19, UC’s estimated budget includes \$36.5 billion from all sources, as shown below in the Legislative Analyst’s Office (LAO) figure below. For 2019-20, the Administration assumes a 4.7 percent or \$1.7 billion increase in total funding for UC. Nearly half of this increase is from UC’s five medical centers, reflecting a seven percent increase in hospital revenues over the revised 2018-19 level. The Governor also assumes increases in sales and services (5.3 percent) and privately donated funds (8.4 percent). In 2019-20, core funding will increase by \$184 million (2.0 percent)—rising to \$9.5 billion. The LAO figures below display changes in UC fund sources from 2018-19 to 2019-20.





Employee Compensation and Benefits. Salaries and benefits comprise a significant share of UC’s budgeted expenditures. In 2017-18, 67 percent of UC’s core budget was for salaries and benefits. The remaining share of UC’s budget was for equipment and utilities (17 percent) and student financial aid (16 percent).

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

Tenured and tenure-track faculty, academic administrators and certain employees are not represented by a union. Approximately one-third of UC employees who are supported by core funds are represented by a union. There are 13 systemwide bargaining units. Examples of represented employees include lecturers, teaching assistants, librarians, clerical workers, and custodial staff.

State law grants the UC Board of Regents authority to negotiate collective bargaining agreements directly with its employee unions. UC Office of the President (UCOP) represents the board during these negotiations and agreements are ratified by the board. The Board of Regents also grants the UC President authority to determine compensation increases for non-represented employees. The UC

President typically determines compensation increases for tenured and tenure-track faculty after consulting with the Academic Senate.

UC operates its own health benefit programs for current employees and retirees and UCOP negotiates premiums with health care providers. The Board of Regents adopts policies establishing what share of premium costs UC and its employees each pay. On average, UC covers 87 percent of premium costs for active employees. For retirees, the maximum UC share of premium costs is 70 percent.

UC's pension program is known as the UC Retirement Program (UCRP). Like most other state employees, UC pensions are based on employees' salary and years of service upon retiring. The Board of Regents oversees UC's pension program and is responsible for determining benefits, establishing the plan's funding policy, and setting contribution rates. The 2015-16 budget provided UC \$436 million in Proposition 2 funds over a three year period to address UCRP's unfunded liability. In order to receive this funding, UC was required to adopt reforms to that limits pensionable compensation to UCRP and make it consistent with the Public Employees' Pension Reform Act of 2013. UC adopted these reforms in 2016. Budget bill language stated that the appropriation did not constitute an obligation on behalf of the state to appropriate any funds in subsequent years for costs of the UCRP.

UC has substantial control over its staffing and compensation costs, and the state is not required to cover compensation decisions made by the Board of Regents. Nonetheless, the Legislature historically has recognized UC's compensation-related cost pressures. Consistent with past practice, the state in recent years has generally provided unrestricted, ongoing General Fund augmentations to help UC cover these costs.

Operational Costs for Equipment and Utilities. In addition to compensation decisions, UC purchases equipment that supports its operations. Academic-related equipment includes laboratory supplies, computers, and library materials. Campuses also have utility costs. Equipment and utility costs that are not related to the UC's academic mission are supported by non-core funds.

2018-19 Budget. The 2018-19 budget provided UC a \$92.1 million ongoing General Fund for a base increase and \$105 million one-time General Fund for general UC needs. For the one-time funds, the budget bill language stated that it is the intent of the Legislature that UC enroll additional resident undergraduate students and invest in services and programs that improve student outcomes. Staff also notes that UC's budget request includes turning the \$105 million in one-time funding provided for the current year into ongoing funding. Staff is working with UC to get a breakdown of how campuses are spending this one-time money, and how funds were used.

Governor's Budget Proposal

Mandatory Cost Increases. The Governor proposes an increase of \$120 million General Fund ongoing to address UC's mandatory costs. Budget bill language does not specify the breakdown or specific use of the \$120 million increase. Instead, the language simply states, "\$119.8 million shall be available to support operational costs."

The chart on the following page describes UC's mandatory costs. The largest component supports utility and equipment cost increases. UC assumes this portion of its budget will grow roughly at the rate of inflation. The next largest component supports negotiated salary increases for represented employees. UC notes that the anticipated cost increase reflects a mix of final contracts and contracts that are still under negotiation. The remaining increase would cover projected cost increases for UC's employee

health, pension, and retiree health programs. The increase relating to health benefits is due to an anticipated four percent increase in premium costs, as well as growth in the number of retirees. Pension cost increases are based on projected growth in payroll.

UC Mandatory Operational Cost Increases

Mandatory Costs	Dollars in Millions
Operating expenses and equipment	\$41
Salary increases for represented employees	30
Health benefit cost increases	21
Pension benefit cost increases	20
Retiree health cost increases	7
Total	\$119

UC Budget Request

UC requests an additional \$137 million General Fund ongoing to fund non-represented faculty and staff compensation increases. Specifically, \$95 million will fund non-represented faculty, such as tenure and tenure-track faculty, of which, \$47.5 million will fund an average of three present salary increase, \$33 million will fund peer reviewed faculty promotion, and \$13.9 million for separate salary program to reduce UC's ladder-rank faculty salary gap with its comparator institutions. The remainder, \$42.6 million, will fund merit-based salary adjustments averaging about three percent for non-represented staff. As a part of the UC's multi-year budget plan, the UC plans to provide annual merit increases linked to changes to the consumer price index. The Administration chose not to support salary increases for tenured and tenure-track faculty and other non-represented staff because the UC's budget request described compensation increases for these employees as a lower priority.

UC Core Funds. The Administration assumes a \$299 million (3.3 percent) increase in ongoing core funding. The LAO chart below displays the year-over-year changes in core funds at the UC. The increase in tuition and fee revenue is based on projected growth in nonresident enrollment coupled with a proposed increase in nonresident supplemental tuition. The Governor ties his General Fund increase to UC holding resident tuition and the Student Services Fee flat in 2019-20. The committee will further discuss UC enrollment, tuition and Student Services Fees later in the agenda.

UC Core Funds

(Dollars in Millions Except Funding Per Student)

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
State General Fund	\$3,367	\$3,475	\$3,715	\$240	6.9%
Student tuition and fee revenue	5,012	5,206	5,269	63	1.2
Lottery	43	27	27	— ^a	-0.1
Other core funds ^b	388	384	381	-3	-0.9

Totals	\$8,811	\$9,093	\$9,393	\$299	3.3%
FTE students ^c	272,104	279,002	279,802	800	0.3%
Funding per student	\$32,381	\$32,593	\$33,569	\$977	3.0

^aLess than \$500,000.

^bIncludes a portion of overhead on federal and state grants, a portion of patent royalty income, and Proposition 56 funding designated for graduate medical education.

^cOne FTE represents 30 credit units for an undergraduate and 24 credit units for a graduate student. Includes resident and nonresident students.

FTE = full-time equivalent.

Legislative Analyst's Office Comments

Recommend Considering Recruitment and Retention Issues When Making Compensation Decisions. The LAO encourages the Legislature to consider UC's ability to recruit and retain employees—whether they are represented or non-represented. The Legislature could consider UC's ability to attract top candidates to open positions, retain existing employees, and offer competitive compensation. If UC is able to recruit top candidates and retain tenured and tenure-track faculty but not represented staff, for example, the Legislature might agree with the Governor's proposal to prioritize additional funding for represented employees. Alternatively, the Legislature might wish to target compensation increases toward different groups or provide higher or lower compensation increases. At the time of this analysis, UC was not able to provide data on these key indicators to the LAO.

The LAO notes some data suggest UC is competitive in recruiting faculty. Historically, UC has used compensation data from a group of eight research universities to gauge the competitiveness of its faculty compensation. The group includes four private institutions (Harvard, Massachusetts Institute of Technology, Stanford and Yale) and four public flagship institutions (University of Illinois, University of Michigan, University at Buffalo and University of Virginia). Average salaries for full professors at UC are lower than the average of all eight comparison institutions but above the average of the four public comparison institutions. Salaries for associate and assistant professors compare similarly. The LAO notes that this comparison group reflects a small group of institutions and may not accurately reflect the broader academic market in which UC campuses compete for faculty. The LAO compared average UC faculty salaries to 73 public institutions across the country that conduct a similar level of research as UC, and found that UC professors make higher average salaries than the average across all of these public institutions.

Staff Comments

The Administration notes that UC identified some non-state funds in its budget request that could be used to address salary increases for these non-represented employees. The Legislature may wish to ask what these fund sources are, fund amounts, and how this would impact the UC's overall budget. The Legislature may wish to request additional details from UC regarding how the \$105 million from 2018-19 was spent by campuses. For the year to date, revenues are below projections by a total of \$2.2 billion, due to January revenues coming in significantly below projections. The LAO and others believe much of the January shortfall was due to timing of payments and expect that some of shortfall may be made up in April payments. The Legislature may wish to wait until update revenue projections are available before committing ongoing General Funds.

Staff Recommendation. Hold Open

Issue 2: Resident and Nonresident Enrollment

Panel

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

Background

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

A-G Requirements. For freshmen, UC is responsible for setting specific admission criteria intended to reflect their eligibility pool. As a minimum criterion, UC requires high school students to complete a series of college preparatory courses known as the "AG" series. The series includes courses in math, science, English, and other subjects. To qualify for admission, students must complete this series while earning a certain combination of course grades and scores on standardized tests. In 2017-18, local educational agencies determined that approximately 41.4 percent of high school graduates met the AG series requirements. For transfer students, the UC sets general education and pre-major course requirements. Transfer students completing these courses and meeting the master plan's grade point average requirements are eligible for admission.

Redirection Policy. For both freshman and transfer applicants, eligibility guarantees admission to the UC system, but not to a particular campus. When applicants are not admitted to their campus of choice, they are referred to another campus. Currently, UC Merced serves as the referral campus for freshman applicants, whereas both UC Riverside and UC Merced serve as referral campuses for transfer applicants. In fall 2017, 10,700 eligible freshman applicants (14 percent) were referred to Merced. Very few of these students (119 or 1.1 percent) elected to enroll at that campus. Students who do not accept admission at UC may end up attending California State University, a private school, or a community college (then transferring to a four-year school upon completing their lower-division coursework).

Enrollment Targets. The state typically sets enrollment targets for UC in the annual budget act, and typically covers the cost of enrollment growth at UC using a formula that is linked to the marginal cost of instruction. The formula estimates the cost to hire new faculty and teaching assistants, purchase instructional equipment, and cover other ongoing costs to support new students. The total cost is then shared between the state General Fund and student tuition revenue. In 2018-19, the marginal cost of instruction was \$18,900 per student, with a state share of \$10,000.

Traditionally, the state has set enrollment expectations for the academic year starting a few months after budget enactment. However, this approach does not align well with the timing of UC admission

decisions which occurs in early spring, prior to enactment of the state budget in June. This means the state budget is enacted too late to influence UC's admission decisions that year. To have a more significant influence on UC's admission decisions, the 2015-16 budget began setting enrollment expectations for the following academic year. The chart below highlights the state's investment in UC enrollment over the last several years.

Recent Enrollment Budget Actions

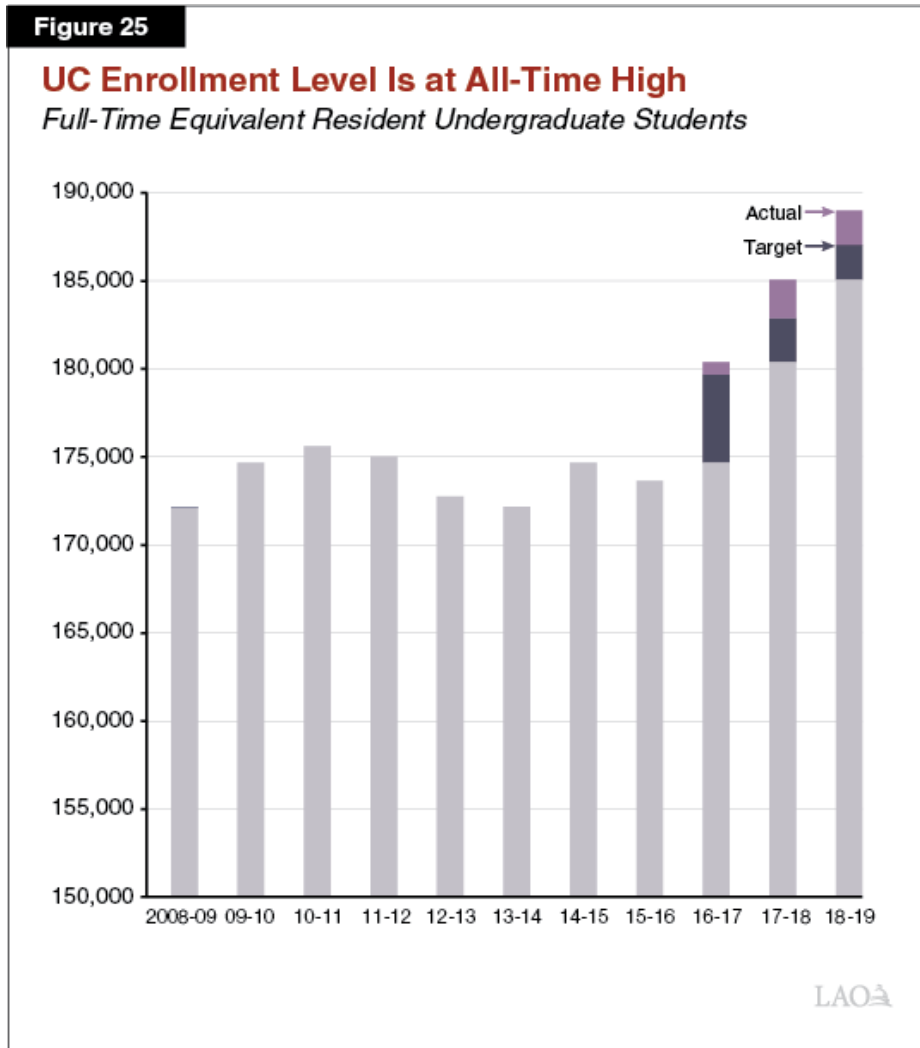
	Action
2015-16 Budget	The budget established a UC enrollment target of an additional 5,000 more resident undergraduate students for 2016-17 compared to 2014-15. The budget allocated \$25 million General Fund ongoing to support this enrollment growth.
2016-17 Budget	The budget provided UC \$18.5 million General Fund ongoing to enroll 2,500 more resident undergraduates in 2017-18 compared to the number enrolled in 2016-17.
2017-18 Budget	<p>The budget directed UC to enroll at least 1,500 more resident undergraduate students in 2018-19 compared to 2017-18. The budget states legislative intent that UC fund this enrollment by redirecting funds from its existing programs, with the goal of reviewing UC's proposed redirections during the 2018-19 budget. The budget also requires UC to admit at least one transfer student for every two entering freshman.</p> <p>The budget also provided UC \$5 million General Fund ongoing to enroll 500 more graduate students in 2017-18 compared to 2016-17. The budget bill notes that UC prioritize the enrollment of resident graduate students, and must enroll at least as many residents as nonresidents.</p>
2018-19 Budget	<p>The budget included three enrollment provisions for 2018-19:</p> <p>First, the budget implemented the 2017-18 budget expectation to redirect \$15 million funds to support growth of 1,500 resident undergraduate students. Of the \$15 million, \$8.6 million was redirected from UCOP's line item to the campuses and \$6.4 million was redirected from within campuses' budget. Key programs that received budget redirections include: the Presidential Initiatives Fund (supporting the Global Food Initiative Public Service Law Fellowship, Carbon Neutrality Initiative, and UC Mexico Initiative), and the California Program on Access to Care. In addition, several campus-based programs received a lower cost-of-living increase, including the Medical Investigation of Neurodevelopment Disorders.</p> <p>Second, the budget increased UC's resident undergraduate growth expectation in 2018-19 from 1,500 students to 2,000 students. To fund the additional 500 students, the budget provided UC \$5 million ongoing General Fund. The budget also requires UC to admit at least one transfer student for every two entering freshman.</p> <p>Third, the budget provided \$105 million one-time for general UC needs. The intent of the Legislature was for UC to enroll additional resident undergraduate students, including transfer students, and invest in services and programs that</p>

	<p>improve student outcomes. The language did not specify the number of additional students UC was expected to enroll with the one-time funds. Staff is working with UC to get details on how campuses spent this funding, and how much was spent on enrollment.</p> <p>The budget did not set an enrollment expectation for 2019-20.</p>
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Admission and Enrollment of Students from Local Control Funding Formula (LCFF) Plus High Schools. AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, specified that as a condition of receiving funds in the 2016 Budget Act, UC must approve a plan and timeline, in the 2016-17 academic year, to increase the number of California resident freshman admits who meet admission requirements, at each campus, including students who are enrolled in high schools with seventy-five percent or more unduplicated pupils, and expand services and resources to students who enroll at UC from these schools. The budget also included \$20 million one-time General Fund for student outreach and student support services for low-income and underrepresented minority students, including students who were enrolled in high schools with seventy-five percent or more unduplicated pupils.

On November 5, 2018, UC submitted their annual report to the Legislature regarding the program. The admit rate for students from LCFF Plus schools went down from 61 percent in 2016 to 56 percent in 2017 to 54 percent in 2018. About 25 percent of the fall 2018 freshman incoming class was from LCFF Plus high schools, which is similar to the fall of 2017 and 2016. In 2018, UC Riverside, Davis and Irvine had the largest number of incoming freshman for LCFF Plus high schools.

Resident Undergraduate Enrollment Increasing. In the last three years, UC has exceeded its enrollment targets set by the state. The state has counted the over-target students as part of UC’s enrollment base when setting its growth target for the following year. Though the state has reset the base to reflect the higher-than-expected growth, it has not funded UC directly for the over-target students. In 2018-19, resident undergraduate enrollment was at an all-time high of 189,000 FTE students. The LAO figure on the following page displays changes in resident undergraduate enrollment over the last decade.



UC Currently Estimates Substantial Enrollment Growth in 2018-19. As of January 2019, UC estimates resident undergraduate enrollment in 2018-19 will grow by 3,900 FTE students. This amount is 1,900 more FTE students than expected or budgeted by the state. According to UC, the additional growth was unplanned and the result of campuses under-predicting the percent of applicants who would accept an admission offer. Enrollment targets for campuses are set by UCOP based on a campuses facility space, financial resources, and the long-range development plan that accounts for the campuses local community. Staff at UC indicate that all campuses, except for Merced, have waitlist; however, for the 2018-19 admission cycle, only Davis and Berkeley offered admission to some students on the waitlist. According to preliminary enrollment data for the fall of 2018-19, campuses overenrolled by approximately 2,004 students, of which San Diego overenrolled by 1,200 students.

Nonresident Enrollment

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

In 2017, when looking at individual campuses, nonresident undergraduate enrollment at Berkeley was 24.5 percent, 22.7 percent at San Diego, 22.4 percent at Los Angeles, and 17 percent at Davis. UC states that the growth in nonresident undergraduate students allowed it to further grow resident enrollment because of the additional revenue they produce. UC charges nonresidents a supplemental charge approximately \$28,992 in addition to the \$12,570 that all UC undergraduates pay.

Some members of the Legislature were concerned about the growth in nonresident enrollment, and as a result, the 2016-17 budget required UC to adopt a policy to cap the enrollment of nonresident undergraduates. In May 2017, UC adopted a nonresident enrollment policy that capped nonresident enrollment at 18 percent for five UC campuses. At the other four campuses, Berkeley, Irvine, Los Angeles and San Diego, where the proportion of nonresidents exceeds 18 percent, nonresident enrollment will be capped at the proportion that each campus enrolled in the 2017–18 academic year. The policy also stated that campuses wishing to increase nonresident enrollment cannot reduce enrollment of funded resident students to accommodate this growth. The policy also calls for a review by the Regents at least once every four years.

Preliminary data for the fall of 2018 indicates that three campuses, Davis, UCLA and Berkeley, overenrolled the nonresident undergraduate students above their cap. Specifically, Davis overenrolled by 78 nonresident undergraduates, which increased the proportion of nonresident undergraduates from 18 percent to 18.3 percent. UCLA overenrolled by 235 nonresident undergraduates, which increased the proportion from 22.8 percent to 23.6 percent. Berkeley overenrolled by 46 nonresident undergraduates, which increased their proportion from 24.5 percent to 24.7 percent.

UC estimates that total the net revenue generated by these students was \$6 million. UCOP notified campuses that the net revenue will be redirected across the UC system to support student basic needs in 2019-20. Staff notes that UC's approved budget for 2019-20 proposes to increase nonresident undergraduate enrollment by 800 students.

In a February 13, 2019 letter to campuses regarding 2019-20 undergraduate enrollment targets, President Napolitano stated that “campuses must continue to comply the Academic Senate’s ‘Compare Favorably’ policy, which requires that admitted students, on average, be at least as qualified as admitted residents, when judged holistically, according to the University’s multiple admissions criteria. Campuses are expected to apply the same high standards to nonresidents as they do to residents.”

The 2018-19 Budget Act included supplemental reporting language that directed UC to develop a plan to reduce nonresident students to 10 percent of enrollment at every campus by 2030. UC must submit the plan in April 2019. As of writing this agenda, UC has not submitted the report.

Governor’s Budget Proposal

Proposes \$10 Million Ongoing to Sustain a Portion of 2018-19 Enrollment Growth. According to the Department of Finance, the \$10 million General Fund ongoing would support 1,000 FTE students enrolled above the 2018-19 enrollment target. The \$10 million is based on a \$10,000 per-student state rate using the marginal cost of instruction. UC used \$10 million of the \$105 million one-time funds from the 2018-2019 budget to fund this enrollment. This proposal would provide ongoing funding to support for this purpose. The language does not specify if this funding is for undergraduate or graduate students.

Does Not Propose Enrollment Targets for Coming Few Years. The Governor does not propose enrollment targets or enrollment growth funding for either 2019-20 or 2020-21.

UC requests the state to support 2,500 more undergraduates in 2019-20, and 1,000 more graduate students. UC is seeking \$40.3 million in ongoing General Fund to support this growth; the state marginal cost UC is seeking for each new student is \$11,512.

Legislative Analyst's Office Comments

Given the provisional budget language connected to the \$105 million in one-time 2018-19 funding is confusing, the Legislature will need to consider how it wants to respond now. The Governor's proposal would fund a little more than half of the 1,900 resident undergraduate students that UC enrolled over explicitly budgeted targets. The Legislature could adopt the Governor's proposal and provide ongoing funding to support these students. Alternatively, the Legislature could decide to fund any higher or lower enrollment level. Funding all of the additional resident undergraduate students UC enrolled in 2018-19 would require an additional \$9 million ongoing (based on the 2018-19 marginal cost of instruction rate of \$10,000) above the amount included in the Governor's budget.

Recommend Adopting Enrollment Target for 2020-21. To influence UC's future admission decisions, the LAO recommends the Legislature set an enrollment target for the 2020-21 academic year. The target could be to hold enrollment flat or increase it. If the Legislature wishes to grow enrollment, the LAO recommends (1) using the marginal cost formula to derive the associated state cost and (2) covering the cost with ongoing funds.

High School Graduates Projected to Decline Slightly. The Department of Finance projects a 0.8 percent decline in the number of high school graduates in 2018-19 and a 0.4 percent decline in 2019-20. This means that, all other factors staying the same, enrollment demand for freshman slots in 2020-21 would decrease accordingly. This slight decline in high school graduates over the next two years also suggests that enrollment growth at UC could be a lower priority for the Legislature.

Staff Comments

Staff notes that the UC's marginal cost of instruction rate has increased from \$10,000 in 2018-19 to, \$11,520 in 2019-20, a 15 percent increase. Given the various actions taken by the state in 2018-19, staff notes that it is difficult to understand what the Governor's proposed \$10 million ongoing would support. On the one hand, the LAO suggests that funds can be thought of as supporting the additional undergraduate students. On the other hand, UC suggests a portion of the one-time funds also supported growth of graduate students. As the Legislature considers the Governor's proposal, it may wish to get a better understanding how much enrollment grew in 2018-19 and how much of this growth was funded with one-time resources. The subcommittee may wish to ask for a breakdown of UC's enrollment request.

Staff Recommendation. Hold Open

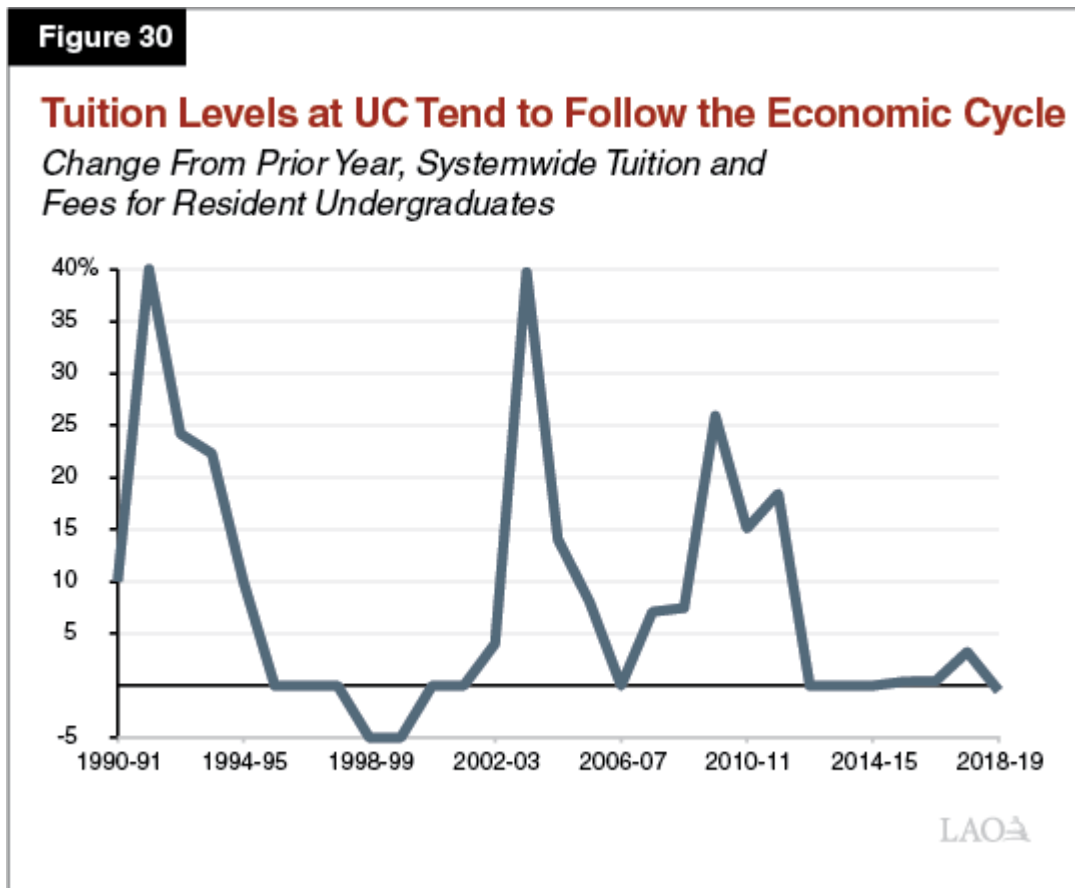
Issue 3: Tuition, Nonresident Supplemental Tuition and Student Services Fees

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

Tuition and fees at UC tend to be volatile, with periods of flat tuition followed by sharp increases. The periods of flat tuition generally correspond to years in which the state experienced economic growth, whereas the periods of steep tuition increases generally correspond to periods when the state experienced a recession. During recessions, the state has often balanced its budget in part by reducing state funding for the segments. UC in turn, increased tuition and fees to make up for the loss of state support. This was the case in the recent recession; between 2004 and 2013, tuition at UC nearly doubled. Given the volatility in state revenues, fluctuations in tuition levels have often been pronounced. The LAO chart below displays tuition levels at UC in the last few decades.



Tuition Increase Proposals. In January 2017, the UC Regents voted for a tuition increase of 2.5 percent, or \$282, for a total annual tuition of \$11,502. Additionally, the UC Regents voted to increase the student services fee by five percent, a \$54 increase for a total of \$1,128 annually. This generated \$48 million in revenue to UC campuses, net of the amount set aside for undergraduate need-based aid. In 2017, the Board of Regents also voted to increase nonresident tuition by five percent, or \$1,332.

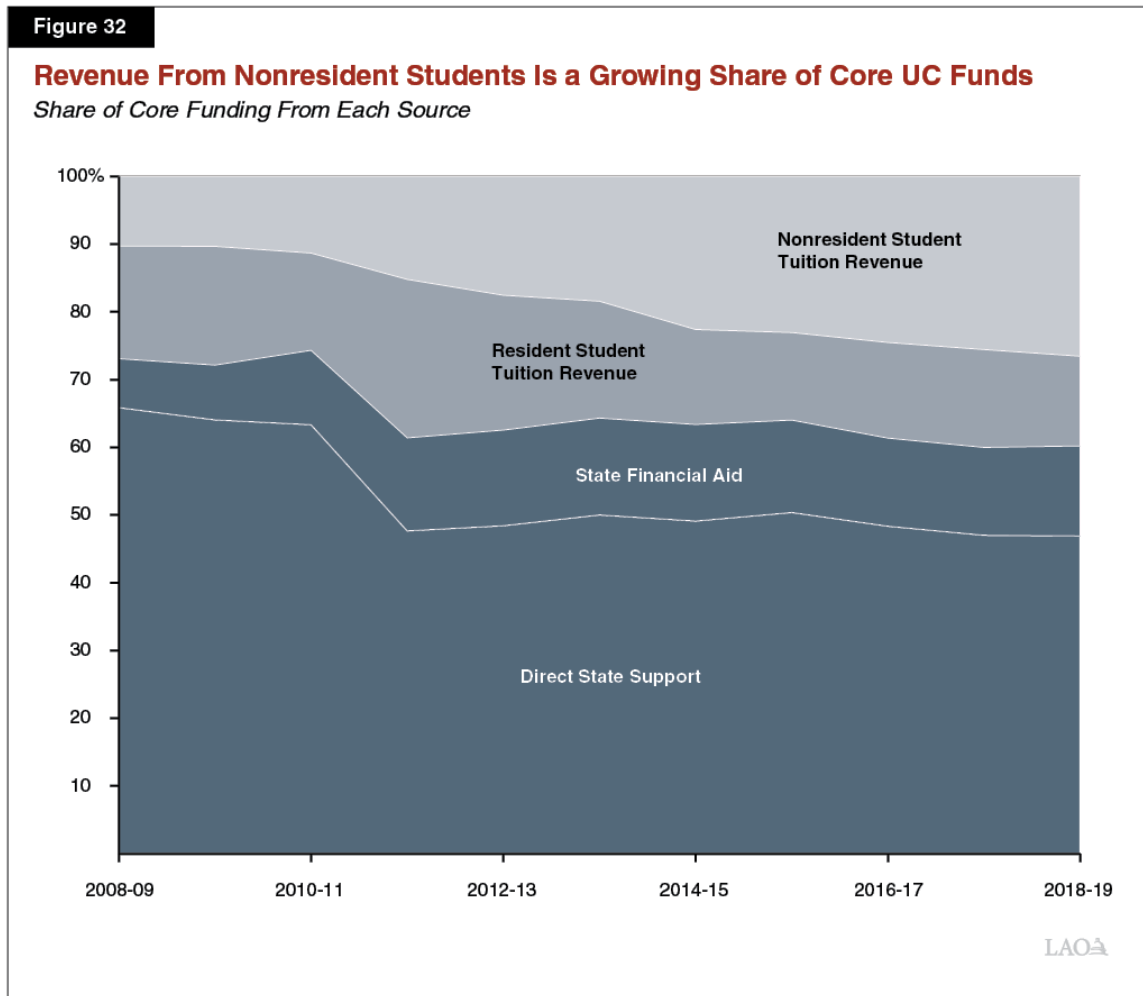
In January 2018, the UC Regents proposed a tuition increase of \$288, a Student Services Fee increase of \$58 for resident undergraduate students, and a nonresident supplemental tuition increase of \$978. According to the Legislative Analyst's Office, this would have generated approximately \$95 million in revenue to UC, net of the set aside for undergraduate need-based aid. The UC used a portion of the \$105 million one-time General Fund from the 2018-19 budget to cover the proposed tuition increase. However, it is unclear how campuses spent this funding. For 2018-19, the total systemwide charge for an undergraduate student is \$12,570 (\$11,442 for tuition and \$1,128 for the Student Services Fee).

In November 2018, the Board of Regents approved the UC's 2019-20 budget for current operations. While the Board of Regents did not act on a tuition increase, the budget plan assumed revenue of \$63.8 million, which is equivalent to a tuition increase of 2.6 percent (\$300) and a Student Services Fee increase of five percent (\$54). The Governor's budget summary notes the Administration's expects tuition remain flat.

On March 6, 2019, the UC announced that they will hold in-state undergraduate tuition steady for the 2019-20 academic year. This is the seventh time in eight years that the UC has held tuition flat for residents. Additionally, the March 14th UC Regents agenda item, *Proposed Multi-Year Budget Plan*, proposes keeping the Student Services Fee flat in 2019-20. However, the UC has not made a formal announcement to hold the Student Services Fee flat.

Nonresident Supplemental Tuition (NRST). Nonresident undergraduate students pay NRST in addition to systemwide tuition and fees. In recent years, UC has notably increased both nonresident enrollment and the NRST. In 2018-19, nonresident undergraduate enrollment is 4.8 times the level in 2008-09. By comparison, resident undergraduate enrollment grew by 10 percent over same period. Including both base tuition and the supplemental charge, nonresident tuition is 53 percent higher in 2018-19 compared to the 2008-09 level. For 2018-19, NRST was \$28,992 for undergraduate students. For 2019-20, UC proposes to increase NRST by 2.6 percent, approximately \$762 (\$29,754 total) and increase nonresident enrollment by 800 students, which would generate approximately \$53 million in revenue. The Board of Regents was scheduled to vote on this at its March 14th board meeting, however, the board ultimately did not vote. Instead, UCOP and the Board of Regents may revise the plan. The LAO estimates UC would spend \$9.2 million for additional instructors, teaching assistants, and other costs to support the additional nonresident students. The remaining \$43 million would be available for other ongoing priorities.

As a result of this trend, revenue from NRST makes up a growing share of the UC's core funds. The LAO chart on the following page displays this trend over the last decade.



Student Services Fee. In addition to tuition, all registered students must pay the Student Services Fee. Revenue from this fee provides funding for student life activities, student services, and capital improvements for student life facilities. This is considered as a mandatory systemwide fee, and eligible students may receive financial aid to cover the fee.

In 2015-16, UC implemented a plan to increase the student services fee by five percent annually through 2019-20. In 2015, the fee was \$1,020 per undergraduate student. Half of the revenue generated by the increase (net of aid) is designated for the hiring of direct mental health services providers (discussed later in this agenda) and the remainder is for critical student services. In 2017-18, the Board of Regents approved a five percent increase, which generated \$298 million. For 2018-19, the state provided one-time funding, which UC used to cover the proposed increase for that year, and as a result, the fee remained flat at the 2017-18 level. In 2018-19, the Student Services Fee is \$1,128, and will generate \$306 million. The March 14, 2019 Board of Regents agenda item notes that the UC proposes keeping the student services fee flat in 2019-20. However, UC has not formally announced this.

Chancellors are authorized to determine spending of the of the Student Services Fee income on their campuses. Each campus has a Student Fee Advisory Committee, the membership of which is at least 50 percent students, to advise the chancellor.

Campus-based Fees. In addition to mandatory systemwide fees, students also must pay campus-based fees. These fees help fund campus programs such as student government, the construction, renovation, and repair of sports and recreational facilities, campus health care, wellness, campus climate, financial aid and other programs and activities depending on the campus. Since these are not considered as mandatory systemwide fees, they are not covered by state financial aid. However, eligible students may use institutional or federal financial aid to help cover this fee. Campus-based fees vary across campuses. Generally, students must vote to establish or increase campus-based fees, but these fees also can be set by chancellors (with the concurrence of the Regents) if a fee is necessary to help ensure the safety of students, such as a seismic retrofit of a building. In recent years, a return-to-aid component has been built into newly established campus-based fees. The chart below displays campus-based fees across the system.

Campus	Campus-Based Fee
Berkeley	\$1,614
Davis	\$1,832
Irvine	\$1,130
Los Angeles	\$656
Merced	\$968
Riverside	\$1,257
San Diego	\$1,597
Santa Barbara	\$1,821
Santa Cruz	\$1,390
Average	\$1,386

Governor's Budget Proposal

Governor Proposes No Tuition Increase, With State Covering All of Proposed Cost Increases. In the Governor's Budget Summary, the Governor expresses his expectation that UC hold resident undergraduate tuition flat. The Governor proposes to retain budget provisional language adopted in 2018-19 that triggers a reduction in General Fund support if the Board of Regents adopts a tuition increase for 2019-20. The language ties the General Fund reduction to the additional Cal Grant and Middle Class Scholarship costs associated with the tuition increase, thereby making UC's action fiscally neutral to the state. In the Governor's Budget Summary, the Governor also expresses a desire to work with UC to provide fiscal certainty for students and their households moving forward. As noted earlier, on March 6, 2019, the UC announced that they will hold in-state undergraduate tuition steady for the 2019-20 academic year.

Legislative Analyst's Office Comments

Increase the State's Reserves. The Governor's proposed reserve level for 2019-20 will likely be enough for the state to cover a budget problem associated with a mild recession. In this scenario, the Legislature likely would not need to reduce university spending and UC likely would not need to initiate steep tuition increases. The proposed reserve level, however, likely would be insufficient to weather a longer, moderate-sized recession. The Legislature could increase reserve levels in 2019-20. One way to build more reserves would be to have non-financially needy UC students bear a portion of any cost increases in the budget year. This would free up some General Fund money that could be redirected to higher reserves.

Factor All Available Resources Into Budget Decisions for UC. UC's budget plan includes \$74 million in new revenue attributable to a combination of: (1) investing a portion of the UC available working capital in a new, higher-yield investment portfolio (\$30 million), (2) a year-over-year increase in general use philanthropic giving to the UC (\$20 million), (3) additional savings resulting from the UC's systemwide procurement and strategic sourcing efforts (\$10 million), and (4) continuing to phase out financial aid to nonresident undergraduate students (\$14 million).

The LAO encourages the Legislature to account for UC's identified alternative revenues and anticipated operational savings (as well as any nonresident revenue increases that do materialize) and factor all those resources into its budget decisions. These non-state funds could be applied to any UC budget priority.

Staff Comments

According to the UC's 2018 Annual Accountability Report, 56 percent of UC undergraduates do not pay tuition. This is due to the state's robust financial aid system, the Cal Grant, which covers tuition and some living expenses for eligible residents and AB 540 students. AB 540 students are specified non-residents, who have attended high school in California and received a high school diploma or its equivalent, who are exempt from payment of non-resident tuition. In addition to the Cal Grant, eligible students may receive Pell Grants, which are federal grants for low-income students with family incomes typically under \$50,000. Lastly, the UC also provides institutional aid to help eligible students cover tuition. The subcommittee will discuss financial aid further at a future hearing.

In addition to tuition, students also have other living expenses. Living expenses such as food and housing, transportation and other personal expenses make up the majority of undergraduate student expenses. The state's financial aid system is primarily focused on covering tuition costs. The stipends associated with the Cal Grant B and the Cal Grant C programs provide some aid for living expenses, \$1,672 and \$547, respectively. To cover living expenses, many students must work part-time or even full-time jobs. This can have a negative impact on student outcomes and increase their time to earn a degree. Research by the American Council on Education indicates that students working more than 15 hours per week are more likely to drop out of college than those working fewer than 15 hours.

Since the UC Board of Regents did not approve the increase in the NRST, the subcommittee may wish to ask what impact that has on the UC budget, and how the UC plans to proceed.

Staff Recommendation. Hold Open

Issue 4: Degree Attainment and Completion

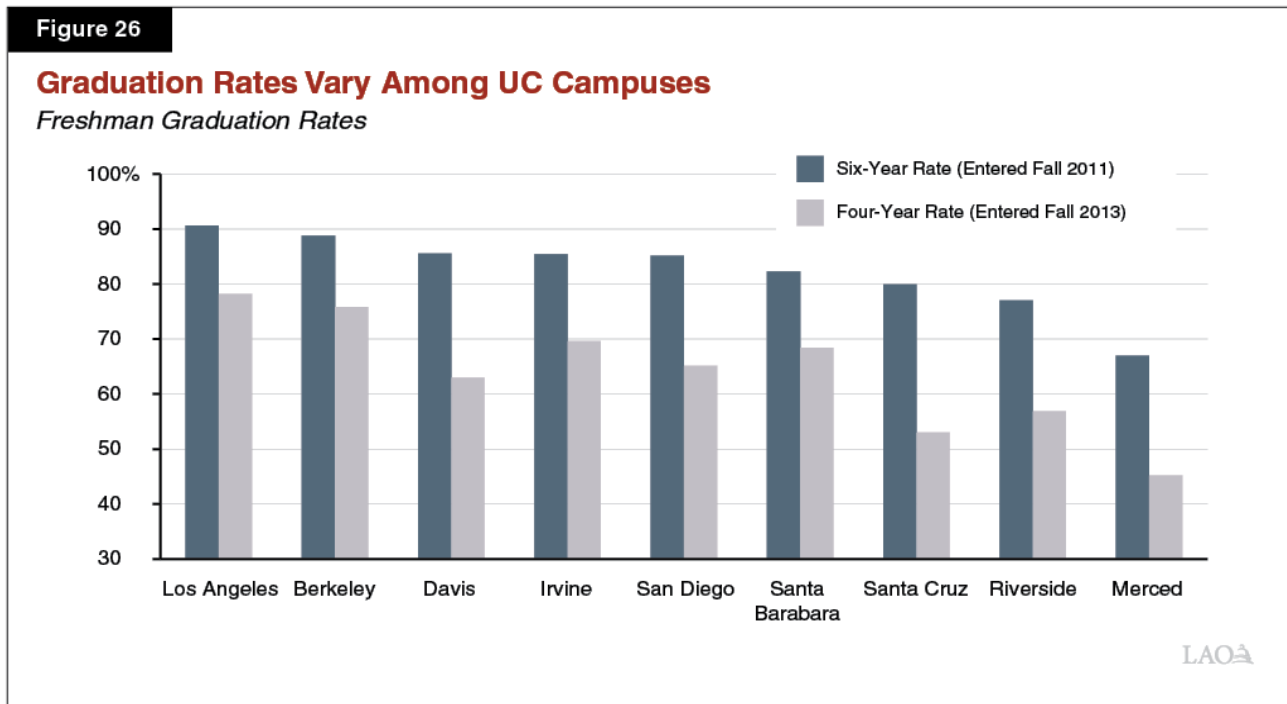
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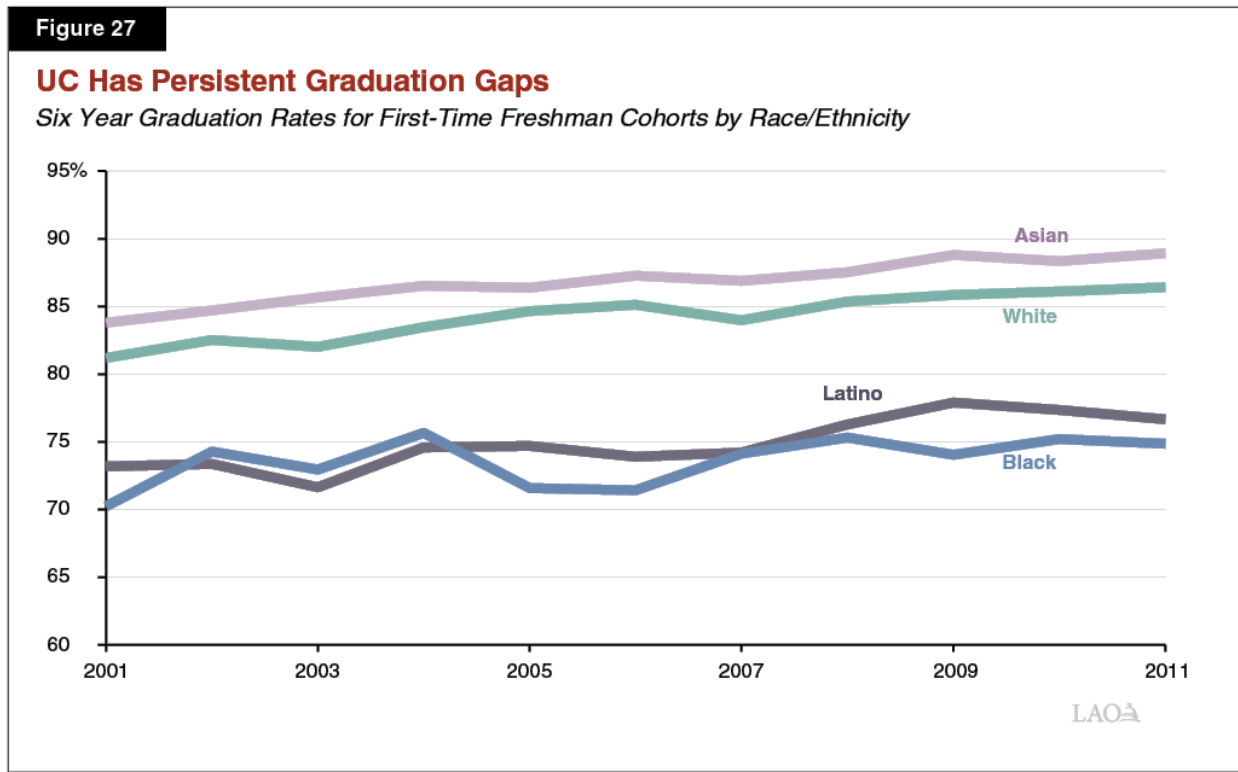
- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

UC students graduate at higher rates than California State University (CSU) and the California Community College (CCC) students. Of freshman students entering UC in fall 2011, 84 percent graduate within six years. This rate is 25 percentage points higher than at CSU and 36 percentage points higher than at CCC. For the freshman class of fall 1997, 46 percent of students graduated in four years, compared to 68 percent for the fall 2014 cohort. For the fall 2012 freshman class, the six-year graduation was 84.2 percent. Additionally, compared to freshmen, transfer students at UC are less likely to graduate on time. Of transfer students entering in fall 2015, 57 percent graduated within two years.

Graduation Rates Vary Among Campuses and Student Groups. UC’s relatively high systemwide graduation rates mask differences among campuses. Berkeley and Los Angeles have six-year graduation rates at or near 90 percent. By contrast, the six-year rate for Merced is 67 percent. In addition, student outcomes vary by race/ethnicity. For example, the difference in six-year graduation rates between Latino and white students ranged between eight and 13 percentage points for freshman cohorts entering from 2001 through 2011. While outcomes also vary by socioeconomic status, the gaps are somewhat smaller. For example, the six-year graduation rate for Pell grant recipients is five percentage points lower than for students who did not receive a Pell grant. The following LAO charts display graduation rates by campus and race/ethnicity.





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

1. Achieve a 90 percent overall six-year freshman and four-year transfer graduation rate,
2. Close graduation gaps for Pell Grant recipients, underrepresented students, and first generation students,
3. Close overall graduate degree and doctoral degree attainment gaps for Pell Grant recipients, underrepresented students, first-generation students, and women,
4. Produce 200,000 more degrees, of which 80 percent are undergraduate degrees, and 20 percent is graduate degrees,
5. Invest in faculty and research by growing 280 ladder-rank faculty and 190 clinical faculty FTES each year over the next four years, and
6. Increase faculty diversity through faculty growth

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

Details regarding systemwide and campus graduation improvement plans and multi-year are not finalized. Based on preliminary information provided in the March 14, 2019 Board of Regents agenda, the UC notes that they are proposing annual increase of \$60 million for the degree attainment and faculty growth elements of the multi-year framework. The UC notes that the across the entire system, the proposed investments are as follows:

1. Student advising (27 percent),
2. Academic support (20 percent),

3. Online course development (15 percent),
4. New degrees/courses (15 percent),
5. Scholarship and work-study (five percent),
6. Analytical tools (five percent),
7. Degree completion (five percent),
8. Summer bridge (three percent), and
9. Other (five percent).

The March 14th Board of Regents meeting on this item focused on graduate education, faculty, and research portion of the plan.

Governor's Budget Proposal

Provides \$50 Million Ongoing to Support UC's Improvement Plan. The Governor indicates the funds are intended to support UC's improvement plan. UC would have flexibility to use the funds, though the Administration suggests activities might include hiring additional faculty, increasing academic counseling services, and addressing facility needs. Specifically, budget bill language for 6440-001-0001 Provision 5.1 states: "\$49.9 million shall be available to support efforts to increase degree attainment and student success."

At the time of writing this agenda, UC could not provide specific details as to how campuses would use the ongoing funds included in the Governor's budget.

Legislative Analyst's Office Comments

Proposal Lacks Critical Information. The LAO has several concerns with the Governor's proposal. Specifically:

- **Proposal Lacks Focus.** UC indicates the funds will support its improvement plan, which includes many objectives that go far beyond reducing undergraduate achievement gaps.
- **No Justification for Proposed Amount.** Without clarity on the specific objectives to be addressed, the Legislature cannot determine if \$50 million is justified.
- **Proposal Lacks Accountability.** The proposal neither specifies allowable uses of the funds nor establishes performance expectations. Without this information, the Legislature would not have any basis in future years to evaluate whether funding is being used to meet its goals.

If the Legislature decides to provide UC with state funding to improve in one or more areas, the LAO recommends making several enhancements to the Governor's proposal.

- **Direct UC to Focus on a Set of Explicit Goals.** The LAO recommends the Legislature identify a few core objectives. In particular, the Legislature would want to decide whether to focus on undergraduates, graduate students, faculty, or research.
- **Establish Performance Expectations.** After determining its core objectives, the LAO recommends the Legislature establish clear performance goals. For example, were the Legislature to focus on undergraduates, it could establish targets for reducing or eliminating gaps in graduation rates among campuses and student groups.

- **Direct UC to Develop an Expenditure Plan.** After determining a one-time or ongoing funding amount sufficient to accomplish identified goals, the LAO recommends the Legislature direct the UC to develop an associated expenditure plan and present it at spring hearings. In the plan, UC should explain how it would allocate the funds among campuses, how each campus would use its allocation, and how planned activities align with identified objectives.
- **Require Regular Reporting.** The LAO also recommends the Legislature require UC to report on how it uses improvement funds and track the progress it has made toward achieving identified objectives. The Legislature could model its reporting expectations based on the existing reporting requirements for CSU's Graduation Initiative. Alternatively, the state already requires UC to report annually on systemwide graduation rates. As part of this report, UC establishes performance targets for the coming three years. Were the state interested in addressing achievement gaps by campus and race/ethnicity, it could incorporate these expectations into this existing performance report.

Staff Comments

Staff shares similar concerns as the LAO regarding the lack of information or accountability regarding this proposal. As referenced by the LAO, the 2018-19 budget required CSU to report on: (1) the amount each campus spent on the graduation initiative, (2) how funds were spent, (3) how spending was linked to research on best practices, (4) campus data on whether activities achieved its desired effect, (5) each campus' efforts to close the achievement gap for low-income students, historically underrepresented students, and first generation students, and (6) growth in management, faculty and support staff. As currently proposed, there is no such reporting requirement under the Governor's proposal.

While UC provides a broad breakdown of how the system intends to utilize funding, as described in page 20 and 21, there are no details on what each category entails. Additionally, it is unclear if investments are exclusive to support undergraduate students, or if it also includes investments for graduate students and research. Should the Legislature approve this proposal, it may wish to consider prioritizing specific areas of investments.

Staff Recommendation. Hold Open

Issue 5: Extended Education

Panel

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

Background**Extended Education Offers Classes to Adults Outside of Campuses' Regular Academic Programs.**

All three public higher education segments operate extended education programs. At UC, each of the nine general campuses has its own extended education division called UC Extension. UC Extension primarily serves lifelong learners and working professionals. Students enrolling in UC Extension do not have to meet the same academic standards as students seeking admission to UC's regular academic programs. Extended education classes and programs generally are offered on a first-come, first-served basis. The majority of UC extension programs serve the continuing education needs of working professions, through open-enrollment or through organizational partnerships supported by contracts with public agencies, non-profit organizations and private companies.

Extended Education Is Self-Supporting. Extension programs do not receive state funding. Instead, programs are self-supporting—generally receiving their support from course fees charged to students. In some cases, professional organizations or state agencies offer their employees extended education opportunities and pay the associated course fees for them. Fees vary across programs and campuses, for example, at UC Berkeley Extension; the estimated cost of an accounting certificate is \$9,400, whereas at UCLA Extension the cost is estimated to be \$8,345. Extension must earn enough money to cover costs and extension divisions tend to be entrepreneurial. Extension staff develop and offer courses largely based on market research that gauges student demand. Extension divisions cover some marketing costs as part of their annual operating budgets. They also maintain reserves to cover special one-time costs associated with developing new courses. In 2016-17, UC Extension expenditures were \$282 million.

UC Extension programs generally offer three types of courses:

1. Extension campuses offer a variety of noncredit classes and seminars covering topics ranging from conflict resolution to music appreciation. Extension divisions have considerable latitude to develop these classes.
2. Extended education offers programs that confer professional certificates and awards. UC has developed common academic standards for professional certification programs. For example, these programs must contain at least 120 hours of instruction
3. UC offers a limited number of courses that confer academic credit toward a UC degree. To develop a degree-applicable course, extended education divisions must undergo the same Academic Senate approval process as regular degree programs. These courses tend to be taught by regular UC faculty.

In 2016-17, 52 percent of extension programs were in noncredit courses, 41 percent in professional certification courses, and seven percent in degree applicable courses.

UC Extension Does Not Offer Bachelor's Degrees. Although certain classes can count for credit toward a degree, UC Extension currently does not confer bachelor's degrees. In a limited number of

cases, academic departments have partnered with their campus's extension division to offer graduate degrees. In these partnerships, UC Extension provides much of the administrative support, such as marketing the degree and providing student services. UC faculty develop the curriculum and instruct students in these programs.

Student Financial Aid. Since UC Extension programs do not offer formal degree programs, students are not eligible for Title IV federal financial aid through the Free Application for Federal Student Aid. Similarly, institutions must be covered under Title IV for eligible students to receive a Cal Grant. Instead, students must seek other alternatives to finance their education, such as private student loans. Some programs are approved by the US Department of Veterans Affairs, and as a result eligible students may use their educational benefits at UC Extension.

Governor's Budget Proposal

Funds Expansion of UC Extended Education. The *Governor's Budget Summary* notes that millions of Californians have some college experience but have no degree and are not currently enrolled in college. To address the issue, the Governor's proposes \$15 million one-time General Fund for UC Extension. The Department of Finance has indicated the funds would support initial planning, curriculum development, outreach, and other start-up costs for the new programs. The Governor expects the new programs would be offered on a fee-basis and self-supporting after initial start-up. The only detail the Governor has on the proposal is a budget bill provision indicating that the funds are "to develop or expand degree and certificate completion programs."

As of writing this agenda, staff has not received additional details regarding the proposal.

Legislative Analyst's Office Comments

Proposal Lacks Explanation of Why Existing Re-Entry Options Are Inadequate. Currently, former students who did not complete a degree program have several options to return to school. An individual could apply for readmission to the school. Depending on how much time has elapsed since the student last attended and the student's academic standing at the time of withdrawal, an institution can decide whether to permit re-enrollment. Another potential option for students is to transfer to another institution.

For example, a student who completed the first two years of college coursework before withdrawing could apply as an upper-division transfer student to CSU or UC. Additionally, some private schools cater to returning students. A student could also enroll in one of CSU's bachelor's degree completion programs. The Administration has not provided data indicating that these existing re-entry options are insufficient to meet students' needs.

Proposal's Objectives Are Not Well Defined. In addition to lacking a clear problem statement, the proposal does not have clear objectives. The Governor's proposal does not specify whether the new UC programs would be for former UC students only or for a larger group of Californians who previously attended other schools. In addition, the Governor's proposal suggests various possible uses of the funds—each of which is centered around a different objective. Under the Governor's proposal, UC could use the funds to create new degree completion programs, add professional certificate programs, or undertake outreach to non-completers. Without clearer objectives, the Legislature would not be able to assess whether the proposal was ultimately effective.

Unclear Why State Funding Needed for Extension Education. As a self-supporting enterprise, UC Extension routinely identifies new courses and programs that are of interest to potential students. It then supports the planning and development of those offerings using existing funding, including its reserves of fee revenue. Given this current practice, UC Extension would not need state General Fund support for the purpose of developing new programs aimed at re-entry students.

Recommend Rejecting Proposal. For the reasons stated above, the LAO recommends the Legislature reject the Governor's proposal. To the extent the Legislature remains interested in further expanding higher education opportunities for re-entry students, the LAO recommends the Legislature direct the Administration and UC to present a more complete analysis next year. At a minimum, such an analysis should include research into which groups of students are interested in returning, why the state's current array of re-entry options for them are inadequate, how UC Extension would fill the unmet need better than CSU or other possible alternatives, and why state General Fund support would be needed to build out program offerings.

Staff Comments

In addition to the concerns and questions raised by the LAO, staff wonders how this relates to the Governor's and the UC's multi-year plan to improve graduation rates. It is unclear why these students do not complete their degrees, and if there are interventions or other services that could help students complete their degree. Additionally, as currently structured, there is limited financial aid available for students. This raises the question of equity and access to courses and programs for low-income students. Should the Governor's proposal be approved, it is unclear what type of Bachelor's degrees they will offer, if programs would qualify under Title IV or if students could receive a Cal Grant or Pell Grant. Additionally, it is unclear how the program would be structured, and if students would have the same academic standards as students seeking readmission to UC's regular academic programs.

Staff Recommendation. Hold Open.

Issue 6: UC Medical Education

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Cathryn Nation, MD, Associate Vice President University of California Health
- Angela Gilliard, University of California
- Deborah Deas, MD, MPH, Dean of the University of California Riverside School of Medicine

Background

Graduate Medical Education. Following a four-year medical school education, resident physicians typically spend three to seven years in graduate medical education (GME) or residency training, which is required for medical licensure. This supervised training prepares doctors for independent practice or surgical specialty. In 2018, the state has approximately 900 Accreditation Council for Graduate Medical Education accredited residency programs, which trains nearly 11,000 medical residents and fellows. Roughly, 5,000 medical residents are enrolled in UC-sponsored residency and affiliated family medicine programs.

According to UC, since 1965, Medicare has been the largest single funder of GME. In 1997, Congress capped the number of residency slots for which hospitals could receive Medicare GME funding, and has not increased this cap. According to UC, caps on residency positions prevent the expansion of GME training. State funding for the medical residency training comes mostly from the Song-Brown Program administered by the Office of Statewide Health Planning and Development (OSHPD). The 2017-18 budget included \$100 million General Fund over three years to OSHPD to support existing primary care residency slots, create new primary care residency at new and existing residency programs, and teaching health centers. UC states that the average total cost to train a resident is about \$150,000 per year. For UC, some state General Fund supports GME, but it is unclear how much. Additionally, faculty salary is also supported by other funds, such as federal funds and hospital revenue.

Proposition 56. In November 2016, voters approved Proposition 56, which increased excise taxes on tobacco products by \$2. The measure also prescribes how to distribute the revenues. While the measure specifies that the bulk of the revenue be spent on health care for low-income Californians, the measure specifies \$40 million to UC for “the purpose and goal of increasing the number of primary care and emergency physicians trained in California. This goal shall be achieved by providing this funding to the UC to sustain, retain, and expand graduate medical education programs to achieve the goal of increasing the number of primary care and emergency physicians in the State of California based on demonstrated workforce needs.” Proposition 56 states funding must be prioritized for medically underserved areas and populations. Additionally, UC must annually review physician shortages by specialty across the state and by regions, and notes that funds may be used to address these shortages. Lastly, Proposition 56 noted that residency programs accredited by federally-recognized organizations and located in California are eligible to apply to receive funding.

The 2017-18 budget provided UC with \$50 million in Proposition 56 funds which replaced \$50 million General Fund, effectively redirecting General Fund support from UC's base budget for other purposes.

The Governor's 2018-19 budget proposal provided \$40 million Proposition 56 funds in place of General Fund support. After negotiations, the final budget package provided UC with \$40 million in one-time

General Fund to support GME at UC. This action backfilled funding the Administration proposed to remove from Proposition 56.

UC entered into a memorandum of understanding with Physicians for a Healthy California (PHC), formerly the California Medical Association Foundation, to administer \$40 million Proposition 56 grants. PHC worked with a five-member GME Board and a 15-member advisory council to develop a program. The board includes representatives from PHC, California Medical Association, University of California, California Hospital Association, and Service Employees International Union California State Council.

According to information on the PHC website, funding will be disbursed on a per resident basis with \$75,000 per resident. The award will be for the duration of the residency program, three or four years, if applicable. For example, a three-year residency program, would receive \$225,000 per resident over a three- year period. A residency program can apply for up to a maximum of five residency slots. Additional funding of up to \$200,000 is available for new or expanded programs. For new or expanding residency programs, there is a one-time additional amount of up to \$200,000 per residency program (\$40,000 per new/expanded residency position); existing residency programs are not eligible for this one-time award. Per Proposition 56, funds may cover resident stipends and benefits, supervising physician salaries and benefits, and other direct GME costs. Funding is prioritized for residency programs that serve the medically underserved areas and populations.

For the 2018-19 grant year, PHC received \$174 million in requests. Ultimately, 156 resident slots and 73 programs were funded. The chart below displays a breakdown of awards by specialty and resident enrollment.

Specialty	New Residency	Existing Residency	Total Residency Slots	Programs
Family Medicine	29	14	43	28
Internal Medicine	19	14	33	15
Obstetrics and Gynecology	8	11	19	10
Pediatrics	11	22	33	10
Emergency Medicine	15	13	28	10
Total	82	74	156	73

Section 30130.56 of Revenue and Tax Code notes that to provide full public accountability concerning the uses of Proposition 56, the State Auditor is required to conduct at least biennially an independent financial audit of the state and local agencies receiving funds. Additionally, each state agency and department must annually publish on its Internet Web site the amount of funds received and its expenditures. Lastly, the use of funds by UC is subject to oversight by the Tobacco Education and Research Oversight Committee.

Governor's Budget Proposal

The Administration proposes an increase of \$40 million General Fund to support graduate medical education, consisting of a \$3.5 million base adjustment and a \$36.5 million adjustment to end the shift of Proposition 56 funds supporting medical education programs.

Staff Comments

In addition to GME, the state provides support for a variety of health related programs and initiatives.

Programs in Medical Education (PRIME) Program. UC PRIME is a medical education-training program focused on meeting the needs of the state's underserved populations in both rural communities and urban areas. There are six PRIME programs across the state.

1. UC Irvine launched the first program in 2004. This program focuses on the needs of Latino communities. This program has 59 enrolled students.
2. UC Davis admitted their first class of PRIME students in 2007. This program focuses on rural health and telemedicine. This program has 37 enrolled students.
3. UC San Diego admitted their first class of PRIME students in 2007. This program focuses on health equity and reduction in health disparities, and has 51 enrolled students.
4. UC San Francisco (UCSF) and UC Berkeley admitted their first class of PRIME students in 2007, and focuses on urban underserved communities. This program has 75 enrolled students.
5. UCLA launched its program in 2008, in coordination with UC Riverside and the Charles R. Drew University of Medicine and Science (CDU). Building on those partnerships, the UCLA program trains physicians to proactively address the needs of diverse communities by delivering culturally competent care and by developing future leaders for multicultural health delivery systems. This program has 102 enrolled students.
6. UC Davis launched its program in 2011 in partnership with UC Merced and UCSF- Fresno. This program is called the San Joaquin Valley (SJV) PRIME Program and focuses on training the next generation of SJV physicians. In fall 2019, accreditation, finance and other responsibilities will be transitioned from UC Davis to UC San Francisco. This program has 30 students enrolled.

Over the last decade, state funding for the PRIME program has varied. In 2009-10 and 2010-11, the state provided \$2 million both years to support the program. In 2015-16, the budget included \$1.85 million General Fund to support SJV PRIME.

UC requests \$8.8 million ongoing to support currently enrolled students, based on a marginal cost of instruction of \$35,000 per student. This will support approximately 246 currently enrolled students, 102 of which are enrolled at UCLA Prime. The UC notes that they have space and infrastructure to increase PRIME enrollment of current levels if annual operating support was provided for this purpose. The Legislature may wish to ask how UC currently supports medical students, how funding for PRIME students is the similar or different, and the \$8.8 million would be utilized.

Psychiatry Graduate Medical Education and Telemedicine. The 2018 budget provided UC Riverside (UCR) \$15 million one-time General Fund to be spent over five years to support the costs of psychiatry residency slots, including costs to train students and to purchase and operate telemedicine program and equipment. The budget requires UC to report by January 1st each year to the Legislature with information regarding: (1) grant recipients, (2) award amounts, (3) growth in residency positions, (4) employment information on grant-supported residents, and (5) the type of services provided. On December 14, 2018, UC submitted a report to the Legislature. However, because of nature of the report and timing in the budget, outcome data is limited. Instead, the UC described their plans for GME in psychiatry.

UCR notes that funding will support a variety of activities, including: (1) the expansion of core psychiatry and child/adolescent psychiatry GME programs, (2) creation of new programs in addiction

medicine, geriatric psychiatry, (3) extension of medical school's tele psychiatry services into community clinics and emergency departments in the region, and (4) deployment of mobile treatment unit to reach uninsured and unserved patient populations. The report notes that these programs will be sustained with newly identified funding sources once this state funding sunsets in June 30, 2023.

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

The 2018-19 budget also included expenditure authority from the Mental Health Services Fund State Administration (MHFSA) Account of \$1 million in 2018-19 for the Office of Statewide Health Planning and Development (OSHPD) to provide scholarships for the UC Primary Care Mental Health Fellowship program. The program will allow primary care physicians in medical shortage areas of California to receive psychiatric training at UC. OSHPD and MHFSA Account are under the jurisdiction of Senate Budget Subcommittee No. 3 on Health and Human Services.

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

AB 94 also required the UC to annually report to the Legislature by April 1 on funding, recruitment, hiring, and outcomes for the School of Medicine. Specifically, the report must include information consistent with the published mission and vision for the School regarding: (1) data on students who have applied, been admitted, or been enrolled, broken out by race, ethnicity, and gender, (2) data on number of full-time faculty, part-time faculty, and administration, broken out by race, ethnicity, and gender, (3) funding and progress of ongoing medical education pipeline programs, including the UCR/UCLA, (4) operating and capital budgets, including detail by funding source, a breakdown of research activities, instruction costs, administration, and executive management, (5) efforts to meet the health care delivery needs of the state and the inland empire region, such as the percentage of clinical placements, graduate medical education slots, and medical school graduates in primary care specialties who are providing service within California's medically underserved areas and populations, and (6) a description of faculty research activities, including information regarding the diversity of doctoral candidates, and identifying activities that focus on high priority research needs with respect to addressing the state's medically underserved areas and populations.

The 2017 and 2018 report to the Legislature is under review by UCOP's for approval, and will be finalized and publically available in the coming weeks. UCOP provided staff with preliminary copies of the reports. The 2018 draft report notes that in 2017-18, the school enrolled 226 medical students in all four years of medical school and 21 Ph.D. students in biomedical sciences. The school also sponsors residency training and fellowship programs with hospitals, with 238 medical residents or fellows in various specialties. For the 2017 class, UC reports that 66 students were enrolled in the new first-year class, of which 45 percent were self-identified as being underrepresented in medicine, 53 percent from socio-economically or educationally disadvantaged backgrounds, and 74 percent of the class had ties to the Inland Southern California region.

The report notes that in May 2017, the school expanded its clinical enterprise, UCR Health, by opening a new 25,000 square-foot multispecialty outpatient clinic in downtown Riverside. Additionally, the school of medicine research building will be built out and completed in late 2018 to provide laboratory and office space for faculty. Additionally, UCR is building a multidisciplinary research building on campus, which will provide laboratory space for medical school faculty. In 2018, UCR completed a minor capital outlay project to replace its student study and lounge space.

Based on UCR's 2018-28 campus capital need plan, the campus notes that \$100 million is needed to support a capital outlay project for the School of Medicine Education Building. UCR notes that the goal of the school is to double enrollment to 500 medical students. This requires a new educational facility with classrooms, clinical skills and simulation facilities, and faculty/staff administrative space to teach students and provide student services. According to the UCR capital needs plan, 100 percent of this project is state eligible. Senate Bill 56 (Roth) would appropriate \$80 million General Fund in 2020-21 for the construction of a new UCR School of Medicine facility, and provide \$25 million ongoing General Fund starting in 2020-21 to support ongoing operational support for the expansion of the school. UCR notes that the upcoming detailed program phase of the facility will refine program and cost estimates. On a conceptual level, UCR notes the facility would have 89,000 gross square feet, of which 25,400 assignable square feet is for instructional space and support, and 21,000 is for specialized medical education, the remainder of which is for student services, administrative support, and a lobby area.

Staff Recommendation. Hold Open.

Issue 7: Basic Needs – Hunger and Homelessness

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

Previous Budget Actions. The 2017-18 budget provided UC \$2.5 million one-time General Fund for UC to create incentive funding grants for campuses to be designated as a “hunger-free campus.” Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, required a hunger-free campus to include: (1) a campus employee designated to help ensure that students have the information that they need to enroll in CalFresh also known as Supplemental Nutrition Assistance Program (SNAP), which provides eligible students with up to \$192 per month. This does not negatively impact their financial aid packages, (2) an on-campus food pantry or regular food distributions on campus, (3) a meal sharing program that allows students to voluntarily donate their unused meal plan credits and (4) a campus employee designated to work with student volunteers of the meal sharing program. Each campus received \$250,000 for this purpose.

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

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

UC Global Food Initiative. In 2014, UC President Janet Napolitano launched the UC Global Food Initiative (GFI). Since 2015, UCOP allocated more than \$4 million to the campuses (\$377,000 per campus) to address the challenges of student food security and advance a multi-year plan to provide emergency assistance, financial and food literacy, life skills training and to establish food security working groups on each campus.

In 2016, the UC Undergraduate Experience Survey (UCUES) and the Graduate Student Well-Being Survey (GSWBS) added questions regarding food and housing. For undergraduate students, 33 percent of the 190,000 sample group responded to the survey. For graduate students, 6,764 or 50 percent of the sample group responded to the survey. Of those who responded, 44 percent of undergraduate students

and 26 percent of graduate students reported having experienced food insecurity. The US Department of Agriculture defines very low food security as reduced food intake or disrupted eating patterns at times due to limited resources. Low food security is defined as reduced quality, variety or desirability of diet, with little or no indication of reduced food intake. The limited validated questions on the 2016 survey do not provide adequate information to distinguish between low and very low food security.

The survey found that of the respondents, approximately 54 percent of freshman whose family income was under \$50,000 experienced food insecurity, 45 percent of freshman with family incomes between \$50,000 and \$99,000 experienced food insecurity, 35 percent of freshman with family incomes between \$100,000 and \$149,000 experienced food insecurity, and 26 percent of freshman with family incomes above \$150,000 experienced food insecurity.

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

Current data on the student housing challenges are limited at both the state and national level. UC preliminarily assessed housing challenges by including one question on homelessness in its 2016 UCUES and GSWBS. Five percent survey respondents said they had experienced homelessness at some point during their enrollment. However, the question used was not validated to ensure it is an accurate measurement of homelessness and the issue of defining “homelessness” and how to correctly measure housing insecurity is still being addressed nationally. The homelessness question included in both surveys has not been fully validated, as a result, UC notes that the results should be interpreted with caution.

Governor’s Budget Proposal

The Governor’s budget proposes \$15 million General Fund ongoing to address student hunger and homelessness. According to the Governor’s budget summary document, this funding will augment the UC’s existing efforts to address student hunger and housing needs.

As of writing this agenda, staff has not received additional details regarding how the Administration expects UC to spend these funds, nor has UC provided a spending plan for these funds.

Staff Comments

The UC Board of Regents approved the 2019-20 budget plan that included \$15 million ongoing to provide students with additional financial aid to help cover costs other than tuition and fees, including housing, food, and other basic student needs. Based on this information and conversation with the Administration and UC, UC will have broad discretion on how to use the \$15 million ongoing General Fund that is included in the Governor’s budget.

The Legislature may wish to take a holistic approach in addressing student basic needs, and consider all proposals and programs that seek to address this. For example, the Cal Grant B Access Award provides eligible students up to \$1,672 to address living expenses. The Federal Pell Grant provides up to \$6,095 to cover tuition or living expenses. Additionally, UC's institutional financial aid package takes into consideration the total cost of attendance, and provides institutional aid to help cover the total cost of attendance. UC's financial aid package assumes that a student contribute \$10,000 a year through work or students loan to their education expenses. CalFresh, known federally as the Supplemental Nutrition Assistance Program or SNAP, provides monthly food benefits to individuals and families with low-income and provides economic benefits to communities. Additionally, the Department of Social Services also provides services and programs that assist families experiencing homelessness. Moreover, the Public Utilities Commission offer discounted utility bill for qualified customers. The Legislature is currently reviewing various legislative proposals that seek to address the total cost-of-attendance at the state's public universities. Additionally, the Governor's 2019-20 budget proposal also includes \$7.7 billion to address housing and homelessness across various departments and the subcommittee may wish to consider how this proposal fits into the larger discussion.

As noted earlier, AB 1809 created a working group to improve coordination and access to student benefits. The Legislature may wish to ask for an update regarding this workgroup.

Lastly, the Legislature lacks key information regarding how \$15 million ongoing funding will be spent. The subcommittee may wish to ask UC to report back regarding a plan on how funds will be spend, such as how much will be spent on hiring coordinators and direct services, and how much will be spent to address hunger or homelessness. Should the Legislature approve this proposal, the subcommittee may wish to require reporting on outcomes associated with funding, and how services were coordinated with various community and state programs, as well as how many students were served.

Staff Recommendation. Hold Open.

Issue 8: Student Mental Health Services
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Panel

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

Background

In 2014, the UC Regents adopted the Long-Term Stability Plan for Tuition and Financial Aid, which included a five percent annual increase in the Student Services Fee from 2015-16 through 2019-20. The Student Services Fee in 2018-19 was \$1,128 and will generate \$306 million. Approximately 50 percent of this annual increase funds the hiring of direct service mental health providers at campus Health and Counseling centers over this interval. On February 11, 2019, UC Board of Regents received an update on student mental health services. According to the report, systemwide, 96 percent of students were seen within two days for urgent mental health issues at the UC Counseling and Psychological Services (CAPS) Centers, and 99 percent of students were seen within seven days. However, for the fall of 2018, only 74 percent of students were able to be seen within two weeks for an initial intake appointment. This is a decline from 80 percent in the fall of 2016.

As discussed earlier in the agenda, in addition to the Student Services Fee, students also pay campus-based fees. These fees help fund programs such as campus health care, wellness, campus climate, financial aid and other programs and activities depending on the campus. Campus-based fees vary across campuses. The chart below displays campus-based fees across the system.

Campus	Campus-Based Fee
Berkeley	\$1,614
Davis	\$1,832
Irvine	\$1,130
Los Angeles	\$656
Merced	\$968
Riverside	\$1,257
San Diego	\$1,597
Santa Barbara	\$1,821
Santa Cruz	\$1,390
Average	\$1,386

Health Insurance. All UC students are required to have health insurance. In order to satisfy this requirement, students are automatically enrolled in the UC Student Health Insurance Plan (SHIP). If students have comparable insurance coverage, they may have their UC SHIP enrollment fee waived. Costs to enroll in SHIP vary across campuses. For example for an undergraduate student at UC Riverside, program costs under SHIP for the student only is \$591 for the fall term, whereas at UCLA it is \$1,280, and at Davis it is \$852.

In order to waive SHIP, a student's insurance plan must be a Medi-Cal/Medicaid, Medicare, TRICARE/Military, Covered California or other U.S. federal or state exchange plan, a UC Employee Health plan, or an employer-sponsored group health plan or individual plan. The plan must cover

inpatient (hospital) and outpatient care for mental health and substance abuse disorder conditions the same as any other medical condition, as well as doctor office visits for medical, including mental health, and alcohol/drug abuse conditions, among others.

Campus CAPS Centers. Campus CAPS Centers services include short-term counseling for individuals and families, workshops, drop-in consultations, crisis intervention, referrals, brief couples or family counseling, educational outreach. Some campus CAPS Centers also assists students with urgent care and some psychological testing. Services and fees vary among campuses. CAPS Centers do not provide long-term counseling and psychotherapy services; instead, students are referred to off-site community psychiatrists when this care is needed. Staff reviewed of campus CAPS Centers websites, and summarized the campus fees at CAPS Centers and length of services. This is not an exhaustive or comprehensive list of resources.

Campus CAPS Centers

Campus	Fee	Length of Service
Berkeley	Counseling services are provided to students free of charge. When seeking psychiatry service, students with SHIP pay \$15 for service.	Information not available.
Davis	Counseling services are available to all registered students at no charge.	Counseling services utilizes a short-term model (4–6 sessions) of therapy.
Irvine	Counseling center services are available to students who have paid registration fees at no charge.	Information not available.
Los Angeles	For registered students with SHIP, CAPS services are pre-paid, and no additional charge is required. For registered students without SHIP, the fee is \$15 per therapy session. All registered UCLA students are eligible for a brief assessment at no cost and consultation with a CAPS clinician.	Registered students are eligible to receive up to three sessions of individual psychotherapy per academic year with three additional sessions in the summer.
Merced	All services are free for registered students.	Information not available.
Riverside	Core counseling and psychological services is available at no charge for enrolled students who have paid registration fees.	When clinically indicated, individual sessions beyond the initial eight may be provided and will include UC SHIP insurance and/or a fee for service options.
San Diego	Services are available at no charge to currently enrolled students who have paid	Information not available.

	their registration fees.	
Santa Barbara	University registration fee covers the cost of counseling.	Students are able to receive 4-6 sessions on average before referral to long-term counseling. Student may wait 2-3 weeks between sessions.
Santa Cruz	All currently enrolled undergraduate and graduate students are eligible to utilize CAPS services at no charge.	There is no guarantee of a particular length of service or type of service at CAPS. Counseling services include one or more (up to a handful) sessions per academic year, depending on the situation and availability of services.

The Legislature may wish to ask why there is variation regarding fees and length of services across campus CAPS Centers.

Outcomes. Since this initiative began, UC hired 70.6 FTE counseling positions, which represents 29.4 percent of total counseling FTES. Additionally, 9.7 FTE psychiatry positions have been hired, which represents 29.7 percent of existing psychiatry FTE. In addition, 13 counseling FTE and 0.65 psychiatry FTE remain under recruitment.

UC notes that the International Association recommends a counselor-to-student ratio in the range of 1:1,000 to 1:1,500. For UC, the average ratio system wide is 1:1,168, this is a decrease from 2014, where the ratio was 1:1,735. For the psychiatrist-to-student ratio, UC’s system wide average increased from 1:7,322 in 2016 to 1:8,529. The chart on below summarizes the systemwide and campus provider-to-student ratios.

Systemwide Average Provider-to-Student Ratios by Year

Ratio	Year	2015	2016	2017	2018
Counselor: Student	1:	1394	1532	1123	1168
Psychiatrist: Student	1:	9464	7322	8238	8529

Campus-Specific Provider-to-Student Ratios (with Position Vacancy Rates)

Campus Filled	Fall 2018		Vacancy Rates	
	Counseling	Psychiatry	Counseling	Psychiatry
Berkeley	1,006	7,522	2.31%	15.04%
Davis	1,440	10,905	18.46%	0%
Irvine	1,475	7,909	21.04%	24.79%

Merced	1,709	4,497	0%	0%
Riverside	1,945	11,961	32.79%	0%
Los Angeles	965	8,733	2.12%	0%
Santa Barbara	857	7848	9.01%	0%
Santa Cruz	1,295	5,239	27.47%	19.66%
San Diego	1,263	18,944	3.23%	33.33%
San Francisco	649	2,831	0%	0%
Systemwide Average	1,168	8,529	11.31%	11.85%

UC notes that a number of factors may contribute to the high vacancy rates at certain campuses, including competition with the private sector, campus location, and cost-of-living of the campus area. Moreover, UC also notes that increasing provider-to-student ratio may be attributed to increased student enrollment.

Governor's Budget Proposal

The Governor's budget provides \$5.3 million ongoing General Fund to increase mental health resources. The Governor's budget bill language does not provide further detail regarding use of funds. This amount is in-line with the UC's budget request. According to UC's budget documents, this funding will enable campuses to hire additional mental health advisors and other professionals to improve student access to counseling and related services. However, it is unclear the number of professions that will be hired at each campus.

Staff Comments

As noted previously, a portion of the revenue from the Student Services Fee helps fund mental health services for students. Last year, the budget provided \$105 million one-time General Fund for UC to address general UC needs. Of this one-time funding, UC used \$10 million to buy-out the proposed increase in Student Services Fee. UC requests funding to make this funding ongoing. It is unclear if UC will increase the Student Services Fee in 2019-20; however, UC's adopted budget plan assumes revenue associated with a five percent increase in the Student Services Fee. As the Legislature evaluates the Governor's proposal, it may wish to ask the UC whether or not it will increase this fee should the state approve the Governor's proposal, since students are charged multiple times by the UC, through the Student Success Fee, campus based fees, and through their insurance for mental health services. Additionally, as shown above, some campuses have counselor and psychiatrist vacancy rates above 20 percent. The Legislature may wish to ask if UC or its campuses have a plan to reduce the vacancy rates at these campuses given that the proposal could add new positions for campuses to fill. The Legislature may also wish to request information to better understand how mental health programs are funded overall at UC, such as what the budget and funding source are for CAPS Centers.

Staff Recommendation. Hold Open.

Issue 9: Capital Outlay and Deferred Maintenance

Panel

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

Background

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

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, and SB 860 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014, revised this method by authorizing UC and CSU, respectively, to pledge its state support appropriations to issue bonds for state-eligible projects, and as a result, the state no longer issues bonds for university capital outlay projects. The authority provided in AB 94 and SB 860 is limited to the costs to design, construct, or equip academic facilities to address: (1) seismic and life safety needs, (2) enrollment growth, (3) modernization of out-of-date facilities, and (4) renewal or expansion of infrastructure to serve academic programs. SB 860 also included the deferred maintenance for CSU. Most recently, SB 85 (Committee on Budget), Chapter 23, Statutes of 2017, authorized UC to pledge its state support appropriations to issue bonds for deferred maintenance. Additionally, the state allows each university to pay the associated debt service of academic facilities using its state support appropriation. Moving forward, UC is expected to pay off all debt—for both previous state bonds and new university bonds—from its main General Fund appropriation.

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

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

Deferred Maintenance. In recent years, the state has tended to provide one-time General Fund to address deferred maintenance projects across many state agencies. From 2014-15 through 2018-19, these statewide initiatives provided UC a total of \$145 million. In addition to these one-time funds, the state recently expanded UC's bond authority to include the ability to finance deferred maintenance

projects. Since 2017-18, the state has authorized UC to issue \$70 million in bond funds for deferred maintenance projects.

UC Currently Studying Maintenance Needs. Over the years, UC deferred undertaking maintenance projects in order to address other operating costs and budget priorities. UC maintains a running list of state-supportable maintenance projects for each campus. As of September 2018, the list of projects totaled \$4.4 billion. Although this list currently is the best estimate of the UC's maintenance backlog, UCOP reports that campuses used different definitions and methodologies to identify their projects and estimate associated costs. As a result, UC believes the list does not completely and accurately reflect its maintenance needs. To provide a more detailed and standardized estimate of the condition of its facilities, UC is funding a team of experts to visit each campus and provide an assessment of each facility. The study, which UC anticipates completing by the end of 2020, is funded by \$15 million in university bonds, which the state authorized in 2017-18.

Governor's Budget Proposal

Preliminary Approved 2019-20 AB 94 Projects. On February 1, 2019, DOF provided preliminary approved all seven of UC's requested capital outlay projects for 2019-20. The total cost of these projects (including private donations, campus reserves, and other UC funds) is \$314 million, with state costs of \$213 million. The proposed projects fall into four categories, described below.

- **New Facilities (\$140 Million).** The Santa Barbara and Santa Cruz campuses have projects to construct new academic buildings (with classrooms, computer laboratories, and faculty office space). A third project at Irvine would consolidate and expand various student service programs into one building.
- **Deferred Maintenance (\$35 Million).** Similar to the previous two fiscal years, UC would use its bonds to fund deferred maintenance projects across the system. At the time of this analysis, UC had not provided a list of the specific projects to be funded. In its proposal, UC indicates that it may use a portion of the \$35 million to support a one-time condition assessment of campus utilities and other infrastructure. This study would be separate from the facility assessment described earlier.
- **Renovations (\$19 Million).** The Riverside campus proposes renovating existing laboratory space in Pierce Hall, with the goal of modernizing certain spaces and converting some research space into teaching laboratories. The Berkeley campus proposes a project to improve the seismic rating of University Hall, an administrative building.
- **Agriculture and Natural Resources (ANR) (\$19 Million).** UC proposes a mix of new space to expand outreach activities, renovations, and abatement projects at four regional ANR research and extension centers located throughout the state. Specifically, the project includes: accessibility modifications, removal and repurposing of unused pesticide wash down facilities, and additional fire life safety at the South Coast, Kearney Agriculture, and Desert Research and Extension Centers and the Elkus Ranch Environmental Education Center. The project also includes the construction of new educational facilities for the South Coast and Desert Research Centers.

UC Proposes Seven Capital Outlay Projects for 2019-20
Dollars in millions

Campus	Project ^a	State Cost in 2019-20 ^b	Total Cost Across All Years ^c
Systemwide	Deferred maintenance – This would fund existing deferred maintenance work and condition assessments.	\$35.0	\$35.0
Santa Barbara	Construction of a new classroom building – This supports the construction of a new facility that will increase general assignment classroom inventory by 32 rooms (35 percent) and 2,290 seats (40 percent).	79.8	97.1
Irvine	Construction of a new Student Wellness and Success Building – This supports the construction of a new student services facility that would provide some state supportable functions such as disability services, which comprise 37 percent of the building.	13.0	69.6
Santa Cruz	Construction of a new Kresge College academic building – This new facility would house academic programs including a lecture hall with 600 seats.	47.2	53.0
Riverside	Renovation of Pierce Hall – This supports the construction phase of the project. The renovation will expand the inventory of class laboratories and modernize research laboratories to address increase in students taking science classes.	13.0	22.8
ANR	Renovation of research and extension centers – This would fund the preliminary plans, working drawings and construction of various ANR facilities throughout the state. A detailed breakdown is described in the following chart.	19.2	19.2
Berkeley	University Hall seismic renovation – This supports the construction phase of the project. The renovation will reinforce the structural components of the building to improve resistance to seismic forces. The projects will also address fire life safety issues and various code deficiencies.	6.1	17.5
Totals		\$213.3	\$314.2
<p>^aAt the Santa Cruz project, state funds supported the working drawings phase in 2018-19. All other previous phases for all projects were supported by nonstate funds.</p> <p>^bFunded by university bonds. The annual debt service on the bonds is estimated to be \$16 million.</p> <p>^cIncludes state and non-state funds.</p> <p>ANR = Agriculture and Natural Resources.</p>			

Agriculture and Natural Resources Components
Project Costs in 2019-20 (Dollars in Millions)

	South Coast	Desert	Elkus Ranch	Kearney	Total
Construct new building	\$7.2	\$5.4	—	—	\$12.6
Upgrade fire suppression system and roadways	0.4	—	\$3.0	—	3.4
Abate hazardous materials	0.3	0.6	—	1	1.9
Improve accessibility	0.3	0.4	—	0.4	1.1
Upgrade water treatment system	—	—	—	0.3	0.3
Totals	\$8.2	\$6.4	\$3.0	\$1.7	\$19.2

Deferred Maintenance. In addition to the \$35 million preliminary approval for deferred maintenance and condition assessment in the AB 94 process, the Governor’s budget proposes \$138 million one-time General Fund to address deferred maintenance at UC. The UC’s adopted budget only included \$100 million to address deferred maintenance. As of this writing, the Administration had not provided a list of projects that would be funded with the proposed appropriation.

Legislative Analyst’s Office Comments

Debt Service on Proposed 2019-20 Projects Anticipated to Be Paid in Future Years. UC estimates it would pay \$16 million annually in debt service costs from financing the seven projects. According to the UC, it will not begin paying debt service on the projects until 2021-22. The lag is due to the UC’s practice of waiting a few years after receiving state approval to issue bonds. The projects’ initial costs would be covered through low-interest interim borrowing. UC would repay this initial borrowing with a portion of the bonds’ proceeds. After adding the \$16 million in costs, UC estimates its total debt service costs would peak at 6.8 percent of its General Fund support in 2023-24. Although the seven projects would not increase UC’s debt service costs immediately, the university expects to begin financing several previously approved projects. The financing of those projects would increase UC’s debt service costs.

The UC plans to issue bonds in March 2019 to finance several previously approved projects. The bond issuance will increase UC debt service costs. To cover these costs, the UC has requested \$15 million in additional state General Fund. The Governor’s budget proposal does not include funds for this cost increase. The Legislature may wish to factor this higher cost into its budget decisions for the UC.

LAO Concerns. The LAO has concerns with the proposed new classroom building at Santa Barbara, the new Kresge College academic building at Santa Cruz, and UC’s preliminary plan to use UC bonds to fund an infrastructure conditions assessment. The LAO also believes the Legislature could improve upon the Governor’s deferred maintenance proposal by adding some transparency and accountability provisions.

Santa Barbara Project. The new building would contain 53,940 asf/95,250 gsf of new lecture hall and small classroom space. According to the campus, the primary purpose of the project is to add more lecture hall space. The campus states that demand for large lectures exceeds capacity, and it currently

must use large assembly and event spaces to accommodate demand. The campus intends to redirect instruction from these assembly and event spaces into the new building once it is complete. In so doing, the campus would free up more special-event space for its intended uses (such as musical performances and public lectures).

The LAO's primary concern is that the Santa Barbara project continues UC's traditional approach of delivering instruction in large in-person lectures. Over the past decade, the state has been moving in a different direction—providing UC with ongoing funds to develop and expand its online course offerings. Through online courses, UC can reach a large number of students without the added infrastructure costs. Given the impersonal nature of traditional lectures and the state's current efforts to increase online instruction, the Legislature may deem the Santa Barbara project a lower priority.

Santa Cruz Project. This project would add 25,000 asf/36,000 gsf in space to Kresge College—one of Santa Cruz's ten residential colleges. Specifically, the new building would accommodate two lecture halls (one with 600 seats and one with 150 seats), two classrooms (one with 50 seats and one with 35 seats), and one computer lab (48 seats). The project also would add administrative space, consisting mostly of faculty offices and conference rooms. The LAO has the following concerns:

- **Online Education an Alternative to Large Lecture Space.** The LAO believes online education would mitigate demand for the proposed large lecture spaces. The project's proposed smaller classrooms and computing laboratory, by contrast, is justified given current capacity constraints in the campus's existing space.
- **Administrative Space Shifts Personnel Around Campus.** According to the campus, the project would relocate various academic divisions from existing buildings into the new offices. Vacated buildings resulting from the project either would be demolished or reprogrammed in future projects for student services and housing supported by nonstate funds. In its proposal to the state, the campus argues that relocating these divisions into one building will give Kresge College more of an academic anchor upon which its students can identify. The Legislature may consider shifting personnel around the campus to one central location a relatively low priority.

Concerns With Proposed Infrastructure Conditions Assessment. The UC has not satisfactorily explained why it needs new resources—rather than using existing resources—to assess its utilities and related infrastructure. It also has not explained how it plans to support ongoing infrastructure monitoring after the initial assessment. The LAO also thinks using long-term bond funding for a one-time needs assessment is poor budget practice. They raised these same types of concerns regarding UC's use of bond funds to support its facility condition assessment in 2017-18.) For these reasons, the LAO encourages the Legislature to reject UC's proposal to use bond funds for the infrastructure assessment.

Recommend Adding Transparency and Accountability to Governor's Deferred Maintenance Proposal. The LAO believes that funds for deferred maintenance, as proposed by the Governor, is a prudent use of one-time funds. To promote greater transparency and legislative oversight of these funds, the LAO recommends the Legislature require UC to report at spring hearings on the specific projects it plans to undertake. The LAO recommends DOF to report no later than January 1, 2023 on the status of the various projects that are undertaken.

In addition, the LAO recommends the Legislature require UC to submit a long-term plan for eliminating its backlog once it completes its facility condition assessment (anticipated by December 31, 2020). UC's plan should identify funding sources and propose a multiyear schedule of payments to eliminate its

backlog. To prevent the backlog from growing or reemerging in future years, the LAO recommends the Legislature require UC to identify ways to improve existing maintenance practices. UC, for example, could commit to setting aside the necessary level of funds for its scheduled maintenance or the Legislature could earmark a like amount of funds directly in the annual budget act for that purpose.

Staff Comments

Deferred Maintenance. As noted earlier, the UC's adopted budget included \$100 million to address deferred maintenance. The Governor's proposed budget provides \$138 million General Fund one-time and \$35 million through the AB 94 process. This is \$73 million more than the amount UC budgeted for in 2019-20. While UC notes that their list of deferred maintenance projects is \$4.4 billion, campuses use different definitions and methodologies to identify project and estimate costs. The UC is using \$15 million in UC bonds, which was approved by the Department of Finance in 2018, to conduct facilities assessment to create a more complete and accurate list of maintenance needs. Staff shares similar concerns as the LAO with regards to whether UC should use \$35 million in bond financing for deferred maintenance or the one-time infrastructure assessment, and why they cannot use existing resources or the current facilities assessment to conduct this evaluation.

Staff also has concerns about lack of transparency and accountability associated with \$138 million General Fund for deferred maintenance. In previous years, under Control Section 6.10, before the allocation of funds, the Department of Finance was required to submit a list to the Joint Legislative Budget Committee of deferred maintenance projects associated with each department 30 days prior to the allocation of funds. The Department of Finance is also required to report changes to cost of projects greater than \$1 million, and provide comprehensive updates on all projects. On March 7th, the Senate Budget Subcommittee 4 on State Administration and General Government, the subcommittee adopted supplemental reporting language requiring the Department of Finance to notify the chair of the Joint Legislative Budget Committee prior to allocating deferred maintenance funding to the department.

Staff Recommendation. Hold Open.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 28, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION

School District Funding Background

In California, there are 944 elementary, high school or unified school districts. These school districts serve the majority of the state's approximately 6.2 million public school students. Students may also be served by county offices of education, charter schools, state special schools or in other unique settings.¹

School district operations are funded with a variety of state General Fund, local property taxes, federal funds, and other local funds (e.g. parcel taxes, local bonds, etc.). Total General Fund provided for school districts is determined by the Proposition 98 formula, although additional amounts are provided outside of Proposition 98 for school facilities and the state's share of teacher pension liabilities. The amount of state funding for each individual school district is determined through the Local Control Funding Formula (LCFF). Under LCFF a funding amount per district is determined based on the number and characteristics of students. Local property taxes are applied to this amount and then General Fund is provided to make up the difference. School districts also receive Proposition 98 funding for other specific categories of educational services, such as special education and child nutrition. Since the passage of Proposition 13 in 1978, local property taxes cannot be raised to generate additional revenue for schools. However, depending on their need and local electorate, school districts may pass bonds to support facility needs and parcel taxes to supplement their operating revenues.

There are some school districts who receive very little state funding because they have significant local property tax revenue which more than covers their LCFF target funding levels. These districts are commonly known as "basic aid" districts as they receive limited amounts of state aid.

State funding for K-12 school districts has increased substantially over the past several years. The Legislative Analyst's Office (LAO) notes that the average per pupil amount provided for K-12 education in the 2018-19 budget is \$11,645. Adjusted for inflation, this is the highest level of per-student funding since the passage of Proposition 98. In addition, this rate is approximately \$1,000 per pupil, or nine percent, higher than the per pupil amount provided in 2007-08, the year prior to when funding levels were reduced due to the recession.²

The 2019-20 Governor's Budget estimates the Proposition 98 guarantee will reach \$80.7 billion total in 2019-20, of which \$71 billion is for K-12 education. This results in a Proposition 98 average per-pupil amount of \$12,003 in 2019-20, or \$17,160 if all fund sources are included.³

One marker that is commonly used to determine how well California is funding education is state-to-state comparisons. Several organizations compile this information, although they generally do not account for regional cost of living differences. Most recently, using 2016-17 data, the National Educational Association ranked California as the 32nd highest state for expenditures per average-daily-attendance (ADA) at \$11,159 and as the 2nd highest state for average teacher salaries at \$79,128.⁴

¹ Ed-Data, California Education Data Partnership www.ed-data.org. 2017-18 data

² Legislative Analyst's Office, *The 2019-20 Budget: Proposition 98 Outlook*.

³ Department of Finance, *Governor's Budget Summary 2019-20*.

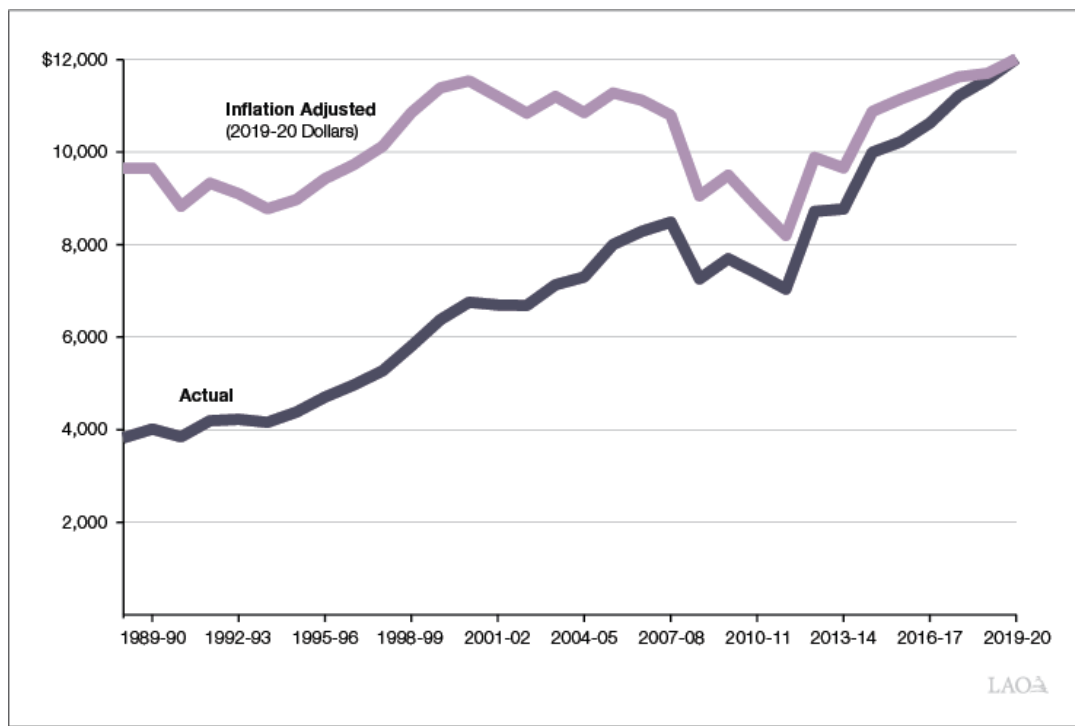
⁴ National Educational Association, *Rankings of the States 2017 and Estimates of School Statistics 2018*.

Census data from 2016 ranks California as 28th among states for per-pupil amounts for spending on public elementary-secondary school systems. California has continued to invest in K-12 education over the last few years, which may not be fully reflected in this data from a few years ago.⁵ The most recent cost-of-living adjusted ranking showed California as 41st in K-12 spending per student, but used 2015-16 data.⁶ Since then, state funding for K-12 education has grown by \$10 billion and per pupil funding has grown by over 17 percent.

The following chart shows K-12 Proposition 98 per pupil funding over time, reflecting the currently projected highest historical levels, as well as showing the impact of the great recession on K-12 education funding over several years.

K-12 Proposition 98 Funding Per Student Over Time

From Passage of Proposition 98 (1988) Through 2019-20 Under the Governor's Budget



Source: Legislative Analyst’s Office

School District Cost Pressures

Despite large increases in Proposition 98 funding and changes in the distribution of new revenues through the passage of LCFE, school district finances and fiscal health can vary due to unique local needs, student population, regional cost differences, and the ability to raise additional local funding. School districts generally cite insufficient “base” LCFE funding, declining enrollment, costs of

⁵ Census Public Education Finances: 2016, Per Pupil Amounts for Current Spending of Public Elementary-Secondary School Systems by State: Fiscal Year 2016

⁶ Kaplan, Jonathan, *California’s Support for K-12 Education Is Improving, but Still Lags the Nation*. California Budget and Policy Center.

providing special education and annual increases to the employer share of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) as creating the largest cost pressures for their budgets.

Local Control Funding Formula. The biggest driver of school district budgets is the LCFF through which school districts receive the bulk of their operating funding. The LCFF was enacted in 2012-13 and has grown by \$22 billion to a total of \$61 billion in 2018-19. The LCFF was fully funded in 2018-19, meaning school districts and charter schools reached their LCFF target amounts. Pursuant to LCFF statute, in future years school district LCFF amounts will be adjusted for growth and cost-of-living (COLA). While the growth in LCFF since 2012-13 is very significant, much of this growth was building back from deep cuts in education due to the recent recession years. In addition, LCFF distributed funding to districts based on a new formula, one that awards more funding to school districts with high numbers and concentrations of low-income, foster youth, and English-learner students. The change to the LCFF therefore had a distributional effect; while all districts receive a “base” grant per student, some districts generate additional funding based on student characteristics. According to the LAO, districts who received the largest LCFF funding experienced growth of 70 percent or more per student, while those that received the smallest LCFF funding amounts generally experienced growth of around 20 percent per student.⁷ This distributional effect was intentional, to provide additional funding to support the neediest students; however, some school districts have voiced concerns that the LCFF base grant is not enough to cover the costs of educating a student. In response to these concerns, the 2018-19 Budget Act included an additional \$570 million to effectively increase the base grant upon which future COLAs will be calculated.

Employee Salaries and Benefits. The majority of school district general fund expenditures are for employees. Specifically, in 2016-17, over 84 percent of district general fund expenditures were for salaries and benefits for classified and certificated staff. Remaining general fund expenditures cover books, supplies, services, and other operations.⁸ As the state built back funding for K-12 education from the low point of the recession, school districts primarily used this funding to build back their staffing. According to the LAO, school districts increased the average salary and benefits for a teacher by 5.9 percent and increased the number of teachers by about eight percent between 2012-13 and 2017-18.

In addition, in response to concerns about a growing unfunded pension liability, a policy change in 2014-15 required school districts to begin paying more for the employer share of pension liability under CalSTRS. In 2013-14, districts paid 8.3 percent of payroll into CalSTRS. The 2014-15 budget agreement included scheduled increases each year, reaching 19.1 percent in 2020-21 (an increase of almost \$3.4 billion in 2020-21 compared to 2013-14). In 2018-19, school districts are paying 18.1 percent of payroll. After 2020-21, the CalSTRS board is able to increase contribution rates by up to one percent per year, up to 20.25 percent. School districts also participate in CalPERS, which has the authority to adjust employer rates based on investment and actuarial policies. The state's Fiscal Crisis and Management Assistance Team (FCMAT) describes increases in CalSTRS and CalPERS as “the greatest single fiscal challenge facing most [local educational agencies]”.⁹

⁷ Legislative Analyst's Office, *The 2019-20 Budget: Proposition 98 Outlook*.

⁸ Ed-Data, California Education Data Partnership www.ed-data.org, 2017-18 data

⁹ FCMAT, *Annual Report 2017-18*

Finally, according to the LAO, in addition to pension benefits, about two-thirds of school districts provide health benefits for their retired employees and due to deferred payments school districts have accumulated an unfunded liability of approximately \$24 billion statewide. Most school districts that offer retiree health benefits have at least some unfunded liability, and the largest share is concentrated among about a dozen large school districts.¹⁰

Special Education. “Special education” describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal law requires schools to provide “specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability.” The law requires the provision of these special support services to students with exceptional needs from age 0 until age 22, or until they graduate from high school with a diploma. State and federal special education funding in California totals over \$4 billion annually. Funding is allocated to school districts primarily using a census model; a per pupil amount is provided based on the total enrollment of the school district, regardless of the number of students with disabilities. Due to historical factors, these per pupil rates vary across the state by school district. California’s model for serving special education services reflects that school districts first use their LCFF funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding, and finally other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a recent report by the Public Policy Institute of California, state and federal funding cover approximately 40 percent of the cost of special education, with school districts covering the remaining costs from other fund sources.¹¹ In recent years, the costs of special education have risen due to higher numbers of students with disabilities identified and, similar to general education, rising salary and benefit costs for teachers of special education students.

Declining Enrollment. Another factor that has implications for both statewide funding of K-12 education, as well as profound implications for local school district budgets, is the number of students served. At the local level, school districts generate funding under LCFF and other programs primarily based on the number of students enrolled in and attending school. When there are declines in school-age population, usually due to changing demographics of a region, school district budgets are impacted. Current law slows the impact by using the greater of current or prior year average-daily-attendance (ADA) when calculating LCFF funding. This “hold harmless” is intended to provide school districts additional time to make budget reductions in response to ADA changes. While some areas of the state face significant declining enrollment, conversely other areas are seeing growth as school-age children and families move into their regions. Finally, some areas are experiencing declines in enrollment as more students are served by charter schools in the region. Statewide K-12 attendance projections from the Department of Finance (DOF) show a slow decline in K-12 attendance over the next few years. DOF uses estimates of births and migration to inform their attendance projections. In addition, statewide K-12 ADA is a component of the Proposition 98 Guarantee calculation. Similar to the school district hold harmless, the Proposition 98 Guarantee calculation includes a two-year hold harmless against declines in ADA. However, a continued trend of declining statewide enrollment may result in lower Proposition 98 Guarantee levels in future years and lower amounts of “guaranteed” state funding for K-12 education.

¹⁰ Legislative Analyst’s Office, *The 2018-19 Budget: Proposition 98 Analysis*.

¹¹ Hill, Laura, *Special Education Finance in California*, Public Policy Institute of California, November 2016

While the above section describes the most common cost pressures districts cite as impacting their budgets, they are by no means the only challenges districts face. In addition, each district has their own set of local needs and resources, as well as their own local collective bargaining agreements, which influence their fiscal status.

School District Budgeting and Oversight Background

Historically, the Superintendent of Public Instruction stepped in to provide emergency loans and oversee school districts in fiscal distress. According to the LAO, between 1979 and 1991, 26 school districts requested and received emergency loans of varying amounts. However, that historical process was revised with legislation passed in the early 1990's following the bankruptcy of the Richmond Unified (West Contra Costa) School District. These laws have been updated as needed in response to changing statewide conditions in subsequent years, including:

- AB 1200 (Eastin), Chapter 1213, Statutes of 1991, increased the responsibilities for county offices of education in overseeing the fiscal health of their school districts (reviewing and approving school district budgets) and created FCMAT to support school districts and county offices of education, as well as provide fiscal crisis intervention services.
- As a response to the need for emergency state loans by several school districts, in 2004 the process for fiscal oversight was updated through AB 2756 (Daucher), Chapter 52, Statutes of 2004, which added additional structure for the oversight and monitoring of school districts that obtain emergency state loans.
- Most recently, initiated by the failure of Inglewood Unified School District to make meaningful progress towards fiscal and governance stability under state oversight, AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, increased the role of county offices of education in overseeing fiscal health and monitoring trustees and administrators, and provided FCMAT with a greater role in working with school districts at risk of fiscal crisis.

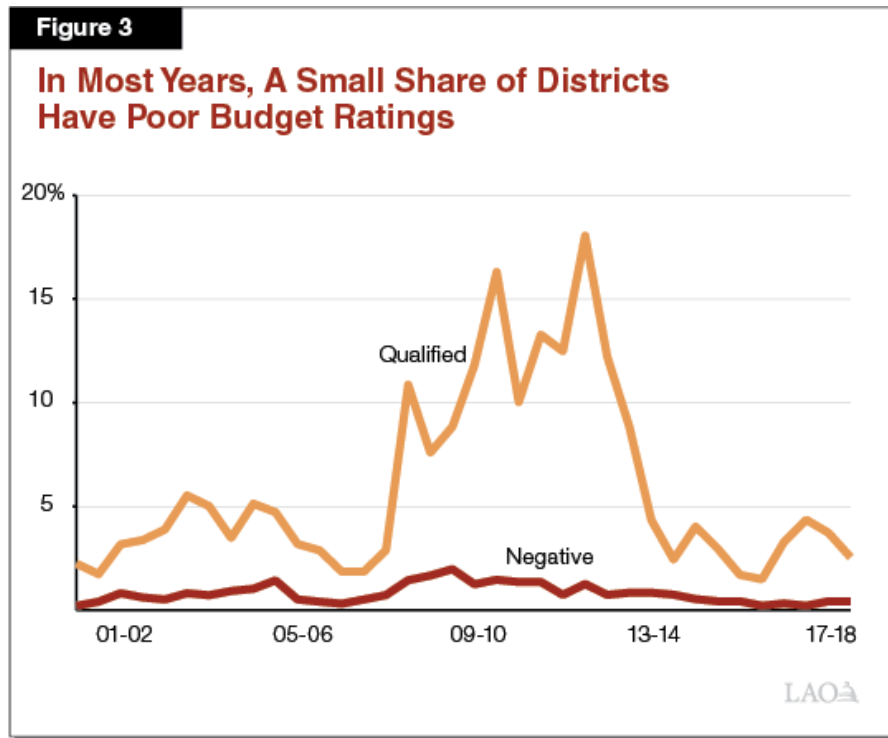
Current School District Budget and Fiscal Crises Processes:

Annual Budget Review and Adoption. Each school district must meet specified deadlines for adopting a budget and engaging with their county office of education for budget approval. The requirements are as follows:

- On or before July 1 of each year, a school district must adopt a budget and a Local Control and Accountability Plan (LCAP) that ties to their budget, and submit the budget and LCAP to the county office of education.
- The county office of education reviews the budget for meeting state-adopted standards and criteria, the school district's ability to meet financial commitments for the subsequent two years, and the school district's LCAP.
- The county office of education may approve, conditionally approve, or disapprove a school district's budget by September 15th

- If a budget is disapproved, or conditionally approved, the county office of education provides recommendations and the school district must respond by October 8th.
- If a school district fails to adopt a budget, a county office of education may adopt one for the school district.
- School districts must file two interim reports annually on their financial status with the California Department of Education (CDE), in which school districts must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.
- The county office of education is required to provide tiered interventions for school districts with qualified or negative interim reports. The county office of education is required to provide additional oversight and review of school district financial decisions and may limit the district's ability to issue debt. In addition, a negative status may result in a fiscal advisor or the county superintendent exercising stay and rescind powers over a local governing board. Finally for either a qualified or negative status, the county superintendent has a role in the collective bargaining process.
- School districts are required to provide the county office of education with any evidence of fiscal distress (i.e reports, audit findings, etc).
- FCMAT is required to provide a fiscal health risk analysis for a school district showing specific signs of being at financial risk (i.e. disapproved budget, negative interim report, etc). FCMAT works with the county office of education fiscal oversight process when providing this report.

The chart below shows historical trends for districts showing signs of fiscal distress. In recent years, the number of negative certifications in the second interim peaked in 2008-09 at 19, while the number of qualified certifications peaked in 2011-12 at 176.



Source: Legislative Analyst’s Office

State Emergency Loans. When a school district is unable to meet its current obligations during the school year it may request an emergency loan from the state. Separate legislation has historically been used to provide an emergency loan appropriation from the state. Conditions for the loan are included in the authorizing statute, however, legislative intent language notes the following:

- Statutory recommendations for loans above 200 percent of a school district’s reserve include: waiving the local governing board’s authority and the appointment of an administrator by the County Superintendent of Schools, with the concurrence of the State Board of Education and the Superintendent of Public Instruction. The county superintendent oversees the administrator, who remains in place until specified conditions are met.
- Statutory recommendations for loans up to or at 200 percent of a school district’s reserve include: the appointment of a trustee by the County Superintendent of Schools, the State Board of Education, and the Superintendent of Public Instruction. The local governing board retains governing authority, but the trustee has the authority to stay and rescind actions of the governing board. The trustee remains in place until the State Superintendent of Public Instruction determines that the district has the ability to follow the approved fiscal plan. The county superintendent retains some stay and rescind powers until the emergency loan has been repaid.

2018-19 Process Changes. For all school districts that are currently in, or may in the future enter into, fiscal distress, the 2018 budget act included the following specific changes:

- Assigned authority to appoint a trustee or state administrator for school districts who are in fiscal distress and receive an emergency loan from the state to the school district’s county superintendent, the State Superintendent of Public Instruction, and the president of the State Board of Education.

Previously, the Superintendent of Public Instruction had sole authority to appoint a trustee or administrator.

- Required the appointed administrators to serve under the supervision and direction of the county superintendent, in concurrence with the Superintendent of Public Instruction and the president of the State Board of Education. Previously, the Superintendent of Public Instruction assumed the authority and rights of the governing board of the school district, and supervised and directed the administrator.
- Automatically qualified school districts in state receivership for state intervention within the K-12 school accountability system, to allow school districts in receivership to access technical assistance for student performance and district management from the California Collaborative for Educational Excellence (CCEE).
- Required FCMAT to do an annual progress review of: (1) the fiscal recovery of school districts in state receivership, and (2) the effectiveness of county office of education oversight. Required FCMAT to complete a fiscal health risk analysis of school districts at risk of fiscal distress based on specified triggers.

Legislation Addressing Inglewood Unified and Oakland Unified School Districts. Legislation AB 1840 accompanying the 2018-19 Budget Act, included an agreement to provide appropriations for the Oakland Unified School District and Inglewood Unified School District for each of the 2018-19 through the 2021-22 fiscal years if specified fiscal and governance benchmarks are met each year.

This agreement was specific to the Oakland Unified School District and Inglewood Unified School District as both of these districts had their governing powers assumed by the state and received emergency state loans in the past. Despite these efforts, without additional fiscal and governance intervention, the students in these districts would be unfairly impacted. Inglewood Unified School District has been under the control of an Administrator since 2012 and has an outstanding emergency loan balance of approximately \$24.3 million, with an anticipated repayment date of 2034. Oakland Unified School District is currently overseen by a Trustee (who was initially assigned an Administrator in 2003) and has an outstanding emergency loan balance of approximately \$34 million with an anticipated repayment date of 2026.

For the 2018-19 fiscal year, the Oakland Unified School District is required to develop short and long-term financial plans and update school district facilities plans to be aligned with their plans for fiscal solvency. In 2018-19, Inglewood Unified School District is required to meet the requirements for qualified or positive certification and complete comprehensive operational reviews of the district, as specified.

For the 2019-20 fiscal year, the intent is that the final budget will include appropriations for the Oakland Unified School District and Inglewood Unified School District, if the specified requirements for 2018-19 are met. Funds will be continue to be allocated to the Oakland Unified School District and Inglewood Unified School District, if specified benchmarks are met each year, in the following amounts:

- For the 2019-20 fiscal year, up to 75 percent of the school district's projected operating deficit.

- For the 2020-21 fiscal year, up to 50 percent of the school district's projected operating deficit.
- For the 2021-22 fiscal year, up to 25 percent of the school district's projected operating deficit.

FCMAT, with concurrence of the appropriate county office of education, shall certify to the Legislature and DOF that specified benchmarks have been met prior to allocating the state funding. FCMAT shall report to the Legislature and DOF on the district's progress in meeting the benchmarks included in the prior year Budget Act by March 1st of each year, until March 1, 2021.

Additional provisions were made to allow school districts with emergency apportionment loans as of July 1, 2018 (Oakland Unified, Inglewood Unified, South Monterey County Joint High School, and Vallejo Unified), when selling or leasing surplus property, until the emergency loan is repaid, to use the proceeds from the sale or lease of the surplus property to reduce, retire, or service outstanding emergency apportionment loan debt.

Issue 1: Update on K-12 School District Fiscal Health (Information Only)**Description:**

The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance and helps local education agencies (LEAs) - school districts, county offices of education (COEs), and charter schools, as well as community college districts - fulfill their financial and management responsibilities. Lead FCMAT staff will provide a presentation on the financial status of LEAs, including an update on the number of these agencies with negative and qualified certifications on the latest financial status reports and the status of state emergency loans.

Panel:

- Mike Fine, Chief Executive Officer, FCMAT

Background:

Assembly Bill 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help LEAs avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires that the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Beginning in 2013-14, funding for COE fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. COEs are still required to review, examine, and audit district budgets, as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a categorical funding source for this purpose.

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also helps LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state Legislature and oversight agencies to conduct fiscal crisis intervention.

AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018 included new requirements for FCMAT. These requirements including an annual progress review of: (1) the fiscal recovery of school districts in state receivership, and (2) the effectiveness of county office of education oversight. Finally, FCMAT is required FCMAT to complete a fiscal health risk analysis of school districts at risk of fiscal distress based on specified triggers.

Legislation Addressing Inglewood Unified and Oakland Unified School Districts. Legislation AB 1840 accompanying the 2018-19 Budget Act, included an agreement to provide appropriations for the Oakland Unified School District and Inglewood Unified School District for each of the 2018-19 through the 2021-22 fiscal years if specified fiscal and governance benchmarks are met each year.

The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992. The Governor's 2018-19 budget maintains funding for FCMAT at \$5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools and \$570,000 for FCMAT to provide support to community colleges.

Interim Financial Status Reports. Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: "It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district's educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district."

First Interim Report. The first interim report was published by CDE in February 2019 and identified five LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2018-19 or 2019-20, based on data generated by LEAs in Fall 2018, prior to release of the Governor's January 2019-20 budget. The first interim report also identified 42 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2018-19, 2019-20 or 2020-21.

Second Interim Report. The second interim report, which covers the period ending January 31, 2019, has not been verified and released by CDE at this time.

Negative Certification	
First Interim Budget Certifications	
County:	District:
Amador	Amador County Office of Education
Butte	Feather Falls Union Elementary
Kern	Southern Kern Unified
Sacramento	Sacramento City Unified
San Diego	Sweetwater Union High

Qualified Certification	
First Interim Budget Certifications	
County:	District:
Alameda	Newark Unified
Alameda	Oakland Unified
Alameda	Piedmont City Unified
Amador	Amador County Unified
Calaveras	Calaveras Unified
Contra Costa	Pittsburg Unified
El Dorado	Camino Union Elementary
El Dorado	Gold Trail Union Elementary
Humboldt	Klamath-Trinity Joint Unified
Kern	Lost Hills Union Elementary
Kern	North Kern Vocational Training Center
Los Angeles	Burbank Unified
Los Angeles	Duarte Unified
Los Angeles	Glendale Unified
Los Angeles	Inglewood Unified
Los Angeles	Los Angeles Unified
Los Angeles	Monrovia Unified
Marin	Larkspur Corte-Madera Elementary
Napa	Pope Valley Union Elementary
Placer	Placer Hills Union Elementary
Riverside	Alvord Unified
Riverside	Coachella Valley Unified
Riverside	Riverside Unified
Sacramento	Robla Elementary
San Bernardino	Yucaipa-Calimesa Joint Unified
San Diego	Bonsall Unified
San Diego	Mountain Empire Unified
San Diego	Oceanside Unified
San Diego	San Ysidro Elementary
San Luis Obispo	Paso Robles Joint Unified
San Mateo	Cabrillo Unified

San Mateo	San Carlos Elementary
Santa Clara	Alum Rock Union Elementary
Santa Clara	Berryessa Union Elementary
Santa Clara	Franklin-McKinley Elementary
Shasta	Cascade Union Elementary
Shasta	Gateway Unified
Solano	Vallejo City Unified
Sonoma	Cotati-Rohnert Park Unified
Sonoma	West Sonoma County Union High
Sonoma	West Sonoma County Union High
Tulare	Terra Bella Union Elementary
Tuolumne	Curtis Creek Elementary

Source: California Department of Education

State Emergency Loans. A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the SPI and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place, and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District

in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District and Oakland Unified School District are on the qualified certification list in the first interim report in 2018-19.

Emergency Loans to School Districts
1990 through 2015

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified*	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 \$12,000,000 <u>\$10,000,000</u> \$29,000,000 (\$55 million authorized)	2.307%	\$7,327,936	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 \$3,000,000 <u>\$8,000,000</u> \$13,000,000	2.307%	\$8,694,543	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$47,479,988	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$83,496,846	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	\$1,425,773 No Balance Outstanding	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	\$1,742,501 No Balance Outstanding	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 \$7,000,000 <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061 No Balance Outstanding	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830 No Balance Outstanding	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 \$7,525,000 <u>19,000,000</u> \$28,525,000	1.532% 2004 refi rate	\$47,688,620 No Balance Outstanding	05/30/12 I-bank

*Note that as part of the 2018-19 budget agreement, the November 2018 loan payment for Inglewood Unified was deferred and the pay-off date was extended by one year to November 1, 2034.

Source: California Department of Education

Current State of School District Finances. Under the changes to the school district budget oversight process in the 2018-19 budget, FCMAT is required to provide a fiscal health risk analysis for a school district showing specific signs of being at financial risk (i.e. disapproved budget, negative interim report, etc). From July 1, 2018 to January 1, 2019, FCMAT has performed fiscal health risk analyses for the Calaveras Unified School District, the Sacramento City Unified School District, and the Sweetwater Unified School District and is currently working on analyses for other school districts. In addition, FCMAT continues to be engaged in both Inglewood and Oakland Unified School Districts. School district second interim reports for 2018-19 were due in March and are not yet certified. Notably, Los Angeles Unified School District, which recently reached a contract agreement with labor partners, continues to be of concern with a significant projected operating deficit in 2021-22. In all cases, county offices of education are engaging with school districts to provide fiscal oversight and support.

AB 1840 Requirements. AB 1840 established a system for both Inglewood and Oakland Unified School Districts to meet benchmarks established in the prior budget year in order to receive financial support in the state budget. As part of this system, FCMAT is required to report, in concurrence with the appropriate county office of education, on March 1 of each year to the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, and the Department of Finance on the progress that Inglewood and Oakland Unified School Districts have made towards established benchmarks and recommendations for appropriate benchmarks for the budget year.

Inglewood Unified School District. AB 1840 detailed that Inglewood Unified School District was required to do the following for 2018-19:

- Meet the requirements for qualified or positive certification for the school district's second interim report.
- Complete comprehensive operational reviews that compare the needs of the school district with similar school districts and provide data and recommendations regarding changes the school district can make to achieve fiscal sustainability.

FCMAT's March 1st report on Inglewood Unified School District notes that the first interim report showed the district as qualified and includes assumptions about funding support from the state through the AB 1840 process to meet reserve requirements in 2019-20 and 2020-21. In addition, the state trustee approved a contract for an organizational, efficiency, and comparative staffing review and a pupil transportation review. The district has also adopted a fiscal stabilization plan and has made progress on some portions.

Oakland Unified School District. AB 1840 detailed that Oakland Unified was required to do the following for 2018-19:

- Update or develop short- and long-term financial plans based on reasonable and accurate assumptions and current and past year expenditure data.
- Review and update school district facilities construction plans to ensure that costs are reasonable, accurate, and align with long-term financial plans for fiscal solvency

FCMAT's March 1st report on Oakland Unified School District notes that the district self-certified as positive at the first interim report, however the Alameda County Office of Education downgraded the district to a qualified certification, in part because of lack of detail about calculations and assumptions used in the first interim report. FCMAT notes that the district reached a tentative collective bargaining agreement with the Oakland Education Association and that the district and FCMAT are still analyzing the impact of the agreement. In addition, some work has been done on school district facilities planning, including the development of a Citywide Plan on school facilities. The Citywide Plan was adopted by the Oakland Unified School District on March 20, 2019.

Governor's Budget Proposal

The Governor did not include appropriations for Oakland and Inglewood Unified School Districts in the January Budget as information related to the school districts' actions and fiscal status was not available at that point in time.

Suggested Questions:

- 1) How have the requirements of AB 1840 changed FCMAT's work and their relationships with school districts and county offices of education?
- 2) When looking historically, how does the financial position of most school districts in the state compare to other points in the past?
- 3) Can FCMAT make recommendations on what the amount of Oakland and Inglewood Unified School Districts' projected operating deficits will be for 2019-20 at this point in time?
- 4) For Oakland and Inglewood Unified School Districts what are FCMAT's recommendations for appropriate benchmarks during the 2019-20 fiscal year?
- 5) In the March 14th hearing the subcommittee heard from the California Collaborative for Educational Excellence on their work related to AB 1840. How has FCMAT collaborated with CCEE in Oakland, Inglewood and any other school district?

Staff Recommendation: Information only.

Issue 2: Research Perspectives on School District Fiscal Pressures (Information Only)**Description:**

In 2018, *Getting Down to Facts II (GDTFII)*, a collection of studies on California's K-12 education system was released. This project was a follow-up to a similar compilation of research in the K-12 area in 2005; *Getting Down to Facts*. The 36 research studies in GDTFII covered a wide range of K-12 education policy, governance, and funding issues and ultimately noted that California's K-12 system still needs to build capacity to support major reforms undertaken in the last decade, achievement gaps still exist and significant efforts are needed in this area, and finally that while funding levels have increased for K-12 education, there is still a need for additional investments and many critical funding issues remain to be addressed. This panel will focus on the latest research in areas that are critical to the fiscal health and stability of school districts.

Panel:

- Adequacy and State Funding Formulas: **Dr. Jesse Levin**, Principal Research Economist, American Institutes for Research
- Pensions and California Public Schools: **Dr. Cory Koedel**, Associate Professor of Economics and Public Policy at the University of Missouri
- Revising Finance and Governance Issues in Special Education: **Paul Warren**, Research Associate at the Public Policy Institute of California
- Employee and Retiree Health Benefits: **Paul Bruno**, Ph.D. candidate at the University of Southern California's Rossier School of Education

Staff Recommendation: Information Only.

Issue 3: CalSTRS Pension Proposal (Information Only)

Panel:

- Aaron Heredia, Department of Finance
- Rick Reed, CalSTRS Actuary
- Kenneth Kappahn, Legislative Analysts' Office

Background:

The California State Teachers' Retirement System

CalSTRS is governed by the Teachers' Retirement Board, which is composed of eight members and four ex-officio members. The California Constitution provides the Teachers' Retirement Board authority over the administration of the retirement system. CalSTRS provides pension benefits, including disability and survivor benefits, to California's full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. As of June 30, 2018, there are approximately one million members, retirees, and beneficiaries of the State Teachers' Retirement Plan (STRP) Defined Benefit Program.

CalSTRS administers a defined benefit plan, two defined contribution plans, a post-employment benefit plan, and a fund used to account for ancillary activities associated with various deferred compensation plans and programs, including: (1) STRP, (2) CalSTRS Pension Program, (3) Teachers' Health Benefits Fund, and (4) Teachers' Deferred Compensation Fund.

CalSTRS does not provide health or dental insurance coverage as they are collectively bargained at the local school district level. Each district has its own policies. Existing law requires school districts, community colleges and county offices of education to offer retiring CalSTRS members and their spouses or registered domestic partners the opportunity to continue their medical and dental insurance at their own cost.

CalSTRS Budgeted Expenditures and Positions

(Dollars in Millions)

	2017-18	2018-19	2019-20
Service to Members and Employers	\$382.0	\$604.8	\$571.6
Corporate Governance	\$4.8	\$36.2	\$34.7
Benefit Payments	\$14,462.5	\$15,822.7	\$16,759.1
Positions	1,134	1,294	1,313

Prior to 2014, CalSTRS faced a large unfunded liability with no plan in place to fund teachers pensions, and CalSTRS was expected to exhaust its assets in the mid-2040s. The state adopted a funding plan, described below, to fully fund the system by 2046. Currently, the overall unfunded liability for CalSTRS is \$103.5 billion (of which the state's share is \$35.3 billion). As of June 30, 2017, the funded status for CalSTRS was 64 percent, respectively, meaning the retirement systems only have approximately two-thirds of the funds required to make pension payments to retirees.

Assembly Bill 1469 (Bonta), Chapter 47, Statute of 2014, CalSTRS Funding Plan to Address Large Unfunded Liability. AB 1469 was adopted as a part of the 2014-15 budget, which set CalSTRS on a path towards full funding by 2046. Specifically, the plan phased in contribution rate increases for the state, employers and employees. The plan gives the board limited authority to adjust the employer and state contribution rates.

District Contribution Rate. AB 1469 set the district contribution rate through 2020-21 in statute. The rate in 2018-19 has reached 16.3 percent, with increases to 18.3 percent in 2019-20, and 19.1 percent in 2020-21. After 2020-21, CalSTRS can increase or decrease the rate by up to one percentage point per year; however, existing law states that the total district rate cannot exceed 20.25 percent. Current projections show the rate leveling off in 2020-21 and falling to 18.4 percent for 2021-22 and future years.

The chart from the Legislative Analyst’s Office (LAO) below displays the projected CalSTRS contribution rates.

CalSTRS Projected Contribution Rates
(As a Percentage of Payroll, May 2018 Projections)

Year	District ^a	State ^b	Employees (Pre-PEPRA) ^c	Employees (PEPRA) ^d
2017-18	14.4%	9.1%	10.3%	9.2%
2018-19	16.3%	9.6%	10.3%	10.2%
2019-20	18.1%	10.1	10.3%	10.2%
2020-21	19.1%	10.6%	10.3%	10.2%
2021-22	18.6%	11.1%	10.3%	10.2%
2022-23	18.1%	11.6%	10.3%	10.2%

^a Reflects statutory rate through 2020-21 and CalSTRS’ projections thereafter.

^b Reflects actual rate through 2018-19 and CalSTRS’ projections thereafter. State contribution rate is based on payroll from the second preceding year. For example, the 2018-19 rate is applied to actual 2016-17 payroll. Includes roughly 2.5 percentage points related to a program that protects retirees’ pensions from the effects of inflation.

^c Reflects fixed statutory contribution rate for employees hired before January 1, 2013.

^d Reflects actual rate through 2018-19 and CalSTRS’ projections thereafter.

CalSTRS Unfunded Liability. The state is responsible for the share of the unfunded liability that would exist today if no changes had been made to benefits or contributions since 1990, and districts are responsible for the unfunded liability created by changes to pension benefits and contribution rates adopted after 1990, but only for benefits earned through 2013-14.

CalSTRS interprets the law so that district and state shares of the unfunded liability will change annually based on a complex formula. Specifically, the formula is based on a hypothetical unfunded liability calculated by estimating what the defined benefit program’s assets and liabilities would be today if the benefit improvements had never occurred after July 1, 1990, and if contributions to the pension fund had not been decreased. Under this formula, the calculations show that CalSTRS’ unfunded liability would be smaller today. In general, the state will pay for these smaller theoretical

unfunded liabilities, while the districts pay for the difference between the real world unfunded liabilities and the state's share. Because districts pay for the balance, the district share will increase when the state share decreases or vice versa. As a result, the state's share of the unfunded liability and the contribution rate is very sensitive to investment volatility.

Responsibility for a small amount of the unfunded liability that is associated with changes made after 1990 for benefits earned after 2013-14 remains unassigned to either the state or districts. As of June 30, 2018, CalSTRS estimates this to be approximately \$200 million, and is expected to grow to about \$1 billion by 2046. The funding formula does not include a mechanism for funding this unassigned unfunded liability.

Discount Rate. In February 2017, the CalSTRS board adopted changes to investment return assumptions over a two-year period. Specifically, for the June 30, 2016 actuarial valuation, the discount rate decreased from 7.50 to 7.25 percent, and for the June 30, 2017 actuarial valuation, the discount rate decreased from 7.25 to 7 percent.

Reporting Requirement. AB 1469 also requires CalSTRS to report to the Legislature on or before July 1, 2019, and every five years thereafter, on the fiscal health of the Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of the program before July 1, 2014. The report must identify adjustments required in contribution rates in order to eliminate, by June 30, 2046, the unfunded actuarial obligation of the Defined Benefit Program with respect to service credited to members of the program before July 1, 2014.

Governor's Proposal:

Districts' Share of CalSTRS Unfunded Liability. To reduce the districts' share of the CalSTRS unfunded liability, the Governor proposes for the state to pay CalSTRS an additional \$2.3 billion General Fund, also attributed to 2018-19. CalSTRS estimates this would reduce rates over the long term by approximately .5 percent beginning in 2020-21.

CalSTRS District Contribution Rates. The Governor proposes providing \$700 million General Fund over the next two years (\$350 million per year) to provide school and community college districts with immediate budget relief. Specifically, the funds would reduce districts' CalSTRS rates in 2019-20 and 2020-21 by approximately one percent—freeing up resources for other parts of districts' operating budgets.

The Administration's chart below displays the impact of the supplemental payment towards the employer's contribution rate.

Supplemental Pension Payments to CalSTRS—School Employer Liability Share Estimated Impact						
	Current		With Supplemental Pension Payment			
Fiscal Year	Employer Contribution Rate	Employer Contribution (in Millions)	Employer Contribution Rate	Employer Contribution (in Millions)	Savings from Supplemental Pension Payment (in Millions)	
2019-20	18.13%	\$ 6,277	17.10%	\$ 5,927	\$ 350	
2020-21	19.10%	\$ 6,844	18.10%	\$ 6,494	\$ 350	
2021-22	18.40%	\$ 6,837	17.90%	\$ 6,641	\$ 196	
2022-23	18.40%	\$ 7,047	17.90%	\$ 6,883	\$ 164	
2023-24	18.40%	\$ 7,301	17.90%	\$ 7,131	\$ 170	
Total Savings—2019-20 through 2023-24					\$ 1,230	
Total Savings—2024-25 through 2045-46					\$ 5,691	
Total Savings—2019-20 through 2045-46					\$ 6,921	

Note: The employer contribution rate, with and without the impact of the supplemental pension payments, is projected to remain constant from 2023-24 through 2045-46. Unlike the state contribution rate, asset smoothing (smoothing the impact of investment volatility on the rate) does not have a material impact on the employer contribution rate over this period.

Source: Department of Finance

Legislative Analyst’s Office Analysis:

The Legislative Analyst’s Office notes that the reduction to CalSTRS district contribution rates in 2019-20 and 2020-21 in combination with the payment towards the long term CalSTRS liability would save school employers \$6.9 billion (\$3.9 billion net savings) over the next 30 years under current actuarial assumptions.

The LAO notes that district pension costs typically are covered using Proposition 98 General Fund; however, the Governor proposes using non-Proposition 98 General Fund for this proposal. Whereas this proposal would provide districts with perceptible budget relief over the next two years, the LAO notes that using the \$700 million instead to pay down more of the CalSTRS unfunded liability would provide a longer-term benefit. Although over the long-term the districts’ CalSTRS rate would be only slightly lower than it would be otherwise, the value of a making a \$700 million unfunded liability payment now would grow over time. Such future relief could be important during the next economic downturn.

Subcommittee Questions:

- 1) Is the impact of the district rate relief spread evenly across districts in the state?
- 2) Did the Administration consider a proposal addressing the growing pension costs of the classified employees at a school district?
- 3) CalSTRS: What is the likelihood that the .5 percent reduction in the long –term CalSTRS rate will result from the \$2.3 billion payment? Are there indicators/ scenarios where this reduction would not materialize?

Staff Recommendation:

Hold open, this issue is also being heard in Subcommittee #4.

6350 OFFICE OF PUBLIC SCHOOL CONSTRUCTION**Issue 4: K-12 School Facilities****Panel:**

- Keith Nezaam, Department of Finance
- Lisa Silverman, Office of Public School Construction
- Amy Li, Legislative Analyst's Office

Background:

The State Facilities Program was created in 1998 for the purpose of allowing the state and school districts to share the costs of building new school facilities and modernizing existing facilities. Between 1998 and 2006 there were four voter-approved bonds for the school facilities program (totaling \$35.4 billion) which funded the program through 2012.

Key Components of School Facilities Program

- ***New Construction Eligibility Based on Enrollment Projections.*** Districts submit specific new construction projects for approval and receive a grant based on their number of current and projected unhoused students. The state awards funding on a first-come, first-served basis. The state and school districts share project costs on a 50–50 basis. Districts are required to submit progress reports, expenditure reports, and project information worksheets. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.
- ***Modernization Eligibility Based on Age of Building.*** Districts submit specific modernization projects for approval and receive a grant based on the number of students housed in buildings that are at least 25 years old. The state awards funding on a first-come, first-served basis. The state and school districts share costs on a 60–40 basis. Districts are required to submit progress reports and expenditure reports. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.
- ***Financial Hardship Program Targeted to School Districts With Inadequate Local Resources.*** The state covers part or all of project costs for districts unable to meet the local match requirement for new construction and modernization projects. Districts have to levy the maximum developer fee allowed (typically 50 percent of project costs), demonstrate local effort (typically through placing a bond measure on the ballot), and certify they are unable to contribute the full match.
- ***Several Categorical Programs Targeted to Specific State Priorities.*** The four state bond measures enacted since 1998 have authorized various categorical facility programs. These have included programs for reducing class sizes; alleviating overcrowding; building and renovating charter schools; integrating career technical education into high schools; mitigating seismic safety issues; and promoting projects with “high performance attributes” such as energy efficiency, enhanced natural lighting, and use of recycled materials.

In 2016, voters passed Proposition 51, which authorized the state to sell \$7 billion in general obligation bonds to fund the existing school facilities program (the bond total was \$9 billion, with \$2 billion designated for community colleges facilities.) Of this total, \$3 billion is for new construction projects, \$3 billion is for modernization projects, and the remaining \$1 billion is split between charter school and career technical education projects. After bond funds are approved by the voters, the State Treasurer sells the bonds and the state repays the general obligation bonds using General Fund dollars. The state generally times the sale of bonds to coincide with the amount of shovel-ready projects to avoid paying interest on funds that are not immediately used.

LEAs have other options for financing school facilities related projects, the most common of which are local general obligation bonds, which can be passed with 55 percent of voter approval and are repaid by increasing local property tax rates. LEAs can also levy developer fees that may cover up to a portion of the cost to build a new school, or use other local funding sources.

Project Funding and Accountability.

The process for an LEA to apply for funding through the school facilities program is complex and involves multiple state agencies. LEAs building new schools must work with CDE on selecting an appropriate site. LEAs who are building new schools or modernizing old schools must also have their plans approved by the Division of the State Architect (DSA) to ensure they are field act compliant and meet all other required standards. These steps must be done whether or not a LEA is applying for state funding. With approved plans, a LEA can apply to the Office of Public School Construction (OPSC) who will calculate the LEA's eligibility and check approvals, including certifying local matching funds are available and the project is shovel ready, before moving the project to the State Allocation Board (SAB) for approval and a release of cash.

The 2017-18 Budget Act and the 2018-19 Budget Act each included \$594 million in Proposition 51 bond funding for a total of \$1.2 billion available in Prop 51 funds. As of February 27, 2019, the State Allocation Board has apportioned \$962.5 million in Prop 51 bond funding, and has \$740.6 million in unfunded approvals. The OPSC reports that they anticipate another \$192.3 million from 2018-19 bond sales and districts will have 90 days to submit their fund release request by July 2019. The chart below details bond funds and projects in various stages of funding.

Proposition 51 Bond Authority						
(In Millions)						
	Original Bond Allocation	Apportioned (02/27/2019)	Unfunded Approvals	Workload List (2/28/2019)	Acknowledged List	Remaining Bond
New Construction	\$3,000.00	\$429.80	\$165.30	\$2,520.00	\$261.30	(\$376.40)
Modernization	\$3,000.00	\$367.70	\$124.60	\$2,547.40		(\$39.70)
CTE	\$500.00	\$109.70	\$13.70			\$376.60
Charter Schools	\$500.00	\$55.30	\$437.00			\$7.70
Total	\$7,000.00	\$962.50	\$740.60	\$5,067	\$261	

Source: Office of Public School Construction

Unfunded approvals are projects that have already been through the approval process and are waiting for state financing at the SAB. The workload list contains applications that have been received and accepted for processing and are within the amount of bond authority remaining from Proposition 51. The acknowledged list includes projects that are in excess of the bond authority available from

Proposition 51. Applications for these projects are not processed and school district governing boards must include certifications that acknowledge the lack of available funding among other things along with their applications.

The Career Technical Education (CTE) Facilities Program provides funding for school districts, county offices of education, and qualifying joint powers agencies that operate eligible CTE programs. Applicants must first apply to CDE to meet CTE related requirements. Those that meet the standard may then apply for funding at the OPSC. Funding is provided in cycles determined by the SAB.

The Charter School Facility Program Preliminary Apportionments Bond authority on the unfunded approval list is reserved for specific projects and applicants will have up to five years to request to convert the funds to a final apportionment.

As workload at OPSC decreased significantly when funding from the 2006 bond was exhausted, the state reduced staffing at the OPSC. OPSC historically has averaged around 130 staff, and today is at a low point of approximately 52 staff. OPSC staffing has not been increased since the new bond was authorized, although in the current year OPSC has redirected three positions, for a total of 10 positions processing applications in 2018-19. The remainder of the positions are working on facility appeals and completing other work.

Governor's Proposal:

The 2019-20 Governor's budget includes \$1.5 billion in bond authority available for school facilities projects and an increase of 10 positions for OPSC. These positions would be funded with \$1.2 million in ongoing bond funds (\$1,202,000 in 2019-20 and \$1,185,000 in budget year +1). These 10 positions include two Staff Services Managers I and eight Staff Services Analysts. The Administration notes that this increase in staffing aligns with the increase in workload related to processing \$1.5 billion in applications annually. Finally, the Administration notes that an increase of \$1.5 billion in bond sales would result in annual debt service by approximately \$84 million for a total debt service in 2019-20 of approximately \$2.3 billion for K-12 facility debt service from Prop 51 and prior bonds.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office (LAO) recently released an analysis of the Governor's proposals for facilities funding. The LAO notes that the Governor's proposal to sell \$1.5 billion in bonds in 2019-20 is reasonable and would allow the state to clear more of the backlog of projects.

The LAO notes that OPSC dedicates a relatively small share of staff to processing applications (19 percent of 52 positions). The LAO notes that in order to process \$1.5 billion, the OPSC would be working through approximately 380 applications in 2019-20. The LAO performed an analysis of the workload needs presented in the budget change proposal from the OPSC and concluded that the increase in applications could be processed with 12 full-time employees (FTEs), an increase of just two over OPSC's current staff dedicated to application processing. Further the LAO believes that the OPSC has the capacity to shift two positions from other activities to application processing, and therefore recommends the Legislature deny the request for additional positions at OPSC.

Suggested Questions:

1) When does OPSC see workload in other areas, including audits, decreasing?

- 2) What type of outreach does OPSC staff continue to provide given that the applications for projects currently exceeds the amount of bond funding?
- 3) Can OPSC comment on the LAO's workload analysis and the potential to shift positions internally?
- 4) Does the Administration plan to continue on a pace of \$1.5 billion per year in Proposition 51 bond funding?

Staff Recommendation: Hold open.

Issue 5: K-12 School Facilities Alternate Proposal**Panel:**

- Senator Mike McGuire

Proposal:

The Senator proposes increasing the amount of bond sales in 2018-19 and 2019-20 to make the full \$5 billion remaining in bond funds available through 2019-20. The Senator notes that according to OPSC, requests for funding of new construction and modernization already exceed the remaining bond funding. In addition, delays in the sale of bonds likely means that the state will be subject to higher interest rates and increased debt service over the life of the bond term. Finally, for local school districts, delays generally mean rising project costs due to increases in the costs of construction. A letter requesting this increase was shared between the houses of the Legislature and provided to the Administration. Legislators who have signed on to the request include:

Senator Mike McGuire
Senator Bill Dodd
Senator Steven M. Glazer
Senator Jerry Hill
Senator Scott Wilk
Assemblymember Cecilia M. Aguiar-Curry
Assemblymember David Chiu
Assemblymember James Gallagher
Assemblymember Christina Garcia
Assemblymember Todd Gloria
Assemblymember Adrin Nazarian
Assemblymember Rivas
Assemblymember Christy Smith

Certifications of Financial Reports

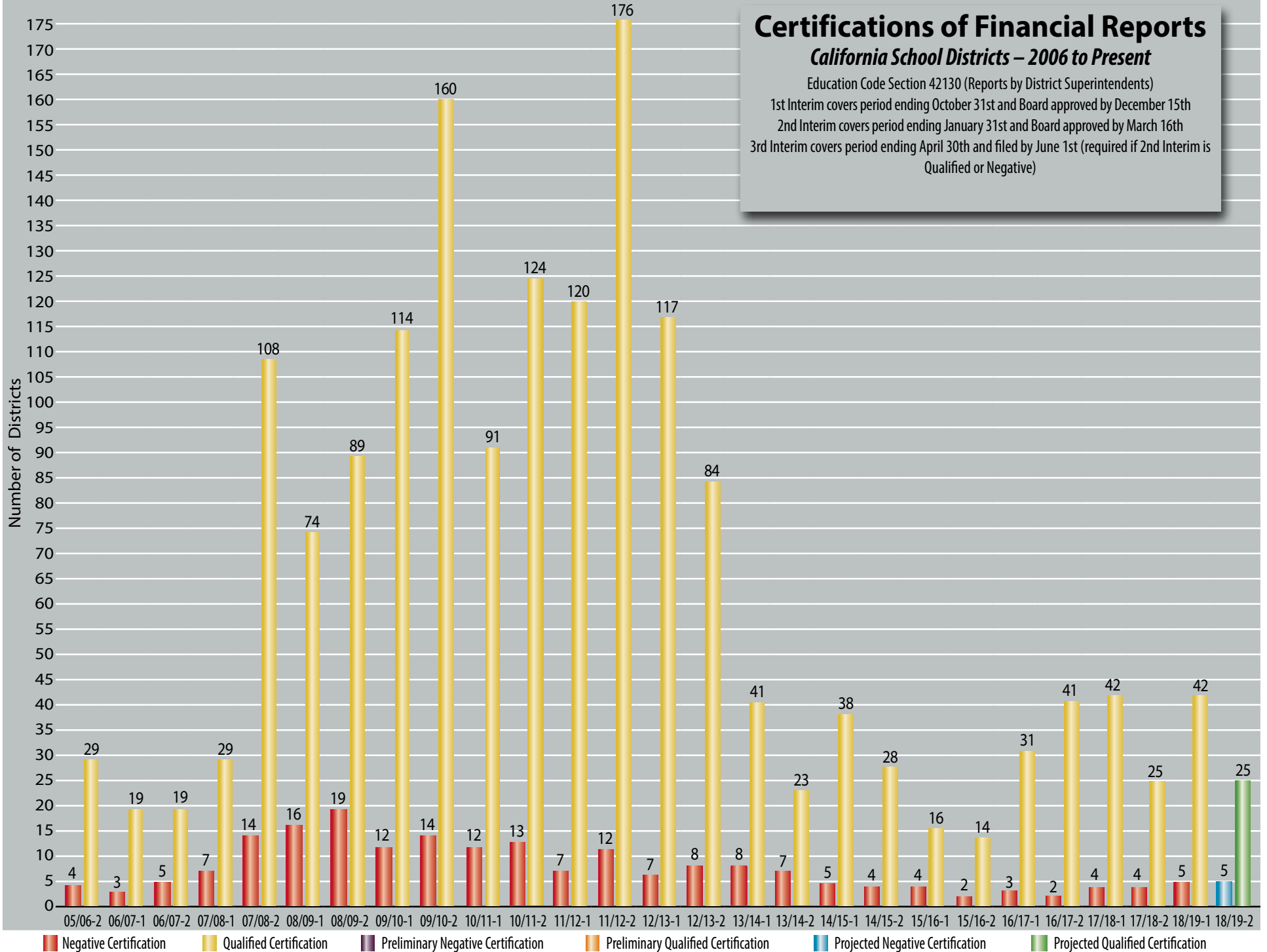
California School Districts – 2006 to Present

Education Code Section 42130 (Reports by District Superintendents)

1st Interim covers period ending October 31st and Board approved by December 15th

2nd Interim covers period ending January 31st and Board approved by March 16th

3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)



■ Negative Certification
 ■ Qualified Certification
 ■ Preliminary Negative Certification
 ■ Preliminary Qualified Certification
 ■ Projected Negative Certification
 ■ Projected Qualified Certification

Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
 Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
 Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Projected results are based on an informal survey of educational agencies.
 Fiscal Crisis & Management Assistance Team 3/27/19

Second Interim Budget Certifications — Projected
2018-19

Negative Certification	
County	District or COE
Amador	Amador County Office of Education
Butte	Feather Falls Union Elementary
Kern	Southern Kern Unified
Sacramento	Sacramento City Unified
San Diego	Sweetwater Union High

Qualified Certification (cont.)	
San Mateo	Cabrillo Unified
Santa Clara	Alum Rock Union Elementary
Shasta	Cascade Union Elementary
Shasta	Gateway Unified
Solano	Vallejo City Unified
Sonoma	Cotati-Rohnert Park Unified

Qualified Certification	
County	District or COE
Alameda	Newark Unified
Amador	Amador County Unified
Calaveras	Calaveras Unified
Contra Costa	Pittsburg Unified
El Dorado	Camino Union Elementary
El Dorado	Gold Trail Union Elementary
Humboldt	Klamath-Trinity Joint Unified
Kern	North Kern Vocational Training Center
Los Angeles	Duarte Unified
Los Angeles	Inglewood Unified
Los Angeles	Los Angeles Unified
Los Angeles	San Gabriel Unified
Riverside	Alvord Unified
Riverside	Coachella Valley Unified
San Diego	Bonsall Unified
San Diego	Mountain Empire Unified
San Diego	Oceanside Unified
San Diego	San Ysidro Elementary
San Luis Obispo	Paso Robles Joint Unified

First Interim Budget Certifications 2018-19

Negative Certification

County	District
Amador	Amador County Office of Education
Butte	Feather Falls Union Elementary
Kern	Southern Kern Unified
Sacramento	Sacramento City Unified
San Diego	Sweetwater Union High

Qualified Certification

County	District or COE
Alameda	Newark Unified
Alameda	Oakland Unified
Alameda	Piedmont City Unified
Amador	Amador County Unified
Calaveras	Calaveras Unified
Contra Costa	Pittsburg Unified
El Dorado	Camino Union Elementary
El Dorado	Gold Trail Union Elementary
Humboldt	Klamath-Trinity Joint Unified
Kern	Lost Hills Union Elementary
Kern	North Kern Vocational Training Center
Los Angeles	Burbank Unified
Los Angeles	Duarte Unified
Los Angeles	Glendale Unified
Los Angeles	Inglewood Unified
Los Angeles	Los Angeles Unified
Los Angeles	Monrovia Unified
Marin	Larkspur Corte-Madera Elementary
Napa	Pope Valley Union Elementary

Qualified Certification (cont.)

Placer	Placer Hills Union Elementary
Riverside	Alvord Unified
Riverside	Coachella Valley Unified
Riverside	Riverside Unified
Sacramento	Robla Elementary
San Bernardino	Yucaipa-Calimesa Joint Unified
San Diego	Bonsall Unified
San Diego	Mountain Empire Unified
San Diego	Oceanside Unified
San Diego	San Ysidro Elementary
San Luis Obispo	Paso Robles Joint Unified
San Mateo	Cabrillo Unified
San Mateo	San Carlos Elementary
Santa Clara	Alum Rock Union Elementary
Santa Clara	Berryessa Union Elementary
Santa Clara	Franklin-McKinley Elementary
Shasta	Cascade Union Elementary
Shasta	Gateway Unified
Solano	Vallejo City Unified
Sonoma	Cotati-Rohnert Park Unified
Sonoma	West Sonoma County Union High
Tulare	Terra Bella Union Elementary
Tuolumne	Curtis Creek Elementary

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, April 4, 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>
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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6610 CALIFORNIA STATE UNIVERSITY

The California State University (CSU) is comprised of 23 campuses. All campuses offer undergraduate and graduate instruction for professional and occupational goals and liberal education programs. For undergraduate programs, each campus requires a basic program of general education regardless of the major selected by the student. In addition to master's-level graduate programs, the CSU offers doctoral-level programs in education, nursing practice, physical therapy, and audiology. The CSU also offers some doctoral degrees jointly with the University of California and with private institutions.

The university is governed by the Board of Trustees, which includes the following 25 members: five ex officio members, 16 members appointed by the Governor to eight-year terms, three members appointed by the Governor to two-year terms (two student representatives, one voting and one non-voting, and one faculty representative), and one alumni representative appointed to a two-year term by the CSU Alumni Council. The Trustees appoint the Chancellor and the campus presidents. The Trustees, the Chancellor, and the presidents develop systemwide policy. The systemwide Academic Senate, made up of elected faculty representatives from the campuses, recommends academic policy to the Board of Trustees through the Chancellor.

The CSU's goals include:

- Offering degree programs in academic and applied areas that are responsive to the needs of citizens of this state and providing for regular review of the nature and extent of these programs.
- Providing public services to the people of California.
- Providing services to students enrolled in the university.
- Offering instruction at the doctoral level jointly with the University of California and with private institutions of postsecondary education, or independently in the fields of education, nursing practice, physical therapy, and audiology.

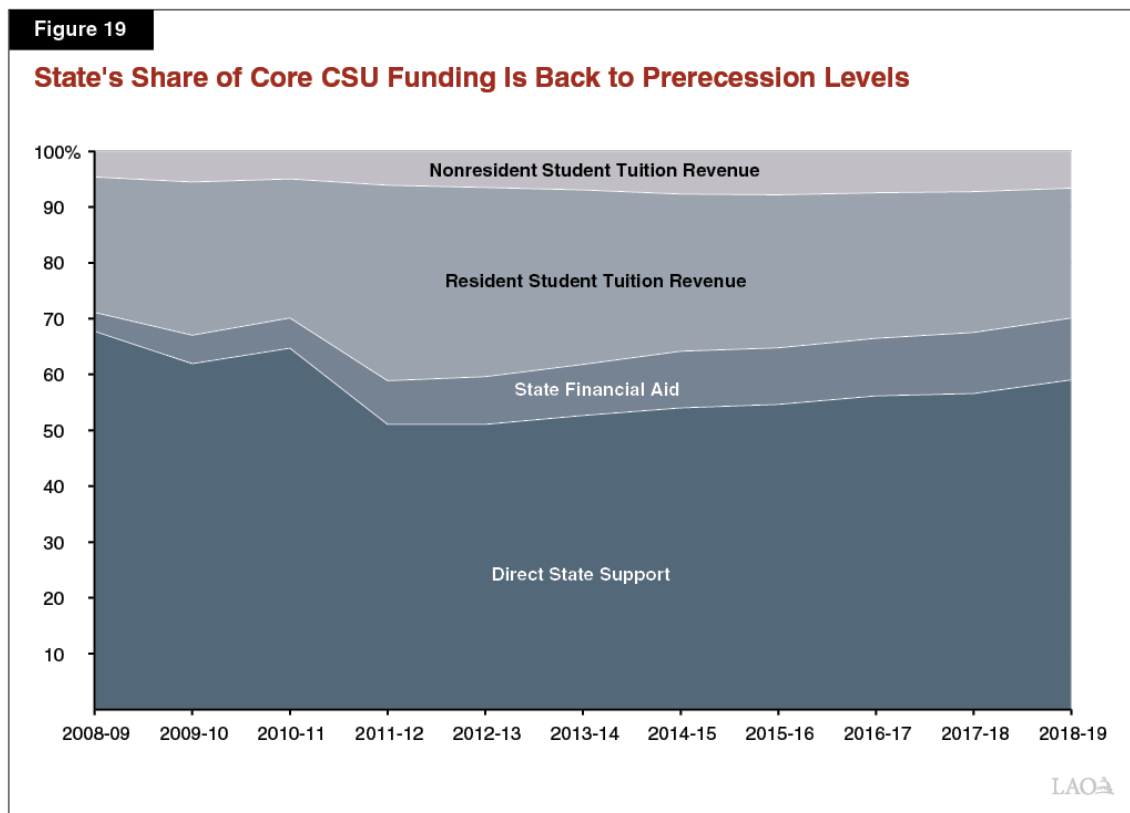
Issue 1: Budget Operations

Panel

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office
- Ryan Storm, California State University

Background

In 2018-19, CSU is receiving a total of \$10.9 billion in funding from all sources. Two-thirds (\$7.4 billion) comes from core funds—a combination of state General Fund, student tuition and fees, and other state funds (primarily lottery funds). The remaining one third (\$3.5 billion) comes from federal funds and other CSU funds (which includes revenue from various campus enterprises such as parking facilities and student dormitories). The LAO chart below provides a breakdown of the state share of core CSU funds.



For full-time resident undergraduate students, CSU currently charges \$5,742 per year for tuition. More than 60 percent of resident undergraduate students receive financial aid to cover tuition. CSU generates approximately \$3.2 billion from tuition and fees. Nonresident students attending CSU pay the base tuition amount charged to resident students as well as a supplemental tuition charge. Nonresident undergraduate students attending full-time currently pay an additional \$11,880 supplemental charge. For 2018-19, the LAO estimates that CSU is generating \$412 million revenue from the tuition and supplemental fee that nonresident students pay.

Compensation Is the Largest Component of CSU's Core Budget. Like other state agencies, salaries and benefits make up a significant share of CSU's core budget (about 75 percent). CSU has more than 50,000 permanent employees. About 90 percent of these employees (primarily consisting of faculty and support staff) are represented, while the remaining 10 percent of employees (primarily consisting of managers and supervisors) are non-represented. Throughout the year, CSU also employs more than 15,000 student assistants and other temporary staff. These groups are not part of a bargaining unit. State law gives the Board of Trustees authority to negotiate collective bargaining agreements. The Chancellor's Office represents the Trustees during these negotiations and the resulting agreements must be ratified by the Trustees before going into effect.

CSU Participates in CalPERS, Is Directly Responsible for a Share of Its Pension Costs. CalPERS administers pension benefits for CSU and most other state employees. Employer contributions to CalPERS are set by the CalPERS board. Historically, the state directly funded all of CSU's employer costs in the annual budget. Several years ago, the state modified its approach to covering CSU pension cost where any new pension costs incurred beyond the 2013-14 payroll level are CSU's direct responsibility.

CalPERS Also Administers CSU's Health Plans. Statute sets a default contribution level whereby CSU pays 100 percent of the average premium cost for employees and 90 percent of the average additional premium costs for dependents (known as the "100/90" formula). Though the 100/90 formula is a default, statute permits CSU to collectively bargain a different formula for employees. (In practice, the 100/90 formula applies to nearly all CSU employees.) Each year when the average premium cost increases, CSU must cover the associated cost for its active employees. The state directly covers the associated cost for retired CSU employees.

Virtually All Represented Employees Currently Under Contract Through 2019-20. The CSU system has 13 represented employee groups. The largest group is the California Faculty Association (CFA), which represents more than 25,000 CSU faculty, librarians, counselors, and coaches. In November 2017, the Trustees ratified a contract with CFA that provides a 3.5 percent general salary increase in November 2018, followed by a 2.5 percent increase in July 2019. In January 2017, the Trustees ratified an agreement with CSU's second largest group (CSU Employees Union), which represents more than 15,000 employees across four bargaining units. Under the agreement, represented employees receive a three percent salary increase retroactive to 2017-18 and three percent increases in both 2018-19 and 2019-20. Of the remaining eight bargaining units (which collectively represent less than one-quarter of CSU employees), seven have approved contracts in place through the end of 2019-20. CSU's approximately 300 member police association currently is the only bargaining unit with an open contract for 2019-20.

2018-19 Budget. The 2018-19 budget provided CSU with \$122 million General Fund ongoing (this was CSU's full budget request) for an unrestricted augmentation, which CSU intends to use primarily for implementing collective bargaining agreements ratified by the Board of Trustees in 2018-19 and covering other employee related cost increases, including higher health premiums for active employees. In addition to this unrestricted base increase, the budget provided \$118 million in ongoing funding for various other costs, including providing additional instruction and support services as part of the Graduation Initiative (\$75 million) and covering higher pension costs (\$22.5 million) and retiree health care costs (\$20.3 million).

Salary Costs for Represented and Non-represented Employees to Increase by \$148 Million in 2019-20. CSU's contract obligations for salary increases totaled \$122 million in 2018-19. The state

effectively covered this cost by providing an unrestricted base augmentation of a like amount in the *2018-19 Budget Act*. CSU estimates that these continuing bargaining agreements, coupled with a planned three percent salary increase for non-represented employees, will total \$148 million in additional costs in 2019-20. Of the \$148 million, \$29 million is to cover CFA's contract, \$30 million for CSUEU's contract, \$13 million to cover the 11 other bargaining units, and \$23 million for non-represented staff.

CSU Has Identified Four Other Operational Cost Pressures. In addition to new salary costs in 2019-20, CSU has identified an additional \$45 million other ongoing mandatory costs:

- **Retirement** - \$26 million attributed to retirement costs above CSU's 2013-14 pensionable payroll level. Of this amount, \$14 million is associated with 2019-20, \$5 million with 2018-19, and \$7 million with 2017-18. Though CSU redirected funds on a short-term basis to cover the prior year amounts, it would like an ongoing increase to cover the costs moving forward.
- **Health Benefits** - \$7.3 million resulting from a 1.3 percent increase in CalPERS negotiated employer health care premium costs.
- **Minimum Wage Increases** - \$6.8 million resulting from an increase in the state minimum wage from \$11 to \$12 per hour beginning January 2019.
- **Facilities** - CSU is scheduled to open about 400,000 square feet of new facility space in 2019-20. CSU estimates that it will incur \$4.7 million in costs associated with operations in this new space in the budget year.

Governor's Budget Proposal

Governor Proposes No Tuition Increase, With State Covering Proposed Cost Increases. The Governor expects CSU not to increase resident tuition in 2019-20. The Governor proposes to retain budget provisional language that effectively triggers a reduction in General Fund support if the Board of Trustees adopts a tuition increase for the coming academic year. The language ties the General Fund reduction to the additional Cal Grant and Middle Class Scholarship costs associated with the tuition increase. At the January Board of Trustees meeting, Chancellor White announced that tuition will remain flat in 2019-20.

Proposes \$193 Million Ongoing for Compensation and Other Operational Costs. According to the Administration, this amount is intended to cover CSU's \$148 million in higher salary costs and \$45 million in mandatory costs. However, budget bill language does not specify a breakdown of funds, instead it states, "\$193 million is provided to support operational costs."

Provides \$64 Million Ongoing for Some Pension Costs and Retiree Health Care Costs. Due to higher CalPERS determined employer contribution rates for 2019-20, the budget provides CSU a \$44 million adjustment. This amount is based on CSU's 2013-14 payroll level, per current policy. In addition, the budget provides a \$20 million adjustment to cover higher health benefit costs for CSU retirees. This adjustment is due to an anticipated increase in the number of retirees in the budget year as well as higher premium costs.

Ongoing Core Funding for CSU Increases Under Governor's Budget
(Dollars in Millions Except Funding Per Student)

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
State General Fund	\$3,713	\$3,959	\$4,324 ^a	\$364	9.2%
Tuition and Fees ^b	3,275	3,251	3,290	39	1.2
Other State Funds ^c	57	44	44	—	—
Totals	\$7,046	\$7,254	\$7,657	\$404	5.6%
FTE students^d	410,060	407,867	415,133	7,266	1.8%
Funding per student	\$17,182	\$17,784	\$18,445	\$661	3.7%

^aIn addition, Governor's budget includes \$7 million ongoing General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses.

^bIncludes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2019-20, CSU plans to provide \$701 million in such aid.

^cIncludes lottery funds and \$2 million ongoing from the State Transportation Fund for transportation research.

^dOne FTE represents 30 credit units for an undergraduate and 24 credit units for a graduate student. Includes resident and nonresident students.

FTE = full-time equivalent.

Legislative Analyst's Office Comments

Recent Bargaining Agreements Generally Have Been More Favorable to CSU Employees Than Other State Employees. Most state agreements now require employees to pay a larger share of their pension and retiree health care costs. In contrast, CSU agreements have not been requiring these higher employee contributions. As a result, the roughly three percent annual salary increases that have been granted the past few years to CSU and other state workers are stretching farther for CSU workers.

Expectations on Future CSU Contracts. At a minimum, the Legislature has an opportunity to signal to the Chancellor's Office what it thinks is reasonable to fund in bargaining contracts for 2020-21. The Legislature could signal its expectation that CSU salary increases be aligned with inflation. Prior to negotiations, the Legislature also could encourage the Chancellor's Office to commission an analysis comparing CSU faculty and staff compensation levels with peer institutions. Such an analysis could include an examination of employee retention rates and the extent to which campuses report having sufficient candidate pools for open positions. Considerations such as these could assist CSU and the Legislature in negotiating and funding new agreements.

Increase the State's Reserves. The Governor's proposed reserve level for 2019-20 will likely be enough for the state to cover a budget problem associated with a mild recession. In this scenario, the Legislature likely would not need to reduce university spending and CSU likely would not need to initiate steep tuition increases. The proposed reserve level, however, likely would be insufficient to weather a longer, moderate-sized recession. The Legislature could increase reserve levels in 2019-20. One way to build more reserves would be to have non-financially needy CSU students bear a portion of any cost increases in the budget year. This would free up some General Fund money that could be redirected to higher reserves.

Staff Recommendation. Hold Open

Issue 2: Enrollment Growth

Panel

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University
- Dr. April Grommo, California State University, Director of Enrollment Management Services

Background

Under the state's 1960 *Master Plan for Higher Education*, community college students who complete their lower division work with a minimum 2.0 grade point average (GPA) are eligible to attend CSU as upper division undergraduate students. The Master Plan limits freshman admission to CSU to the top one-third of high school graduates. To draw from the top 33 percent, CSU has historically structured its admission policies to require high school students to (1) complete a specified set of college preparatory coursework, and (2) attain a certain mix of high school GPA and standardized aptitude test scores (historically SAT or ACT scores).

Impacted Campuses and Programs. While CSU has minimum systemwide eligibility requirements for transfer and freshman applicants, some "impacted" campuses and programs (those with more student demand than available slots) adopt stricter admissions criteria. Currently, six campuses (Cal Poly San Luis Obispo, Fresno State, CSU Fullerton, CSU Long Beach, San Diego State University, and San José State) are fully impacted—having higher admissions criteria for all their programs. In this case, the campus has established a local admission area for first-time freshmen and/or upper-division transfer students. This means that applications from students from outside the designated local area will be held to higher admission requirements than those received from students inside the local area. Most campuses have at least one impacted program, often nursing.

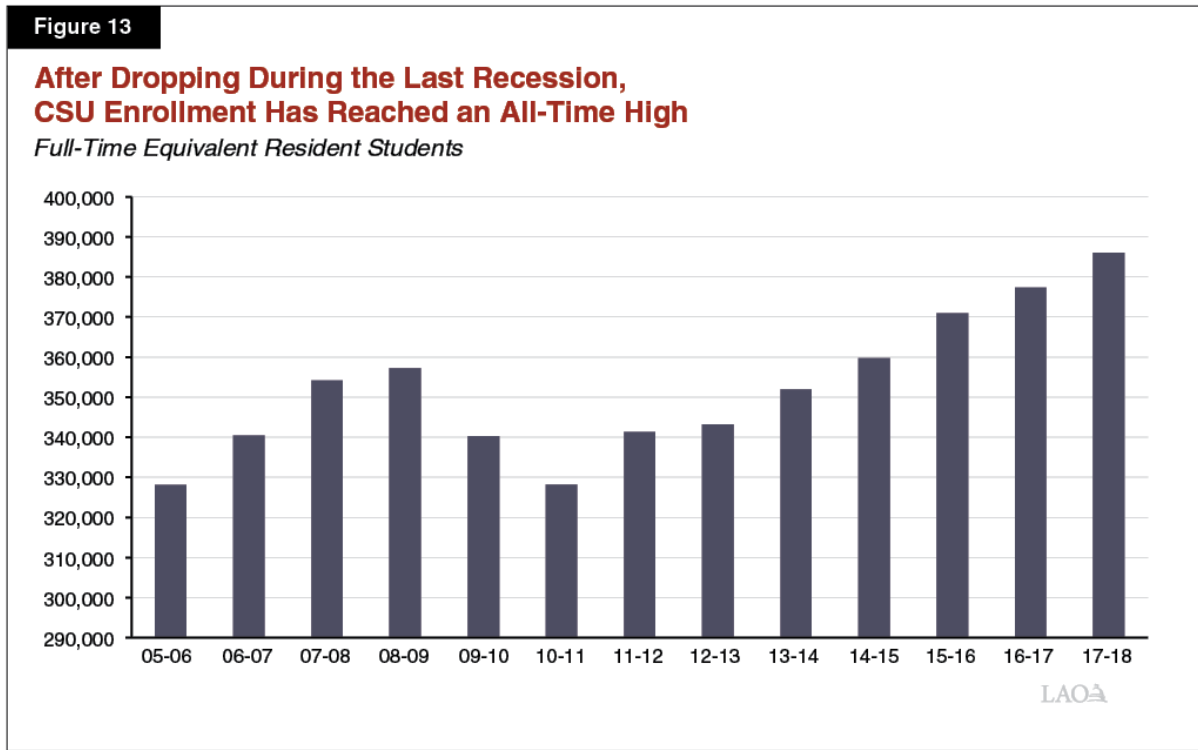
CSU Reports Some Eligible Students Are Being Denied Access. CSU indicates that about 19,000 freshman and 12,000 transfer applicants who met CSU's eligibility requirements for fall 2018 were not accepted at any CSU campus to which they applied. These students are commonly referred to as "denied eligible" students. These students include an unknown mix of eligible students denied access to their local campus and eligible students applying to an out-of-region campus. Chancellor's Office data indicates that 10,708 (56 percent) only applied to one campus (4,080 applied to San Luis Obispo, 1,501 applied to San Diego, and 1,286 applied to Long Beach only). Some of these students may have applied to and been accommodated by colleges in other segments (such as CCC, UC, or a private institution).

In 2017-18, CSU conducted an analysis of these qualified-but-denied students and found data in the National Student Clearinghouse that about 75 percent of qualified-but-denied students enrolled other higher education institutions. Specifically, about 57 percent appeared to be attending a California college: either a UC, private college, or a community college, and 18 percent enrolled in out of state institutions. CSU notes that about 25 percent of students cannot be found in national college databases, indicating these students had good enough grades and test scores to attend CSU but may not be attending college. Staff has requested CSU to provide updated information on this.

Enrollment Targets. In most years, the Legislature provides funding in the annual budget act to support a specified level of enrollment growth at CSU. The total amount of funding provided each year is based on the number of additional students the Legislature wants CSU to enroll multiplied by a per student

funding rate (derived by a “marginal cost” formula). The formula takes into account the additional faculty, support services, and other resources that are required to serve each additional student. The per student costs are shared by the state General Fund and student tuition revenue. In 2019-20, CSU’s marginal cost is \$11,322 per FTE student, with a state share of \$8,499.

CSU Enrollment Is at an All Time High. The resident enrollment levels at CSU have increased each year since 2010-11, growing at an average annual rate of about two percent over the period. In 2017-18, CSU enrolled 386,000 FTE students, about 30,000 more than campuses were serving in 2008-09 (its previous peak).



Legislature Provided CSU One-Time Enrollment Growth Funding in 2018-19. The 2018-19 budget provided CSU with \$120 million General Fund one-time for enrollment growth. Provisional language permits CSU to spend these funds over a four-year period to support a student cohort of 3,641 FTE students (one percent over the 2017-18 level). For 2018-19, CSU has allocated \$21.9 million of the \$120 million to campuses (representing 2,677 FTE students). Funds were distributed based on the increase in average unit load, associate degree for transfer from an impacted campus, and capacity for growth. As a result of this methodology 19 out of 23 campuses received funding. The four campuses that did not receive funding were Chico, Los Angeles, Maritime and San Luis Obispo. Campuses are using these funds for various purposes, including hiring temporary faculty to teach more course sections in spring 2019.

Redirection Policy. CSU notes that the remaining \$98 million will be used to support the undergraduate redirection policy. For the 2019-20 undergraduate application process, qualified students that were denied admission to their campuses of choice will be redirected to six campuses: Bakersfield, Channel Island, Dominguez Hills, Humboldt, San Francisco and Stanislaus. The applicant may select their top two campuses to be redirected to. This is the first year that CSU will implement this policy, therefore it is unclear how many students will accept redirection offers. UC’s redirection policy redirects students

who are qualified for UC but denied admission to UC Merced, and less than two percent of students accept that offer.

Governor's Budget Proposal

Provides \$62 Million Ongoing for Two Percent Enrollment Growth. This amount would fund about 7,300 resident FTE students in 2019-20. The Administration has indicated its intention that this funding be for resident undergraduate students.

In addition, CSU plans to use about \$30 million of the \$120 million in one-time funding the state provided in 2018-19 for enrollment growth. CSU intends to support about 3,600 additional FTE students in 2019-20 with these funds.

CSU Budget Request

CSU requests \$154.74 million General Fund for a five percent increase or 18,207 FTE in undergraduate resident enrollment. This amount is based on a state marginal cost rate of \$8,499 per FTE. This is \$92.74 million General Fund above the Governor's budget.

Legislative Analyst's Office

New Redirection Policy Likely to Increase Enrollment. CSU is unable to predict the impact of this new policy on its enrollment (take) rates. If 10 percent of the approximately 30,000 denied eligible students end up enrolling at CSU, it would mean about 3,000 additional students (headcount), or 2,500 FTE students, would need to be accommodated. CSU intends to use the second year of one-time enrollment monies the Legislature provided in 2018-19 to fund these redirected students. If redirected students have about a 10 percent take rate in 2019-20, CSU likely has enough funding for that cohort of students through 2021-22. Depending upon the results of the new policy, pressure could emerge in 2020-21 to fund another cohort of redirected students.

Staff Comment

The subcommittee may wish to request updated information regarding where qualified-but-denied applicants ultimately enrolled. Additionally, the subcommittee may also wish to request information regarding the impact of the redirection policy, including how many students were eligible to be redirected, which campuses students chose, how many students ultimately enrolled in the campus they were redirected to, and how CSU appropriates the remaining \$98 million General Fund one-time from 2018-19 over the next three years.

Staff Recommendation. Hold Open.

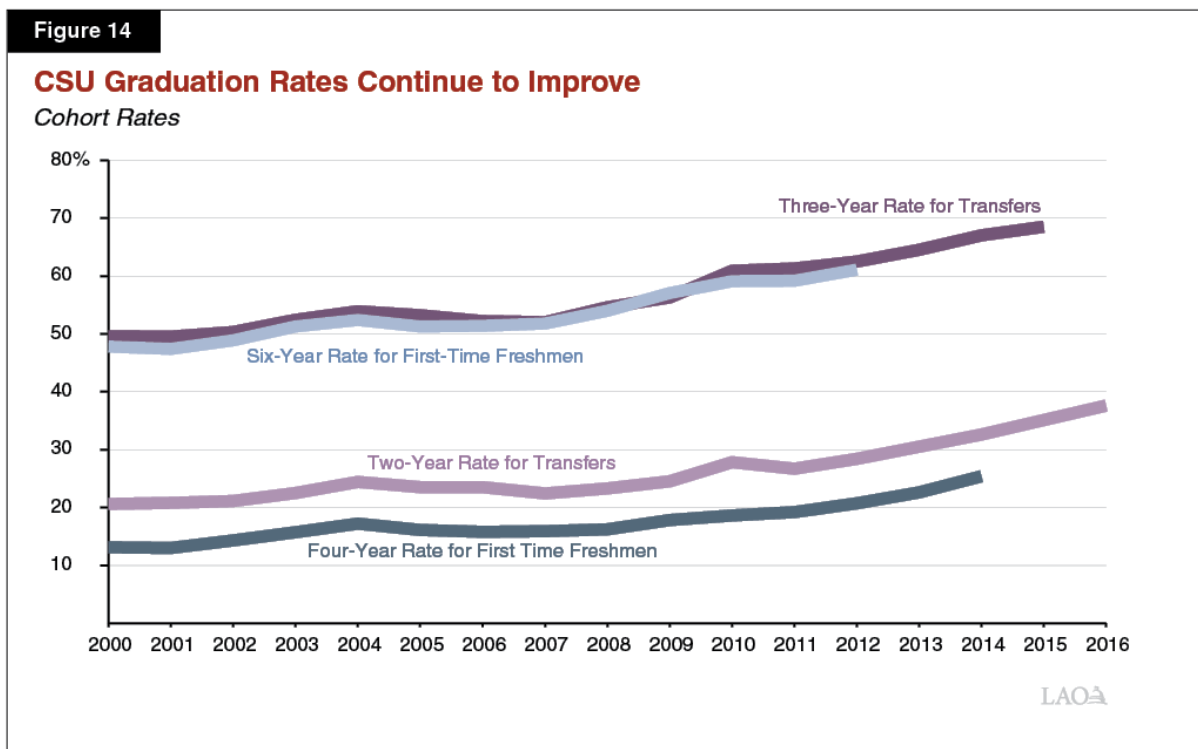
Issue 3: Graduation Initiative

Panel

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office
- Ryan Storm, California State University
- Dr. James Minor, Assistant Vice Chancellor and Senior Strategist for Academic Success and Inclusive Excellence, California State University

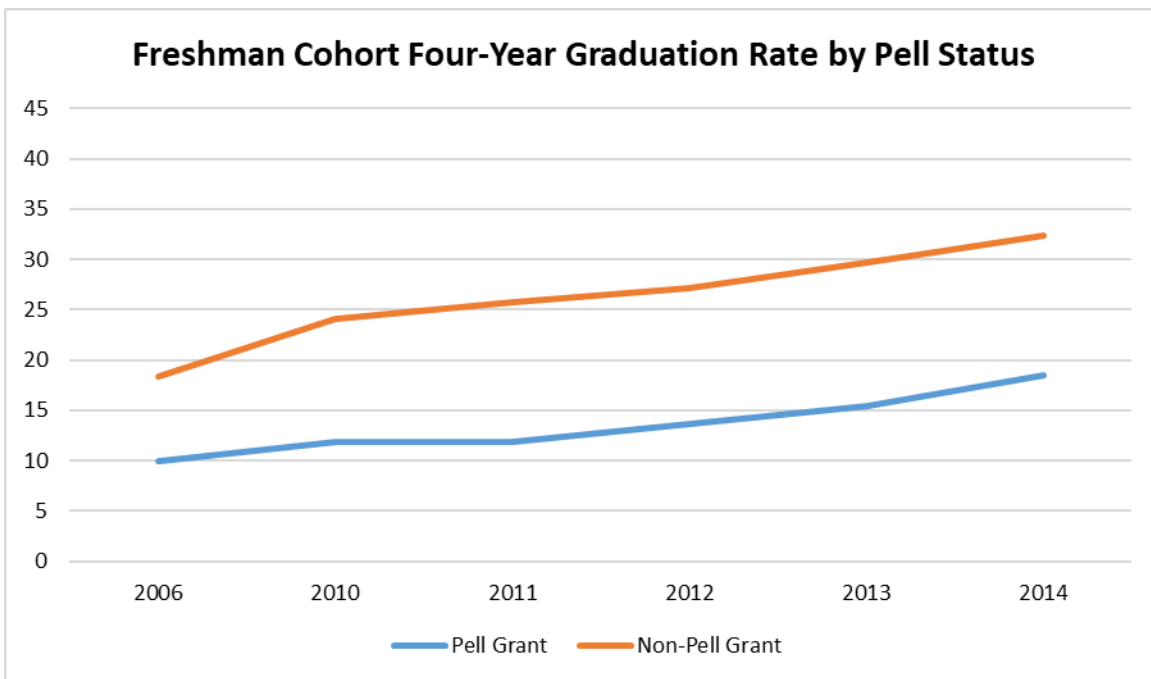
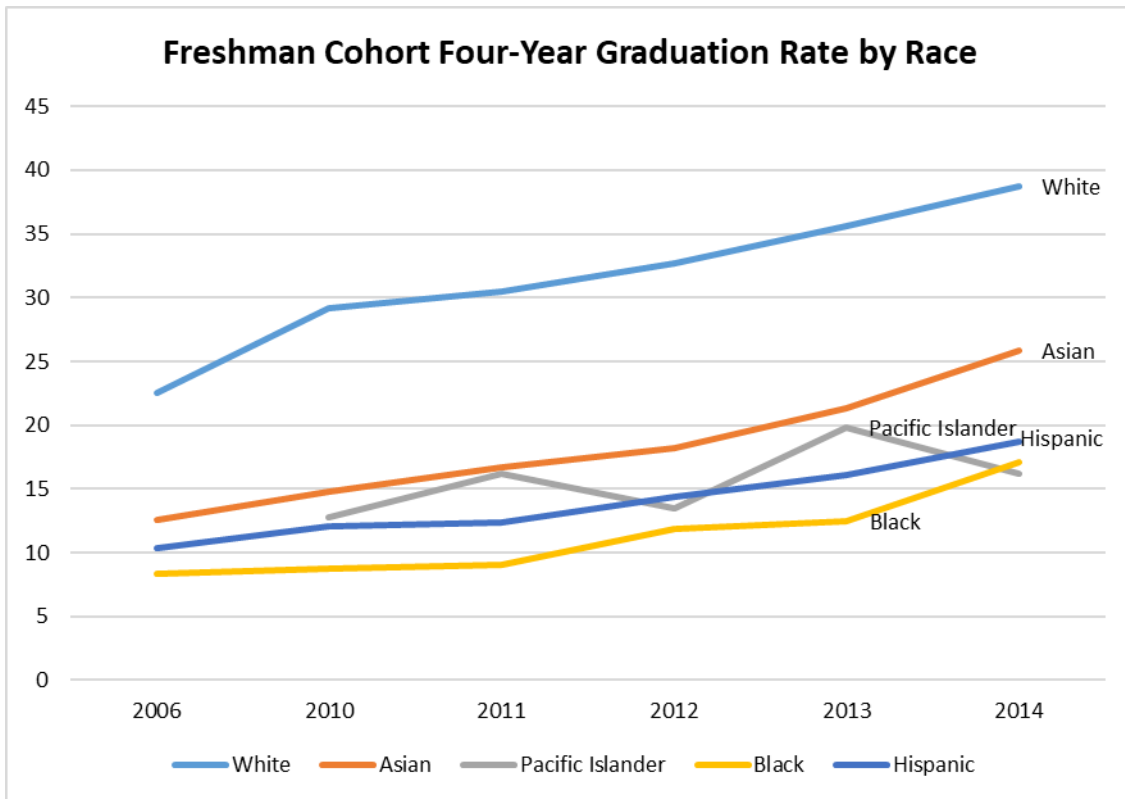
Background

Historically, CSU’s six-year graduation rate for incoming freshmen has been below 50 percent and its four-year rate has been below 15 percent. To address its low graduation rates, CSU launched the Graduation Initiative in 2009. CSU has set a systemwide goal to increase six and four-year graduation rates for first-time freshmen to 70 percent and 40 percent, respectively, by 2025. Currently, the systemwide four-year graduation rate is 25.5 percent, and the six-year graduation rate is 61.2 percent. In addition to systemwide targets, each campus has its own 2025 goals. The Graduation Initiative also seeks to increase graduation rates for transfer students. In addition, CSU has a goal to eliminate achievement gaps among student groups, such as low-income and first generation college students. Graduation rates have been increasing steadily over time for both first-time freshmen and transfer students.



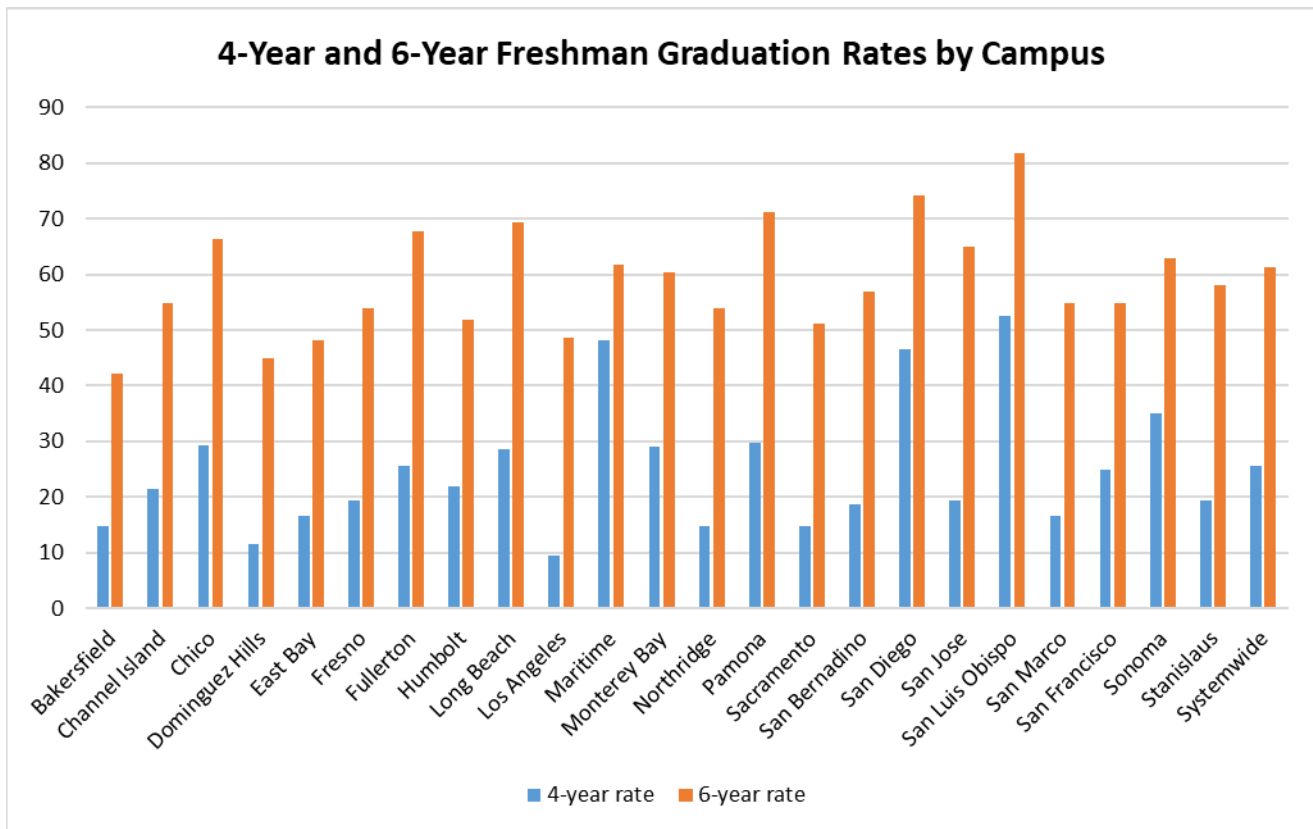
Achievement Gaps by Race, Income and Campus. Historically, graduation rates for low-income students and students from other traditionally underrepresented groups have been significantly lower than other students. The most recent data shows the six-year gap in graduation rates between low-income and non-low-income students has declined slightly (narrowing from an 11 percentage point gap to a 10 percentage point gap). The six-year graduation gap between some racial/ethnic groups also was

slightly smaller for the cohort entering in 2012 than the cohort that began six years earlier. The charts on the following page display the four-year graduation rate among various race and Pell Grant status.



Graduation rates across groups, except for pacific islanders, has gradually increased over the eight years, however, the achievement gap has not significantly changed in that period of time. Given the significant state investment in the Graduation Initiative, the subcommittee may wish to ask how CSU plans to close the achievement gaps for low-income students and students from various ethnic and racial groups, and specific policy changes and best practices have been implemented for this purpose.

In addition to varying graduation rates by race and income, campuses also have varying completion rates. For example, 9.5 percent of freshman at Cal State Los Angeles graduate in four years compared to 14.7 percent of freshman at CSU Sacramento.



CSU Is Currently Designating \$198 Million Ongoing for the Graduation Initiative. The Chancellor’s Office allocates almost all Graduation Initiative funds directly to campuses, reserving a small portion of funds (about \$2 million) for systemwide coordination and technical assistance. While the Chancellor’s Office gives campuses flexibility on how to spend their allocation, most campuses have used their funds to hire additional faculty, offer more course sections in high-demand areas, and provide more student support services.

The 2016-17 budget provided \$35 million one-time for the CSU to increase systemwide and campus four-year graduation rates for freshman, and two-year graduation rates for transfer students. Funds were to be spent on activities related to the Graduation Initiative.

The 2017-18 budget provided \$12.5 million General Fund one-time for the Graduation Initiative. In March 2017, the CSU Board of Trustees voted for a five percent tuition increase, which generated \$78 million in additional net revenue, and CSU officials have indicated that this was used primarily to augment funding for the Graduation Initiative.

Additionally, the 2018-19 budget provided CSU \$75 million in ongoing General Fund to support the Graduation Initiative (which was CSU’s budget ask). The budget also requires the CSU to report on January 15, 2019 and January 15, 2020 on: (1) the amount each campus spent on the Graduation Initiative, (2) how funds were spent, (3) how these activities are linked to research on best practices and campus data on whether these activities have achieved their desired impact, (4) its efforts to close the achievement gap for low-income students, historically underrepresented students, and first generation students, and (5) the growth in management faculty and support staff. The budget also specified that \$25 million ongoing General Fund must be used to increase the number of tenure track faculty. The budget requires the CSU to report by November 1, 2020 and every two years thereafter until funds are fully allocated regarding the number of tenure track faculty, lecturers, and new tenure track faculty by campus, among other data.

For 2017-18, CSU allocated \$75 million from student tuition increase and state investments to campuses based on: (1) \$24 million for base budget increase of \$960,000 per campus, with \$1.9 million for systemwide efforts, (2) \$26 million based on the campuses proportion of students who were eligible for Pell Grants, and (3) \$25 million for recruitment and retention of tenure track faculty.

The Chancellor’s Office reported in January 2019 that campuses used \$75 million in 2017-18 to add more than 2,800 course sections, equating to about 80,000 new seats for students. In tandem with adding more course sections, the Chancellor’s Office reports that the system has been able to increase the average unit load for students from 13 in fall 2015 to 13.3 in fall 2018—equating to about 8,500 FTE students. In addition, a number of campuses report using funds to provide targeted outreach and support services to student groups with historically low graduation rates, including former foster youth and African American males. The CSU reports the following expenditures in 2017-18, and planned expenditures in 2018-19.

2017-18 Graduation Initiative Expenditure
(Dollars in Millions)

Activity	Amount
<u>Hiring additional tenure track faculty and offering additional course sections.</u> Across the system, campuses report hiring 149 new instructional tenure track faculty. This does not include replacing faculty who retired or departed for other opportunities. Across the system, campuses added more than 2,800 new course sections, equating to approximately 80,000 new seats for students. CSU notes that approximately 44 percent of all courses are taught by tenure track faculty. Additionally, 16 percent of the new tenure track faculty positions were filled by lecturers, even though they only made up two percent of the applicant pool.	\$30
<u>Hiring additional advisors.</u> Campuses reduced their student-to-advisor ratios, and hired 101.5 FTE advisors to the system. Campuses also used data and technology tools to help students identify their preferred major earlier and customizing graduation plans.	\$10
<u>Investing in student and academic support programs.</u> CSU notes that the campuses prioritized learning centers, tutoring centers, supplemental instruction and redesign of courses. Additionally, campuses invested in mentoring programs and provided financial	\$35

incentives to students near graduation or in danger of dropping out because of unmet financial need. Campuses also used funds to invest in technology and data analytics.	
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2018-19 Planned Graduation Initiative Expenditure
(Dollars in Millions)

Activity	Amount
<u>Academic preparation and enrollment management.</u> Of this funding, at least \$25 million will hire additional tenure track faculty. Additionally this funding will (1) support redesign of curriculum, (2) expand supplemental instruction, (3) hire 46.5 FTE advisors systemwide, (4) increase technology for academic advising, (5) establish outreach campaigns to encourage higher unit loads, (6) increase academic support systems such as learning labs and tutoring centers.	\$53.9
<u>Student engagement and well-being.</u> This investment will: (1) strengthen cultural centers, (2) develop a framework for meeting basic-needs, (3) expand academic and social integration, and (4) increase opportunities for academic and career exploration.	\$6.6
<u>Financial support.</u> Campuses are working to increase students' financial literacy, offer non-traditional financial support (such as micro-grants or emergency loans), and expanding on-campus student employment opportunities.	\$3.9
<u>Data-driven decision making.</u> Campuses are using funds to improve technology and information infrastructure to facilitate integration of data for campus decision making processes. Campuses are also investing in professional development and using data to conduct assessments of programs and initiatives.	\$7.3
<u>Administrative barriers.</u> Some campuses are developing task forces to analyze student related systems and make recommendations to make them more functional and accessible. Some campuses are also reviewing registration processes, to streamline the experience for students. Campuses are also review drop-for-non-payment and readmission policies.	\$5.3

CSU Is Revising Assessment and Remedial Policies for Incoming Freshmen. Historically, CSU has relied heavily on placement tests to assess students' college readiness. In an effort to improve student outcomes, the 2017-18 Budget Act included provisional language requiring the Trustees to adopt new assessment policies that include placing "significant weight" on incoming students' high school grades in math and English. In August 2017, the Chancellor issued an executive order that requires campuses to discontinue using CSU's math and English placement tests and instead rely on high school grades to place students. In addition, the executive order limits the number of remedial (noncredit bearing) units that academically underprepared students can be required to take and requires campuses to provide students with academic support (such as targeted tutoring). CSU reports that campuses are designating some Graduation Initiative funds for professional development so faculty can redesign math and English curriculum for underprepared students and evaluate results.

CSU Is Also Seeking to Reduce Students' Excess Unit Taking. Standard requirements for graduation typically total 120 semester units (180 quarter units) for a bachelor's degree. Historically, CSU students

have accumulated notably more units than required for graduation. CSU has identified a number of factors that likely have been contributing to excess unit accumulation, including insufficient access to the courses that students need to fulfill degree requirements and too few academic advisors. To help reduce excess unit taking, a number of campuses report that they are using data from students' education plans to better inform which courses to offer each term. In addition, campuses have hired additional academic advisors and acquired technology enhanced advising tools.

Governor's Budget Proposal

Provides \$45 Million Ongoing Augmentation for Graduation Initiative. This would bring ongoing funding for the Graduation Initiative to \$243 million. Though CSU does not have a specific spending plan for the additional funds, the Chancellor's Office indicates campuses likely would use the bulk of the funds to hire additional faculty, offer more sections of high demand courses, and provide more academic advising and other support services, particularly to students at risk of not graduating. These activities are similar to CSU's current Graduation Initiative spending priorities.

CSU Budget Request

CSU is requests an additional \$30 million General Fund ongoing above the Governor's budget proposal, for a total of \$75 million General Fund, to support the Graduation Initiative.

The Governor's budget provides \$30 million less than the CSU request. CSU states that \$30 million could allow for 1,400 more course sections, if all of this funding went to increasing course sections. CSU plans to request \$75 million ongoing annually for five consecutive years. The Legislature may wish to consider if this is sustainable for state, given the additional funding requests for operational cost increases and enrollment growth.

Legislative Analyst's Office Comments

Should the Legislature continue supporting the Graduation Initiative, the LAO recommends linking funding to an expectation that CSU continue to make progress on key student outcomes. The LAO recommends expecting CSU to continue: (1) improving four and six-year graduation rates for first-time freshmen, (2) improving two and three-year graduation rates for transfer students, (3) narrowing achievement gaps among student groups, and (4) reducing excess units.

The LAO recommends the Legislature direct CSU to limit institutional financial aid to no more than four years of full-time attendance or its equivalent for students to avoid excess unit accumulation and maximize aid for other students who are on track. This modification would align CSU's policy with the state's policy for Cal Grants.

The LAO recommends the Legislature direct the Chancellor's Office to modify its systemwide policy on repeating courses. Specifically, the LAO suggests a systemwide policy to limit students to taking the same course twice. The LAO recommends the Chancellor's Office add this data as part of its statutorily required annual performance report. The experience in other states suggests that course failures and repeats can significantly exacerbate excess unit taking. Moreover, by allowing struggling students to take the same course multiple times; campuses may be to contributing to students staying in a course or program that is inappropriate for them.

Staff Recommendation. Hold Open.

Issue 4: Project Rebound

Panel

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University
- Dr. Brady Heiner, Founder & Executive Director of Project Rebound, at CSU Fullerton

Background

Project Rebound was founded in the late 1960s at San Francisco State University. The purpose of the program is to help participants enroll, stay on track, graduate, and pursue a career after release from jail or prison. To that end, Project Rebound staff provide academic advising, personal counseling, mentoring, and other services to students. In 2016, the Opportunity Institute, a nonprofit organization based in Berkeley, provided a total of \$1.7 million (spread over three years) for Project Rebound to expand to other campuses. The Chancellor's Office provided \$600,000 in one-time matching funds for the grant. Currently, nine campuses have a program, specifically, Bakersfield, Fresno, Fullerton, Los Angeles, Pomona, Sacramento, San Diego, San Bernardino and San Francisco. Based on information provided by the Chancellor's Office, the 2018-19 revenue for Project Rebound is approximately \$1.7 million, of which \$1.1 million were from philanthropic grants and \$521,317 were from campus funding, which includes a variety of sources including Associated Students, the CSU Chancellor, and campus Presidents or Provosts. CSU Fullerton has the largest campus budget of \$560,848 (80 percent of their budget was from philanthropic grants); followed by San Francisco with \$471,753 million (84 percent of their budget was from campus funds).

As of fall 2018, Project Rebound was serving a total of 295 students (headcount), the vast majority of whom were undergraduate students. According to the Chancellor's Office, most program participants are transfer students. Many formerly incarcerated students find their way to the program after enrolling at CSU. Other program participants first learn about the program through outreach activities that program staff undertake at community colleges, correctional facilities, and elsewhere.

Project Rebound Is Staffed by a Mix of Full and Part-time Staff. Staffing size varies by campus, with generally between two and seven full or part-time staff employed at each program. Several programs also employ part-time student assistants.

Program Outcome Data Are Limited but Appears to Be Promising. The Chancellor's Office does not centrally collect data on graduation rates of Project Rebound students, and eight of CSU's nine Project Rebound campuses have only been launched within the past three years. The Chancellor's Office, however, recently conducted a survey of Project Rebound campuses. These campuses reported having a total of 119 program participants' graduate in either 2016-17 or 2017-18. Of that number, 104 students (87 percent) either found employment after graduating or enrolled in graduate school. According to the survey, none of the graduates have reoffended to date. The Chancellor's Office is not aware of the number of formerly incarcerated students there are in the system and do not ask students to identify this information.

Governor's Budget Proposal

The Administration proposes \$250,000 General Fund ongoing to support the program. The Administration's intent is for CSU to expand the program to new campuses or increase program enrollment among the nine campuses currently operating Project Rebound. The Administration does not have a detailed expenditure plan specifying how CSU is to use the state funding.

Legislative Analyst's Office Comments

Campuses use Graduation Initiative funds and general operating funds to address the unique needs of various student groups. Though specific priorities vary among campuses, campuses use these funds to provide additional support for former foster youth, African American males, veterans, and undocumented students, among other high priority groups. Given that formerly incarcerated students have many challenges too, this funding also is appropriate for supporting them.

Given the state's interest in rehabilitating offenders, the Legislature might agree with the Governor that serving this population of at risk students is a high priority. If so, the LAO believes Project Rebound efforts would benefit more from leveraging larger existing pots of funding for student support than the very small Project Rebound augmentation proposed by the Governor. Specifically, to improve outreach and support services for formerly incarcerated students across the CSU system, the Legislature could encourage CSU to place a high priority on using Graduation Initiative funding for this purpose. To better monitor outcomes for this student group, the Legislature also may want to begin requiring the Chancellor's Office to include this group in CSU's regular performance reports. Specifically, these reports could begin including the number of students participating in Project Rebound programs, their graduation and recidivism rates, and the amount of Graduation Initiative and other funding campuses are providing to support these students.

Staff Comment

As the LAO noted, the Legislature has had an interest in rehabilitating formerly incarcerated and system impacted individuals. For example, the 2016-17 Budget provided UC Berkeley \$500,000 General Fund one-time to expand the program. Additionally, the 2018-19 budget provided \$5 million Proposition 98 General Fund one-time to create the Reentry Grant Program to support current and formerly incarcerated students. Additionally, the 2018-19 budget also provided \$20 million General Fund over two years to provide supportive services such as bus passes, childcare vouchers, and housing assistance to formerly incarcerated and system impacted individuals who participate in job training. Lastly, the 2018-19 budget also provided \$15 million General Fund one-time to implement AB 1111 (Garcia), Chapter 824, Statutes of 2017, which established the Removing Barriers to Employment Act to assist individuals who have multiple barriers to employment to receive remedial education and work readiness skills.

The subcommittee may wish to ask: (1) what CSU's expenditure plan is for the Governor's proposal, (2) how CSU campuses currently supports formerly incarcerated students, (3) have campuses used Graduation Initiative funding for this purpose, and (4) is there a coordinate approach among support services and the various statewide initiatives for formerly incarcerated people.

Staff Recommendation. Hold Open.

Issue 5: Capital Outlay and Deferred Maintenance

Panel

- Randy Katz, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University
- Vi San Juan, Assistant Vice Chancellor for Capital Planning, California State University

Background

Prior to 2014-15, the state sold bonds to support CSU's academic facilities and paid the associated debt service. Beginning in 2014-15, the state altered this approach by authorizing CSU to begin issuing its own bonds for academic facilities. In a related action, the 2014-15 budget package shifted \$302 million in ongoing base funding into CSU's main support appropriation. The amount equated to what the state was paying for CSU debt service at the time.

Moving forward, CSU is expected to pay off all debt—both for outstanding state bonds and any new CSU bonds—from its main General Fund appropriation. The new process limits the CSU to spending a maximum of 12 percent of its main General Fund appropriation on debt service and pay-as-you-go academic facility projects. By combining capital outlay and support into one CSU budget item, the state intended to incentivize CSU to weigh the tradeoffs of supporting more operating costs (such as compensation increases and enrollment growth) with funding new capital projects.

Administration and Legislature Review CSU's Project Proposals. Under the process now in place, CSU must notify the Legislature and receive approval from the Administration on the projects it intends to pursue with its General Fund support. State law establishes the following project approval timeline:

- In December, CSU submits capital outlay budget change proposals to the Legislature and Administration.
- In February, the Administration submits a list of projects it preliminarily approves to the Legislature.
- No sooner than April, the Administration submits a final list of approved projects to the Legislature.

Under this process, the Legislature can influence which projects are undertaken by (1) signaling its broad infrastructure priorities to the Administration and CSU, (2) conveying any concerns with specific project proposals during February and March legislative hearings, and (3) adjusting CSU's General Fund appropriation to reflect changes in debt service costs or authorized pay-as-you-go projects.

CSU Has Identified Large Backlog of Deferred Maintenance. CSU recently contracted with a third party to visit and assess the condition of its academic buildings and infrastructure. Based primarily on that comprehensive assessment, CSU has identified \$3.7 billion in building systems and components that have reached the end of their useful life and need to be replaced. The Chancellor's Office maintains a campus-by-campus list of deferred maintenance needs and their associated costs. Identified deferred maintenance costs vary widely by campus, from \$8 million at the Bakersfield campus to nearly \$368 million at San Jose State University (the oldest campus in the CSU system). Additionally, CSU estimates that it would need as a system to set aside \$337 million annually to prevent its maintenance backlog from growing. Through 2018-19, these statewide initiatives have provided CSU a total of

\$95 million General Fund one-time. CSU uses university bonds to finance deferred maintenance projects.

Governor's Budget Proposal

On February 8th, the Administration submitted a letter to the Legislature notifying the preliminary approval of 18 capital outlay projects. The LAO chart below summarizes the various projects.

The first and largest project is the systemwide infrastructure improvement project, which totals approximately \$463.9 million (\$359.1 million is CSU revenue bonds). This project supports over 100 improvement projects (attached) throughout the system, such as building system modernization (fire alarm, plumbing, mechanical and electrical), energy management upgrades, and Americans with Disabilities Act compliance. The Chancellor's Office notes that approximately \$230.4 million of the project is attributed to deferred maintenance or renewal of infrastructure that serve academic programs.

The remaining 17 projects are campus specific proposals to renovate an existing building, demolish an old building and replace it with a new one, construct a building addition, or construct a new building to add capacity. The \$1.5 billion in state costs for these projects would be covered with CSU bonds and some one-time state General Fund. The total cost of these projects is \$1.8 billion when campus contributions (such as campus reserves and philanthropic support) are included.

California State University Capital Outlay Projects

Reflects List of Projects CSU Submitted to the State in December 2018 (In millions)

Campus	Project^a	2019-20 State Costs^b	Total Cost^c
Systemwide	Infrastructure improvements	\$359.1	\$463.5
Long Beach	Peterson Hall 1 replacement building	152.5	167.3
San Francisco	Science replacement building	101.2	150.0
San Bernardino	College of Arts and Letters building renovation and addition	97.9	111.0
Chico	Butte Hall renovation	80.2	89.9
Sonoma	Stevenson Hall renovation and addition	83.4	89.4
Stanislaus	New Classroom Building II	80.4	86.7
Dominguez Hills	New Innovation and Instruction building	51.5	83.5
Fresno	Central plant replacement	71.6	79.6
Sacramento	Engineering and Classroom replacement building	67.7	78.3
Channel Islands	Gateway Hall renovation and new instruction building	65.2	71.1
Fullerton	Visual Arts Complex renovation	50.0	65.7
San Marcos	New Applied Sciences and Technology building	50.8	53.2
Northridge	New Sierra Annex building	44.8	50.0
Bakersfield	New Energy and Engineering Innovation Center	40.8	44.6
San Diego	Dramatic Arts building renovation and	33.2	36.9

	new theater building		
Monterey Bay	Classroom renovations in multiple buildings	29.2	29.7
Maritime Academy	Mayo Hall renovation and addition	18.7	18.9
Totals		\$1,478.2	\$1,769.4

^aReflects preliminary plans, working drawings, construction, and equipment for all projects, except for the San Bernardino, Fresno, and San Diego projects, which do not have an equipment component.

^bReflects total state cost for all but two projects. The San Bernardino project has total state costs of \$103.9 million and the Sonoma project has total state costs of \$86.4 million, after accounting for all future phases of the projects.

^cTotal cost includes campus funds (typically reserves or philanthropic support).

^dUnder CSU’s original plan, the \$1.5 billion in state costs would be covered entirely with university bonds. The estimated annual debt service on the bonds is \$98 million, as estimated by the Chancellor’s Office. Under the Governor’s deferred maintenance proposal, CSU would plan to use up to \$247 million in one-time General Fund for a portion of its systemwide infrastructure improvement projects.

CSU Has Identified Existing Bond Capacity It Can Use for Proposed Projects. CSU believes it can accommodate the bulk of the cost for 2019-20 projects within its existing budget using freed up bond capacity. This is because CSU projects that its out year debt service payments will be considerably lower than the \$302 million shifted into its base in 2014-15. The reduction in cost stems both from certain past debts being retired and other debts being refinanced a few years ago, with the benefit of lower associated annual costs. Through this additional bond capacity, CSU believes it can accommodate approximately \$85 million in new annual debt service costs (sufficient to cover \$1.3 billion of the \$1.5 billion in proposed 2019-20 projects).

Governor Proposes \$247 Million One Time for Deferred Maintenance or Child Care Facilities. The Chancellor’s Office has indicated that campuses likely would use the bulk of these funds to address projects on CSU’s 2019-20 systemwide infrastructure improvements list. Proposed provisional language also gives campuses the option to use these funds “to expand campus based child care facility infrastructure to support student parents,” however it is unclear if CSU will utilize funds for this purpose.

According to the Chancellor’s Office, 18 campuses have child care facilities. Specifically, there are 29 individual centers, of which 17 are academic child care programs and 12 are self-supported and operated by an auxiliary. The Chancellor’s Office estimates that academic childcare programs have approximately \$3 million in deferred maintenance needs; however this amount, is not finalized.

Legislative Analyst’s Office Comments

Trade Offs to Consider for Theater Projects at San Diego. This proposal entails two theater related projects. First, CSU proposes to renovate 12,300 asf/18,800 gsf of theater space within the campus’ Dramatic Arts building. The renovation project would address over \$3 million in deferred maintenance issues and provide seating, restrooms, a lobby, and sound/light booth space that is accessible to persons with disabilities. These modifications would result in the loss of 150 seats in the theater, leaving 350 remaining seats. Second, CSU proposes to construct at an adjacent location a new 4,100 asf/6,600 gsf

theater with 150 seats. The new theater would offset the loss of seats from the renovation project. CSU acknowledges that, based on findings from an earlier feasibility study, 350 seats is sufficient for the renovated theater as the campus “rarely needs more than [that amount] for its largest performances.” By building a second theater, however, the campus would be able to stage “multiple simultaneous productions for music, dance and theater.”

The proposal notes that an alternative would be to just renovate the existing theater without adding a second theater. This alternative would cost about \$17 million less (about half the cost) of the combined renovation and new theater proposal. In assessing this proposal, the Legislature may wish to weigh whether the benefit of having two theaters on campus that are available for simultaneous arts performances outweighs the additional cost and the other possible projects that could be supported with \$17 million.

Recommend Providing Funds for Deferred Maintenance but Requiring Reporting and a Plan to Eliminate Backlog. The LAO recommends the Legislature require (1) CSU to report at spring hearings on the specific projects it plans to undertake, and (2) the Department of Finance to report no later than January 1, 2023 on the status of the various CSU projects that were funded. In addition, the LAO recommends the Legislature require CSU to submit by December 1, 2019, a long-term plan for eliminating its existing backlog of deferred maintenance. This plan should identify funding sources and propose a multiyear schedule of payments to retire the backlog.

In addition, to prevent the backlog from growing or reemerging in future years, the LAO recommends the Legislature work with CSU to identify ways to improve existing maintenance practices. For example, CSU could commit to setting aside the necessary level of funds for its scheduled maintenance or the state could earmark a like amount of funds directly in the annual budget act for that purpose.

Withhold Recommendation on Proposal to Use One-Time Funds for Campus Child Care Facilities. To date, the Legislature lacks information on how these facilities are currently funded, who operates them, the general condition of these facilities, and whether the facilities currently have capacity issues. Without this type of basic information, the Legislature is unable to assess the merit of the Governor’s proposal. The LAO recommends the Legislature request the Administration provide this type of information at spring hearings so the Legislature can make an informed decision about whether to approve the proposal.

Staff Comment

Staff notes that it has been difficult for the Legislature to provide oversight over capital outlay throughout implementation of the new process and therefore it is unclear whether these projects are the best projects to address state priorities.

Deferred Maintenance. CSU’s adopted budget included \$250 million one-time to address deferred maintenance. The Governor’s proposed budget provides \$247 million General Fund one-time and an estimated \$230 million in CSU bonds.

Regarding childcare facilities, the Chancellor’s Office notes that the overwhelming need for maintenance of academic buildings would likely mean that most of the funding would go toward those projects. If the Subcommittee wishes to prioritize increasing child care availability for CSU students, faculty and staff, and better support academic programs tied to these centers, it could consider whether legislative direction is needed to specify that a certain amount be spent on this activity.

Staff agrees with the LAO regarding information on campus child care facilities. The subcommittee may wish to ask how these facilities are currently being funded, what the deferred maintenance needs are, if the CSU intends to fund these projects, and if there are capacity issues. Currently, there are approximately 21,392 community college students, 766 University of California students, and 6,475 CSU students who have dependent children and receive a Cal Grant. The subcommittee may wish to consider which system has the greatest deferred maintenance needs of child care facilities and programs.

Staff has concerns about lack of transparency and accountability associated with \$247 million General Fund for deferred maintenance. In previous years, under Control Section 6.10, before the allocation of funds, the Department of Finance was required to submit a list to the Joint Legislative Budget Committee of deferred maintenance projects associated with each department 30 days prior to the allocation of funds. The Department of Finance is also required to report changes to cost of projects greater than \$1 million, and provide comprehensive updates on all projects. On March 7th, the Senate Budget Subcommittee No. 4 on State Administration and General Government adopted supplemental reporting language requiring the Department of Finance to notify the chair of the Joint Legislative Budget Committee prior to allocating deferred maintenance funding to the department.

Staff Recommendation. Hold Open.

Issue 6: New Campus Study

Speaker

- Senator Ben Hueso, 40th Senate District

Panel

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University

Background

CSU Enrolls 418,062 Students at 23 Campuses. All CSU campuses enroll resident and nonresident, undergraduate and graduate students, and almost all campuses offer a broad array of academic programs. The exception is the Maritime Academy, which focuses solely on maritime professions. Graduate enrollment accounts for 30,711 FTEs. CSU campuses tend to be smaller than UC campuses, but significant variation exists across the CSU system. Four campuses enroll more than 30,000 students, seven campuses enroll between 20,000 and 30,000 students, five campuses enroll between 10,000 and 20,000 students, and seven campuses enroll fewer than 10,000 students.

Campus Enrollment Fall 2018

Campus	County	FTE Undergraduate	Total Enrollment
Bakersfield	Kern	8,144	9,212
Channel Islands	Ventura	6,101	6,277
Chico	Butte	15,419	16,437
Dominguez Hills	Los Angeles	11,195	12,712
East Bay	Alameda	10,543	12,371
Fresno	Fresno	19,695	22,236
Fullerton	Orange	28,954	32,530
Humboldt	Humboldt	6,827	7,362
Long Beach	Los Angeles	27,659	31,571
Los Angeles	Los Angeles	20,895	23,606
Maritime Academy	Solano	1,087	1,107
Monterey Bay	Monterey	6,237	6,701
Northridge	Los Angeles	29,713	32,409
Pomona	Los Angeles	22,118	23,078
Sacramento	Sacramento	24,526	26,720
San Bernardino	San Bernardino	16,125	17,749
San Diego	San Diego	28,316	31,988
San Francisco	San Francisco	22,732	25,094
San Jose	Santa Clara	23,808	27,979
San Luis Obispo	San Luis Obispo	20,453	21,204
San Marcos	San Diego	11,821	12,288

Sonoma	Sonoma	8,145	8,674
Stanislaus	Stanislaus	7,868	8,760
Totals		378,376	418,062
^a Includes both resident and nonresident students.			

LAO New Campus Study. Senate Bill 81 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2015 required the LAO to review the need for new University of California (UC) or CSU campus, taking a systemwide perspective for UC and a regional perspective for CSU. SB 81 required the LAO to consider a variety factors, including enrollment demand and enrollment capacity. In January 2017, the LAO submitted their report to the Legislature, which concluded that a new campus was not warranted at that time. Specifically, the LAO found that there is significant enrollment capacity at UC and CSU's existing campuses, and that every CSU region could accommodate projected enrollment growth.

CSU Campuses Also Operate Off-Campus Centers Serving Undergraduates. At CSU only, campuses have established a number of off-campus sites that provide undergraduate instruction. These centers provide commuting undergraduate students with opportunities to take some or all of their coursework at a nearby center instead of the main campus. Several of CSU's most recently constructed campuses converted or replaced former off-campus centers. While CSU has 18 off-campus centers (eight for undergraduate instruction and 10 of which are extension centers, not supported by state or systemwide funding).

The eight centers are Antelope Valley (in Lancaster), Concord, Irvine, Palm Desert, Imperial Valley Calexico, Brawley, Downtown San Francisco, and Stockton. These eight centers enroll undergraduate students whose instruction is supported with state funding and systemwide student tuition. Many centers are located within a one-hour drive from a main campus. These centers typically offer a limited set of programs, requiring students to take courses both at the center and the main campus to complete their degree requirements. Centers more distant from their main campus tend to offer a wider variety of courses so that students can complete their degrees entirely at the center. Historically, centers have provided only upper-division course offerings, expecting their students to complete lower-division coursework at a nearby community college. The Chancellor's Office provided staff with enrollment and capacity information regarding CSU satellite campuses.

CSU's Undergraduate–Serving Off–Campus Centers
Full–Time Equivalent Enrollment

Center	Main Campus	FTE Enrollment	Additional FTE Capacity
Irvine	Fullerton	1,240	None
Imperial Valley - Calexico	San Diego	629	422
Brawley	San Diego	70	None
Palm Desert	San Bernardino	861	1,060
Concord	East Bay	366	682
Antelope Valley (Lancaster)	Bakersfield	425	None
Downtown San Francisco	San Francisco	241	None
Stockton	Stanislaus	232	788
Total		4,064	2,952

CSU Off–Campus Centers Have Low Facility Use Year Round. The 2017 LAO report notes that CSU tracks the use of its facilities at its four state–owned off–campus centers (Concord, Palm Desert, Calexico, and Stockton). These sites have the lowest facility use in the CSU system, far lower than most CSU campuses. Because these centers are small relative to CSU's main campuses, increasing their use would have a small effect on CSU's overall capacity. Specifically, the centers could accommodate a total of around 3,500 additional students by increasing use of their existing facilities.

Governor's Budget Proposal

The Governor's budget summary proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely Stockton. However, there is currently no trailer bill or budget bill language regarding the proposal. The Administration states that a more detailed proposal will be released in May.

Staff Comments

Senator Ben Hueso submitted a letter to the Senate Budget and Fiscal Review Committee requesting an additional \$2 million for a campus in Chula Vista, California. The letter notes that the City of Chula Vista is committed to creating a University and Innovation District on 375 acres of city-owned land in Eastern Chula Vista. The city aims to recruit a four-year university that will integrate with commercial, retail and residential functions in an urban, mixed-use setting.

Staff Recommendation. Hold Open.

Issue 7: Basic Needs**Panel**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Denise Bevly, California State University Chancellor's Office

Background

Previous Budget Actions. The 2017-18 budget provided CSU \$2.5 million one-time General Fund for UC to create incentive funding grants for campuses to be designated as a “hunger-free campus.” Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, required a hunger-free campus to include: (1) a campus employee designated to help ensure that students have the information that they need to enroll in CalFresh also known as Supplemental Nutrition Assistance Program (SNAP), which provides eligible students with up to \$192 per month. This does not negatively impact their financial aid packages, (2) an on-campus food pantry or regular food distributions on campus, (3) a meal sharing program that allows students to voluntarily donate their unused meal plan credits, and (4) a campus employee designated to work with student volunteers of the meal sharing program.

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

On March 26, 2019, the CSU submitted the report to the Legislature. The report notes that:

- All 23 campuses have a food pantry or food distribution program. Food pantries on CSU campuses were open, on average, from 10 am to 5 pm Monday through Friday. The unduplicated number of students served was 35,372.
- Approximately, 4,379 unduplicated students faculty and staff donated campus meals.
- CSU Northridge is the only campus systemwide that has been approved to participate in the CalFresh Restaurant Meal Program (RMP), which is an optional county program that allows CalFresh recipients who are 60 years of age or older, disabled, or homeless to use their CalFresh benefits to purchase lower cost prepared meals at approved participating restaurants in certain counties. Northridge has 13 retailers on campus that accept RMP.
- Six campuses, Humboldt, Long Beach, Northridge, Pomona, San Diego and San Francisco accept electronic benefit transfer (EBT). EBT is the automated system that allows CalFresh, CalWORKS, and other cash benefit recipients to use a card, much like a debit card, to access their food and cash benefits. CSU notes that six campuses are in the process to accept EBT on campus, including Chico, Dominguez Hills, Fresno, Los Angeles, Stanislaus and San Jose.
- All 23 campuses offer students CalFresh application assistance. CSU has 366 staff systemwide that provides CalFresh referral and information on other anti-hunger services.
- Half of CSU campuses do not have a designate basic needs center, which is a central location on campus where basic needs resources services and staff are made available for students.

Governor's Budget Proposal

The Governor's budget provides CSU with \$15 million one-time General Fund for basic needs partnerships. The Governor's budget proposal does not provide details about the proposal, such as what a basic needs partnership is, how much should be spent for hunger or homelessness, or update on how funding is spent or for what purpose.

CSU Budget Request

The CSU's adopted budget includes \$15 million one-time for basic needs partnerships. CSU notes that it began a systemwide initiative in 2015 to develop programs and strategies to support students experiencing food and housing insecurity and overall mental health and safety challenges. These strategies include increasing CalFresh outreach and application assistance, on-campus food distribution programs, and partnerships with non-profit and governmental agencies that provide direct services to students.

Given the Governor's budget proposal, CSU notes that it will create a request-for-proposal (RFP) process for this funding; requiring campuses to submit plans to address all or some of the following issues:

- Housing insecurity, such as plans to reserve dormitory rooms or create hotel voucher programs for students in need of temporary housing.
- Food insecurity, such as continuing or expanding efforts to enroll qualified students in the federal CalFresh program.
- Mental health services for students.
- General student wellness programs.

Legislative Analyst's Office Comments

The LAO does not have a position regarding the Governor's proposal.

Staff Comments

Transparency. The Legislature lacks key information regarding how \$15 million General Fund one-time funding will be spent. The subcommittee may wish to ask CSU to report back regarding a plan on how funds will be spend, such as how much will be spent on hiring coordinators and direct services, and how much will be spent to address hunger, homelessness or mental health. Should the Legislature approve this proposal, the subcommittee may wish to require reporting on outcomes associated with funding, and how services were coordinated with various community and state programs, as well as how many students were served.

Total Cost of Attendance. The Legislature may wish to take a holistic approach in addressing student basic needs, and consider all proposals and programs that seek to address this. For example, the Cal Grant B Access Award provides eligible students up to \$1,672 to address living expenses. The Federal Pell Grant provides up to \$6,095 to cover tuition or living expenses. Additionally, the Department of Social Services also provides services and programs that assist families experiencing homelessness. Moreover, the Public Utilities Commission offer discounted utility bill for qualified customers.

The Legislature is currently reviewing various legislative proposals that seek to address the total cost-of-attendance at the state's public universities. Additionally, the Governor's 2019-20 budget proposal also includes \$7.7 billion to address housing and homelessness across various departments and the subcommittee may wish to consider how this proposal fits into the larger discussion.

Housing. CSU notes that it will create an RFP for the Governor's proposal, which will include a housing component. CSU notes that more than two-thirds of campuses offer on-campus emergency housing or vouchers for off-campus housing and four campuses provide assistance with long-term housing arrangements. The Legislature may wish to request additional information on how many students receive these services, which campuses provide them, and how is this funded.

Mental Health. All campuses have a student health center, which licensed professionals provide basic health services, consultation and referral to off-campus providers as needed. In 2018-19, each campus charged a mandatory student health fee averaging \$320, ranging from \$120 to \$680. For qualifying students, campus fees may be covered by eligible student financial aid programs. Campus based fees are not allowed to exceed substantially the cost of health services provided at the campus. Students are not charged additional fees for basic health services, except in cases where laboratory tests must be sent externally or for the actual cost of acquiring vaccines and medications.

CSU policy outlines that: (1) all campuses must offer short-term individual and group counseling/therapy services, (2) campuses must provide immediate responses to suicidal and violent behavior, (3) campuses address mental health crisis that occurring during counseling centers hours of operation, (4) campuses provide outreach, educational workshops, programs and services, (5) mental health professionals may provide consultative services to members of the university community, and (6) on campus mental health professionals must identify appropriate referrals within the institution and local community. There are approximately 223 FTE counselors employed systemwide. In 2018, the systemwide ratio of counselors to students is 1:2,156; this is lower than the 2016 ratio, which was 1:2,477.

In spring of 2018, CSU administered a National College Health Assessment (NCHA), a study to provide insight into student health habits, behaviors and perception, with 22 campuses participating. Approximately 22,000 students participated in the survey with campus response rates ranging from four percent to 12 percent. The survey found that students self-reported experiencing various mental health issues, with 41.8 percent of respondents experiencing depression, 62.9 percent overwhelming anxiety, 6.6 intentional self-harm, 11.6 percent seriously considered suicide, and 1.8 percent attempted suicide, among others. Respondents also self-reported that they were diagnosed or treated by a professional for the following mental health conditions, 17.4 percent for anxiety, 14.2 percent for depression, and 9.3 percent for panic attacks, among others. The subcommittee may wish to ask what is the average wait time for students seeking services, how many counselors will the Governor's budget proposal fund, and are there vacancy rates for counselor and psychiatrists at campuses.

EBT. Given that only six campuses currently accept EBT, and six more are planning to accept it, the subcommittee may wish to ask if CSU has a timeline and plan for all campuses to accept EBTs? Are there efforts have campuses made to enroll students into CalFresh? If so, how many students has CSU helped enroll? As noted earlier, AB 1809 created a working group to improve coordination and access to student benefits. The Legislature may wish to ask for an update regarding this workgroup.

Staff Recommendation. Hold Open.

2019-2020 Infrastructure Improvements Program Project List

Cost Estimates are at Engineering News Record California Construction Cost Index 6840 and Equipment Price Index 3443

ACADEMIC PROJECTS

Campus	Project Title	Ph.	Deferred Maintenance/ Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
Bakersfield	Performing Arts Center Building Renovation	PWcCE	3,000,000	1,400,000	4,200,000	5,600,000	5,600,000
Bakersfield	Chilled Water Line Upgrades	PWC		146,000	1,911,000	2,057,000	7,657,000
Bakersfield	PE Building Renovation/Addition (Seismic)	PWC		142,000	1,997,000	2,139,000	9,796,000
Channel Islands	North Campus Hydronic Loop Extension	PWC		456,000	8,003,000	8,459,000	18,255,000
Channel Islands	Sewer and Potable Water Improvements, Ph. 2	PW		150,000	0	150,000	18,405,000
Channel Islands	Building HVAC Upgrades (Aliso Hall/Broome Library)	PWC		26,000	225,000	251,000	18,656,000
Channel Islands	South Campus Hydronic Loop Extension	PWC		285,000	5,304,000	5,589,000	24,245,000
Channel Islands	BTU Meter Replacement for Hydronic Loops	PWC	151,000	16,000	135,000	151,000	24,396,000
Channel Islands	Electrical and Fire Alarm Upgrades, Ph. 2	PWC		48,000	427,000	475,000	24,871,000
Channel Islands	ADA Access Improvements, Ph. 2	PWC		15,000	135,000	150,000	25,021,000
Channel Islands	Building Reroofing, Ph. 1	PWC	715,000	72,000	643,000	715,000	25,736,000
Channel Islands	Window and Door Lock Replacement, Ph. 2	PW	16,000	16,000	0	16,000	25,752,000
Chico	Physical Sciences Upgrades (Surge)	PWC	7,000,000	1,500,000	13,500,000	15,000,000	40,752,000
Chico	Main Switchgear and Electrical System Renewal	PWC	11,678,000	1,000,000	10,678,000	11,678,000	52,430,000
Chico	Warehouse and Facilities Services Yard	PWC		1,940,000	1,000,000	2,940,000	55,370,000
Chico	Meriam Library Building Renewal	PWC	5,500,000	500,000	5,000,000	5,500,000	60,870,000
Chico	Langdon Building Renewal	PWC	5,500,000	500,000	5,000,000	5,500,000	66,370,000
Dominguez Hills	Cain Library Fire/Life Safety and Code Upgrades (Seismic)	PWC	2,000,000	1,687,000	16,827,000	18,514,000	84,884,000
Dominguez Hills	La Corte Hall Fire/Life Safety and ADA Upgrades	PWC		1,125,000	9,804,000	10,929,000	95,813,000
Dominguez Hills	Utility Connection/16.5kV Substation	P		150,000	0	150,000	95,963,000
Dominguez Hills	ADA Path of Travel Upgrade	PWC		120,000	1,200,000	1,320,000	97,283,000
Dominguez Hills	Exterior LED Lighting Upgrades	PWC		500,000	0	500,000	97,783,000
Dominguez Hills	Interior LED Lighting Upgrades	PWC		500,000	0	500,000	98,283,000
East Bay	Music Robinson, Theatre HVAC/Boiler Replacement, Ph. 2	PWC	2,226,000	223,000	2,003,000	2,226,000	100,509,000
East Bay	Library Annex Seismic Upgrade, Ph. 2	PWC		375,000	2,837,000	3,212,000	103,721,000
East Bay	Electrical Infrastructure Upgrade, Ph. 2D	WC		311,000	2,803,000	3,114,000	106,835,000
East Bay	PE Building Substation Replacement	WC	1,082,000	108,000	974,000	1,082,000	107,917,000
East Bay	Music Robinson, Theatre HVAC/Chiller Replacement, Ph. 3	PWC	1,285,000	127,000	1,158,000	1,285,000	109,202,000
Fresno	Utility Infrastructure Improvements (Domestic Wells)	PWC		0	500,000	500,000	109,702,000
Fresno	Life/Fire Safety	PWC		0	2,513,000	2,513,000	112,215,000
Fresno	Interior (Lecture) Modernizations	PWC		5,700,000	0	5,700,000	117,915,000
Fullerton	Physical Services Complex Renovation/Replacement	PWcC		8,000,000	2,238,000	10,238,000	128,153,000
Fullerton	Life Safety and ADA Code Upgrades	PWC		100,000	1,000,000	1,100,000	129,253,000
Fullerton	Sanitary Sewer Infrastructure	PWC	2,184,000	200,000	1,984,000	2,184,000	131,437,000
Fullerton	ADA Code Upgrades	PWC		100,000	1,100,000	1,200,000	132,637,000
Fullerton	Kinesiology and Health Science Pool Safety Improvements	PWC		0	2,000,000	2,000,000	134,637,000
Humboldt	Substation Replacement	PWC	2,000,000	200,000	1,800,000	2,000,000	136,637,000
Humboldt	1605 Samoa Renewal/Renovation	PWC		2,327,000	7,979,000	10,306,000	146,943,000
Humboldt	Gist Hall Renewal/Renovation	PW		422,000	0	422,000	147,365,000
Humboldt	Building Controls	PWC	1,167,000	118,000	1,049,000	1,167,000	148,532,000
Humboldt	Fire Alarm Replacement, Ph. 3	PWC	535,000	46,000	489,000	535,000	149,067,000
Humboldt	Exterior LED Lighting Retrofit	PWC		96,000	858,000	954,000	150,021,000

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ACADEMIC PROJECTS cont'd

Campus	Project Title	Ph.	Deferred Maintenance/ Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
Long Beach	Microbiology HVAC Replacement, Ph. 2	C	2,865,000	0	2,865,000	2,865,000	152,886,000
Long Beach	Building Façade Repairs	C	2,700,000	0	2,700,000	2,700,000	155,586,000
Long Beach	Classroom Renovations (Surge)/UAM Expansion (HC, LA1)	PWCE		8,500,000	14,000,000	22,500,000	178,086,000
Long Beach	HHW South Loop Lateral Replacement	C	3,160,000	0	3,160,000	3,160,000	181,246,000
Long Beach	HHW North Loop Replacement	PWC	6,540,000	480,000	6,060,000	6,540,000	187,786,000
Long Beach	Natural Gas South Loop Replacement	PWC	760,000	394,000	366,000	760,000	188,546,000
Long Beach	Electrification of Central Plant Boiler System	PW		1,178,000	0	1,178,000	189,724,000
Long Beach	South Campus Reclaimed Water	PW		259,000	0	259,000	189,983,000
Long Beach	Pneumatic Control Conversion to DDC	PW	138,000	138,000	0	138,000	190,121,000
Long Beach	Window Replacement for Energy Efficiency (LA1,LA5,FO2,FO3)	PW	375,000	375,000	0	375,000	190,496,000
Los Angeles	Physical Sciences, Ph. 5 (Seismic)	C	9,592,000	9,592,000	0	9,592,000	200,088,000
Los Angeles	Elevator Renewal	PWC	2,000,000	1,000,000	1,000,000	2,000,000	202,088,000
Los Angeles	Fire Alarm System Upgrades	PWC		500,000	1,000,000	1,500,000	203,588,000
Los Angeles	ADA Path of Travel Upgrades	PWC		0	1,672,000	1,672,000	205,260,000
Los Angeles	Telecom System Replacement	PWC	17,489,000	0	17,489,000	17,489,000	222,749,000
Maritime Academy	Hillside Emergency Stabilization	PWC	3,420,000	188,000	3,232,000	3,420,000	226,169,000
Maritime Academy	Harbor Dredging	PWC	640,000	0	640,000	640,000	226,809,000
Maritime Academy	Faculty Drive Repairs and Stabilization, Ph. 2	PWC	6,000,000	0	6,000,000	6,000,000	232,809,000
Maritime Academy	Residence Hall Road Repairs	PWC	3,420,000	188,000	3,232,000	3,420,000	236,229,000
Maritime Academy	SIM Building Redundant UPS	PWC		0	85,000	85,000	236,314,000
Maritime Academy	Lower Campus ADA Improvements	PWC		18,000	348,000	366,000	236,680,000
Maritime Academy	Upper Campus ADA Improvements	PWC		18,000	348,000	366,000	237,046,000
Monterey Bay	Seismic Projects	PWC		0	2,000,000	2,000,000	239,046,000
Monterey Bay	Infrastructure Improvements	PWC		0	2,000,000	2,000,000	241,046,000
Monterey Bay	ADA Projects	PWC		0	4,000,000	4,000,000	245,046,000
Northridge	Electrical Infrastructure	PWC	3,482,000	304,000	3,178,000	3,482,000	248,528,000
Northridge	Heating System Replacement, Ph. 5B	C	5,654,000	0	5,654,000	5,654,000	254,182,000
Northridge	Bookstore Annex, Ph. 2 Repair and Replace	PWC	1,650,000	150,000	1,500,000	1,650,000	255,832,000
Pomona	Center for Regenerative Studies HVAC Renewal	PWC	5,582,000	728,000	4,854,000	5,582,000	261,414,000
Pomona	Roof Renewal, Multiple Buildings	PWC	3,313,000	432,000	2,881,000	3,313,000	264,727,000
Sacramento	Hornet Stadium Press Box	PWcCE	3,544,000	1,544,000	2,000,000	3,544,000	268,271,000
Sacramento	Building Switches, Ph. 2	PWC	1,495,000	317,000	1,178,000	1,495,000	269,766,000
Sacramento	Storm Water Renovations	PWC	2,225,000	364,000	1,861,000	2,225,000	271,991,000
Sacramento	Fire Alarms, Ph. IV	PWC		357,000	2,594,000	2,951,000	274,942,000
Sacramento	ADA Upgrades	PWC		63,000	738,000	801,000	275,743,000
San Bernardino	Health and Physical Education Arena Floor Replacement	PWC	1,520,000	200,000	1,320,000	1,520,000	277,263,000
San Bernardino	Performing Arts Elevator Safety Upgrade	PWC		79,000	395,000	474,000	277,737,000
San Bernardino	Pfau Library Elevators Safety Upgrade	PWC		176,000	1,403,000	1,579,000	279,316,000
San Bernardino	Fire Alarm Replacement	PWC	1,121,000	142,000	979,000	1,121,000	280,437,000
San Bernardino	Pfau Library 2nd Floor Classroom Renewal	PWC	1,626,000	110,000	1,516,000	1,626,000	282,063,000
San Diego	Utilities Critical Infrastructure 1A	PWC	2,000,000	1,000,000	1,000,000	2,000,000	284,063,000
San Diego	Utilities Critical Infrastructure 1B	PWC	1,500,000	500,000	1,000,000	1,500,000	285,563,000
San Diego	Utilities Critical Infrastructure 1C	PWC	2,583,000	235,000	2,348,000	2,583,000	288,146,000

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ACADEMIC PROJECTS cont'd

Campus	Project Title	Ph.	Deferred Maintenance/ Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
San Francisco	Heating Hot Water System Renewal	PWC	4,998,000	500,000	4,498,000	4,998,000	293,144,000
San Francisco	Thornton Hall Sprinkler System and Fire Alarm	PWC		1,982,000	3,177,000	5,159,000	298,303,000
San Francisco	Hensill Hall Sprinkler System and Fire Alarm	PWC		449,000	7,044,000	7,493,000	305,796,000
San Francisco	Hensill Hall Renewal	PWC	6,073,000	107,000	5,966,000	6,073,000	311,869,000
San Francisco	Fine Arts and Creative Arts Improvements	PWC		340,000	3,058,000	3,398,000	315,267,000
San Francisco	Fire Hydrants Renewal, Ph. 2 Campuswide	PWC	1,049,000	105,000	944,000	1,049,000	316,316,000
San Francisco	Tiburon-Seismic, Infrastructure, ADA, Modernization Upgrades	PWC	2,000,000	360,000	3,236,000	3,596,000	319,912,000
San Francisco	Fire Alarm Replacement, Fine Arts	PWC	1,069,000	107,000	962,000	1,069,000	320,981,000
San Francisco	Central Plant/Campus Critical Utility Projects	PWC	1,834,000	183,000	1,651,000	1,834,000	322,815,000
San Francisco	Data Center Emergency Power Upgrade	PWC		102,000	914,000	1,016,000	323,831,000
San Francisco	ADA Fire Alarm Upgrades, Campus	PWC		115,000	1,037,000	1,152,000	324,983,000
San Francisco	Portable Generator Quick Connects	PWC		198,000	1,778,000	1,976,000	326,959,000
San Francisco	Sanitary Sewer/Storm/Domestic Water Critical Projects	PWC	2,531,000	253,000	2,278,000	2,531,000	329,490,000
San Francisco	Business Building Heating System Replacement	PWC	2,404,000	240,000	2,164,000	2,404,000	331,894,000
San Francisco	Thornton Hall ADA Restroom Upgrade	PWC		158,000	1,424,000	1,582,000	333,476,000
San Francisco	Cox Stadium, Creative Arts, Bus. ADA Restroom Upgrade	PWC		167,000	1,503,000	1,670,000	335,146,000
San José	Electrical Infrastructure Renewal	PWC	2,500,000	1,250,000	1,250,000	2,500,000	337,646,000
San José	Engineering Building Renewal	PWC	1,045,000	95,000	950,000	1,045,000	338,691,000
San José	Roof Replacement, Multiple Buildings	PWC	985,000	95,000	890,000	985,000	339,676,000
San José	Restroom ADA Upgrades, Multiple Buildings	PWC	1,300,000	245,000	2,450,000	2,695,000	342,371,000
San José	MLK Library Escalator Replacement	PWC	6,000,000	6,000,000	0	6,000,000	348,371,000
San Luis Obispo	Sewer Line Repairs	PWC	3,500,000	1,500,000	2,000,000	3,500,000	351,871,000
San Luis Obispo	Substation Redundancy	PW		283,000	0	283,000	352,154,000
San Luis Obispo	Administration HVAC Replacement	P	411,000	411,000	0	411,000	352,565,000
San Marcos	Craven Hall HVAC Renewal	PWC	12,977,000	780,000	12,197,000	12,977,000	365,542,000
San Marcos	Service Road - Life/Safety Upgrades	PWC		195,000	1,776,000	1,971,000	367,513,000
San Marcos	Underground Piping Repl. Academic Hall to Univ. Hall	PWC	2,158,000	206,000	1,952,000	2,158,000	369,671,000
Sonoma	Salazar Hall Building Renewal (Academic Excellence Ctr.)	CE		0	6,098,000	6,098,000	375,769,000
Sonoma	Schulz Info. Ctr. Building Renewal (Student Success Ctr.)	CE		0	2,442,000	2,442,000	378,211,000
Sonoma	Classroom Renewal and Modular Units	PWcCE		947,000	2,124,000	3,071,000	381,282,000
Stanislaus	ADA Barrier Removal	PWC		83,000	750,000	833,000	382,115,000
Stanislaus	Acacia Court HVAC Replacement (Stockton Ctr.)	PWC	5,105,000	360,000	4,745,000	5,105,000	387,220,000
Systemwide	Statewide Energy Storage Program	PWC		36,302,000	0	36,302,000	423,522,000
Systemwide	HVAC and Electrical Upgrades	PWC	30,000,000	0	50,000,000	50,000,000	473,522,000
Total ACADEMIC Infrastructure Improvements Program			\$ 230,372,000	\$ 114,394,000	\$ 359,128,000	\$ 473,522,000	\$ 473,522,000

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ACADEMIC PROJECTS

Campus	Project Title	Ph.	Deferred Maintenance/ Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
Bakersfield	Performing Arts Center Building Renovation	PWcCE	3,000,000	1,400,000	4,200,000	5,600,000	5,600,000
Bakersfield	Chilled Water Line Upgrades	PWC		146,000	1,911,000	2,057,000	7,657,000
Bakersfield	PE Building Renovation/Addition (Seismic)	PWC		142,000	1,997,000	2,139,000	9,796,000
Channel Islands	North Campus Hydronic Loop Extension	PWC		456,000	8,003,000	8,459,000	18,255,000
Channel Islands	Sewer and Potable Water Improvements, Ph. 2	PW		150,000	0	150,000	18,405,000
Channel Islands	Building HVAC Upgrades (Aliso Hall/Broome Library)	PWC		26,000	225,000	251,000	18,656,000
Channel Islands	South Campus Hydronic Loop Extension	PWC		285,000	5,304,000	5,589,000	24,245,000
Channel Islands	BTU Meter Replacement for Hydronic Loops	PWC	151,000	16,000	135,000	151,000	24,396,000
Channel Islands	Electrical and Fire Alarm Upgrades, Ph. 2	PWC		48,000	427,000	475,000	24,871,000
Channel Islands	ADA Access Improvements, Ph. 2	PWC		15,000	135,000	150,000	25,021,000
Channel Islands	Building Reroofing, Ph. 1	PWC	715,000	72,000	643,000	715,000	25,736,000
Channel Islands	Window and Door Lock Replacement, Ph. 2	PW	16,000	16,000	0	16,000	25,752,000
Chico	Physical Sciences Upgrades (Surge)	PWC	7,000,000	1,500,000	13,500,000	15,000,000	40,752,000
Chico	Main Switchgear and Electrical System Renewal	PWC	11,678,000	1,000,000	10,678,000	11,678,000	52,430,000
Chico	Warehouse and Facilities Services Yard	PWC		1,940,000	1,000,000	2,940,000	55,370,000
Chico	Meriam Library Building Renewal	PWC	5,500,000	500,000	5,000,000	5,500,000	60,870,000
Chico	Langdon Building Renewal	PWC	5,500,000	500,000	5,000,000	5,500,000	66,370,000
Dominguez Hills	Cain Library Fire/Life Safety and Code Upgrades (Seismic)	PWC	2,000,000	1,687,000	16,827,000	18,514,000	84,884,000
Dominguez Hills	La Corte Hall Fire/Life Safety and ADA Upgrades	PWC		1,125,000	9,804,000	10,929,000	95,813,000
Dominguez Hills	Utility Connection/16.5kV Substation	P		150,000	0	150,000	95,963,000
Dominguez Hills	ADA Path of Travel Upgrade	PWC		120,000	1,200,000	1,320,000	97,283,000
Dominguez Hills	Exterior LED Lighting Upgrades	PWC		500,000	0	500,000	97,783,000
Dominguez Hills	Interior LED Lighting Upgrades	PWC		500,000	0	500,000	98,283,000
East Bay	Music Robinson, Theatre HVAC/Boiler Replacement, Ph. 2	PWC	2,226,000	223,000	2,003,000	2,226,000	100,509,000
East Bay	Library Annex Seismic Upgrade, Ph. 2	PWC		375,000	2,837,000	3,212,000	103,721,000
East Bay	Electrical Infrastructure Upgrade, Ph. 2D	WC		311,000	2,803,000	3,114,000	106,835,000
East Bay	PE Building Substation Replacement	WC	1,082,000	108,000	974,000	1,082,000	107,917,000
East Bay	Music Robinson, Theatre HVAC/Chiller Replacement, Ph. 3	PWC	1,285,000	127,000	1,158,000	1,285,000	109,202,000
Fresno	Utility Infrastructure Improvements (Domestic Wells)	PWC		0	500,000	500,000	109,702,000
Fresno	Life/Fire Safety	PWC		0	2,513,000	2,513,000	112,215,000
Fresno	Interior (Lecture) Modernizations	PWC		5,700,000	0	5,700,000	117,915,000
Fullerton	Physical Services Complex Renovation/Replacement	PWcC		8,000,000	2,238,000	10,238,000	128,153,000
Fullerton	Life Safety and ADA Code Upgrades	PWC		100,000	1,000,000	1,100,000	129,253,000
Fullerton	Sanitary Sewer Infrastructure	PWC	2,184,000	200,000	1,984,000	2,184,000	131,437,000
Fullerton	ADA Code Upgrades	PWC		100,000	1,100,000	1,200,000	132,637,000
Fullerton	Kinesiology and Health Science Pool Safety Improvements	PWC		0	2,000,000	2,000,000	134,637,000
Humboldt	Substation Replacement	PWC	2,000,000	200,000	1,800,000	2,000,000	136,637,000
Humboldt	1605 Samoa Renewal/Renovation	PWC		2,327,000	7,979,000	10,306,000	146,943,000
Humboldt	Gist Hall Renewal/Renovation	PW		422,000	0	422,000	147,365,000
Humboldt	Building Controls	PWC	1,167,000	118,000	1,049,000	1,167,000	148,532,000
Humboldt	Fire Alarm Replacement, Ph. 3	PWC	535,000	46,000	489,000	535,000	149,067,000
Humboldt	Exterior LED Lighting Retrofit	PWC		96,000	858,000	954,000	150,021,000

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ACADEMIC PROJECTS cont'd

Campus	Project Title	Ph.	Deferred Maintenance/Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
Long Beach	Microbiology HVAC Replacement, Ph. 2	C	2,865,000	0	2,865,000	2,865,000	152,886,000
Long Beach	Building Façade Repairs	C	2,700,000	0	2,700,000	2,700,000	155,586,000
Long Beach	Classroom Renovations (Surge)/UAM Expansion (HC, LA1)	PWCE		8,500,000	14,000,000	22,500,000	178,086,000
Long Beach	HHW South Loop Lateral Replacement	C	3,160,000	0	3,160,000	3,160,000	181,246,000
Long Beach	HHW North Loop Replacement	PWC	6,540,000	480,000	6,060,000	6,540,000	187,786,000
Long Beach	Natural Gas South Loop Replacement	PWC	760,000	394,000	366,000	760,000	188,546,000
Long Beach	Electrification of Central Plant Boiler System	PW		1,178,000	0	1,178,000	189,724,000
Long Beach	South Campus Reclaimed Water	PW		259,000	0	259,000	189,983,000
Long Beach	Pneumatic Control Conversion to DDC	PW	138,000	138,000	0	138,000	190,121,000
Long Beach	Window Replacement for Energy Efficiency (LA1,LA5,FO2,FO3)	PW	375,000	375,000	0	375,000	190,496,000
Los Angeles	Physical Sciences, Ph. 5 (Seismic)	C	9,592,000	9,592,000	0	9,592,000	200,088,000
Los Angeles	Elevator Renewal	PWC	2,000,000	1,000,000	1,000,000	2,000,000	202,088,000
Los Angeles	Fire Alarm System Upgrades	PWC		500,000	1,000,000	1,500,000	203,588,000
Los Angeles	ADA Path of Travel Upgrades	PWC		0	1,672,000	1,672,000	205,260,000
Los Angeles	Telecom System Replacement	PWC	17,489,000	0	17,489,000	17,489,000	222,749,000
Maritime Academy	Hillside Emergency Stabilization	PWC	3,420,000	188,000	3,232,000	3,420,000	226,169,000
Maritime Academy	Harbor Dredging	PWC	640,000	0	640,000	640,000	226,809,000
Maritime Academy	Faculty Drive Repairs and Stabilization, Ph. 2	PWC	6,000,000	0	6,000,000	6,000,000	232,809,000
Maritime Academy	Residence Hall Road Repairs	PWC	3,420,000	188,000	3,232,000	3,420,000	236,229,000
Maritime Academy	SIM Building Redundant UPS	PWC		0	85,000	85,000	236,314,000
Maritime Academy	Lower Campus ADA Improvements	PWC		18,000	348,000	366,000	236,680,000
Maritime Academy	Upper Campus ADA Improvements	PWC		18,000	348,000	366,000	237,046,000
Monterey Bay	Seismic Projects	PWC		0	2,000,000	2,000,000	239,046,000
Monterey Bay	Infrastructure Improvements	PWC		0	2,000,000	2,000,000	241,046,000
Monterey Bay	ADA Projects	PWC		0	4,000,000	4,000,000	245,046,000
Northridge	Electrical Infrastructure	PWC	3,482,000	304,000	3,178,000	3,482,000	248,528,000
Northridge	Heating System Replacement, Ph. 5B	C	5,654,000	0	5,654,000	5,654,000	254,182,000
Northridge	Bookstore Annex, Ph. 2 Repair and Replace	PWC	1,650,000	150,000	1,500,000	1,650,000	255,832,000
Pomona	Center for Regenerative Studies HVAC Renewal	PWC	5,582,000	728,000	4,854,000	5,582,000	261,414,000
Pomona	Roof Renewal, Multiple Buildings	PWC	3,313,000	432,000	2,881,000	3,313,000	264,727,000
Sacramento	Hornet Stadium Press Box	PWcCE	3,544,000	1,544,000	2,000,000	3,544,000	268,271,000
Sacramento	Building Switches, Ph. 2	PWC	1,495,000	317,000	1,178,000	1,495,000	269,766,000
Sacramento	Storm Water Renovations	PWC	2,225,000	364,000	1,861,000	2,225,000	271,991,000
Sacramento	Fire Alarms, Ph. IV	PWC		357,000	2,594,000	2,951,000	274,942,000
Sacramento	ADA Upgrades	PWC		63,000	738,000	801,000	275,743,000
San Bernardino	Health and Physical Education Arena Floor Replacement	PWC	1,520,000	200,000	1,320,000	1,520,000	277,263,000
San Bernardino	Performing Arts Elevator Safety Upgrade	PWC		79,000	395,000	474,000	277,737,000
San Bernardino	Pfau Library Elevators Safety Upgrade	PWC		176,000	1,403,000	1,579,000	279,316,000
San Bernardino	Fire Alarm Replacement	PWC	1,121,000	142,000	979,000	1,121,000	280,437,000
San Bernardino	Pfau Library 2nd Floor Classroom Renewal	PWC	1,626,000	110,000	1,516,000	1,626,000	282,063,000
San Diego	Utilities Critical Infrastructure 1A	PWC	2,000,000	1,000,000	1,000,000	2,000,000	284,063,000
San Diego	Utilities Critical Infrastructure 1B	PWC	1,500,000	500,000	1,000,000	1,500,000	285,563,000
San Diego	Utilities Critical Infrastructure 1C	PWC	2,583,000	235,000	2,348,000	2,583,000	288,146,000

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ACADEMIC PROJECTS cont'd

Campus	Project Title	Ph.	Deferred Maintenance/ Renewal	Campus Reserves Budget	SRB-AP Budget	Total Project Budget	Cumulative Total Project Budget
San Francisco	Heating Hot Water System Renewal	PWC	4,998,000	500,000	4,498,000	4,998,000	293,144,000
San Francisco	Thornton Hall Sprinkler System and Fire Alarm	PWC		1,982,000	3,177,000	5,159,000	298,303,000
San Francisco	Hensill Hall Sprinkler System and Fire Alarm	PWC		449,000	7,044,000	7,493,000	305,796,000
San Francisco	Hensill Hall Renewal	PWC	6,073,000	107,000	5,966,000	6,073,000	311,869,000
San Francisco	Fine Arts and Creative Arts Improvements	PWC		340,000	3,058,000	3,398,000	315,267,000
San Francisco	Fire Hydrants Renewal, Ph. 2 Campuswide	PWC	1,049,000	105,000	944,000	1,049,000	316,316,000
San Francisco	Tiburon-Seismic, Infrastructure, ADA, Modernization Upgrades	PWC	2,000,000	360,000	3,236,000	3,596,000	319,912,000
San Francisco	Fire Alarm Replacement, Fine Arts	PWC	1,069,000	107,000	962,000	1,069,000	320,981,000
San Francisco	Central Plant/Campus Critical Utility Projects	PWC	1,834,000	183,000	1,651,000	1,834,000	322,815,000
San Francisco	Data Center Emergency Power Upgrade	PWC		102,000	914,000	1,016,000	323,831,000
San Francisco	ADA Fire Alarm Upgrades, Campus	PWC		115,000	1,037,000	1,152,000	324,983,000
San Francisco	Portable Generator Quick Connects	PWC		198,000	1,778,000	1,976,000	326,959,000
San Francisco	Sanitary Sewer/Storm/Domestic Water Critical Projects	PWC	2,531,000	253,000	2,278,000	2,531,000	329,490,000
San Francisco	Business Building Heating System Replacement	PWC	2,404,000	240,000	2,164,000	2,404,000	331,894,000
San Francisco	Thornton Hall ADA Restroom Upgrade	PWC		158,000	1,424,000	1,582,000	333,476,000
San Francisco	Cox Stadium, Creative Arts, Bus. ADA Restroom Upgrade	PWC		167,000	1,503,000	1,670,000	335,146,000
San José	Electrical Infrastructure Renewal	PWC	2,500,000	1,250,000	1,250,000	2,500,000	337,646,000
San José	Engineering Building Renewal	PWC	1,045,000	95,000	950,000	1,045,000	338,691,000
San José	Roof Replacement, Multiple Buildings	PWC	985,000	95,000	890,000	985,000	339,676,000
San José	Restroom ADA Upgrades, Multiple Buildings	PWC	1,300,000	245,000	2,450,000	2,695,000	342,371,000
San José	MLK Library Escalator Replacement	PWC	6,000,000	6,000,000	0	6,000,000	348,371,000
San Luis Obispo	Sewer Line Repairs	PWC	3,500,000	1,500,000	2,000,000	3,500,000	351,871,000
San Luis Obispo	Substation Redundancy	PW		283,000	0	283,000	352,154,000
San Luis Obispo	Administration HVAC Replacement	P	411,000	411,000	0	411,000	352,565,000
San Marcos	Craven Hall HVAC Renewal	PWC	12,977,000	780,000	12,197,000	12,977,000	365,542,000
San Marcos	Service Road - Life/Safety Upgrades	PWC		195,000	1,776,000	1,971,000	367,513,000
San Marcos	Underground Piping Repl. Academic Hall to Univ. Hall	PWC	2,158,000	206,000	1,952,000	2,158,000	369,671,000
Sonoma	Salazar Hall Building Renewal (Academic Excellence Ctr.)	CE		0	6,098,000	6,098,000	375,769,000
Sonoma	Schulz Info. Ctr. Building Renewal (Student Success Ctr.)	CE		0	2,442,000	2,442,000	378,211,000
Sonoma	Classroom Renewal and Modular Units	PWcCE		947,000	2,124,000	3,071,000	381,282,000
Stanislaus	ADA Barrier Removal	PWC		83,000	750,000	833,000	382,115,000
Stanislaus	Acacia Court HVAC Replacement (Stockton Ctr.)	PWC	5,105,000	360,000	4,745,000	5,105,000	387,220,000
Systemwide	Statewide Energy Storage Program	PWC		36,302,000	0	36,302,000	423,522,000
Systemwide	HVAC and Electrical Upgrades	PWC	30,000,000	0	50,000,000	50,000,000	473,522,000
Total ACADEMIC Infrastructure Improvements Program			\$ 230,372,000	\$ 114,394,000	\$ 359,128,000	\$ 473,522,000	\$ 473,522,000

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, April 11, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee and Elisa Wynne

Items for Discussion

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6870 CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) is the largest system of community college education in the United States, serving approximately 2.1 million students annually, with 1.2 million of these full-time equivalent students. The CCC system is made up of 114 colleges operated by 72 community college districts throughout the state. California’s two-year institutions provide programs of study and courses, in both credit and noncredit categories, which address its three primary areas of mission: education leading to associates degrees and university transfer; career technical education; and basic skills. The community colleges also offer a wide range of programs and courses to support economic development and specialized populations.

As outlined in the Master Plan for Higher Education in 1960, the community colleges were designated to have an open admission policy and bear the most extensive responsibility for lower-division, undergraduate instruction. The community college mission was further revised with the passage of Assembly Bill 1725 (Vasconcellos), Chapter 973, Statutes of 1988, which called for comprehensive reforms in every aspect of community college education and organization.

The Board of Governors (BOG) of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The board has 17 members appointed by the Governor, subject to Senate confirmation. Twelve members are appointed to six-year terms and two student members, two faculty members, and one classified member are appointed to two-year terms. The objectives of the board are:

- Provide direction, and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

Additionally, key functions include setting minimum standards for districts, maintaining comprehensive educational and fiscal accountability system and overseeing statewide programs.

3-YEAR EXPENDITURES AND POSITIONS †

	Positions			Expenditures		
	2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
5670 Apportionments	10.6	10.6	10.6	\$7,753,473	\$8,179,124	\$8,569,976
5675 Special Services and Operations	134.7	132.9	133.9	1,722,414	1,853,136	1,694,648
5685 Mandates	-	-	-	32,274	33,279	34,243
9900200 Administration - Distributed	-	-	-	-	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	145.3	143.5	144.5	\$9,508,161	\$10,065,539	\$10,298,867

California Community Colleges Funding by Source
(Dollars in Millions Except Funding Per Student)

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
Proposition 98					
General Fund	\$5,757	\$6,055	\$6,117	\$62	1.0%
Local property tax	2,963	3,119	3,321	202	6.5
Subtotals	(\$8,720)	(\$9,174)	(\$9,438)	(\$264)	(2.9%)
Other State					
Other General Fund ^a	\$466	\$819	\$683	-\$136	-16.6%
Lottery	231	253	253	— ^b	-0.1
Special funds	96	95	93	-2	-2.2
Subtotals	(\$793)	(\$1,167)	(\$1,028)	(-\$138)	(-11.9%)
Other Local					
Enrollment fees	\$457	\$457	\$459	\$2	0.4%
Other local revenues ^c	4,644	4,663	4,685	22	0.5
Subtotals	(\$5,102)	(\$5,120)	(\$5,145)	(\$24)	(0.5%)
Federal	\$288	\$288	\$288	—	—
Totals	\$14,903	\$15,749	\$15,899	\$150	1.0%
Full-Time Equivalent (FTE) Students	1,125,224	1,132,757	1,136,214	3,457	0.3%
Proposition 98 Funding Per FTE Student	\$7,749	\$8,099	\$8,306	\$207	2.6%
Total Funding Per FTE Student	\$13,244	\$13,903	\$13,993	\$89	0.6%

^aIn 2018-19 and 2019-20, includes the Governor's proposal to provide supplemental payments to the California State Teachers' Retirement System.

^bProjected to decline by \$211,000.

^cPrimarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

Issue 1: Student Centered Funding Formula

Panel

- Michelle Nguyen, Department of Finance
- Edgar Cabral, Legislative Analyst's office
- Christian Osmeña, Community College Chancellor's Office

Background

Prior to 2018-19, the state based general purpose apportionment funding for both credit and noncredit instruction almost entirely on full time equivalent (FTE) enrollment. Last year, the state changed the credit-based apportionment formula, now known as the Student Centered Funding Formula (SCFF), to include three main components, described in the next three paragraphs. For each of the three components, the state set new per-student funding rates. In future years, these underlying rates are to receive a cost-of-living adjustment (COLA). The new formula does not apply to credit enrollment generated from incarcerated students or high school students. It also does not apply to noncredit enrollment. Apportionments for these students remain based entirely on enrollment.

Base Allocation. As with the prior apportionment formula, the base allocation gives each district certain amounts for each of its colleges and state-approved centers. It also gives each district funding for each credit FTE student (\$3,727 in 2018-19). Calculating a district's FTE student count involves several somewhat complicated steps, but basically a district is funded based on a three-year rolling average of its FTE student count. The rolling average takes into account a district's current-year FTE count and counts for the prior two years. As discussed later, enrollment growth for the budget year is funded separately.

Supplemental Allocation. The SCFF provides an additional \$919 for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding (\$1,838) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year.

Student Success Allocation. The formula also provides additional funding for each student achieving specified outcomes—obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. Each of the specified outcomes have different funding amounts, which is displayed in the chart on the following page.

Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater rates for the outcomes of Pell Grant recipients. As with the supplemental allocation, funding is based on outcome data from the prior year.

Student Success Allocation in New CCC Formula
2018-19 Amounts by Student Outcome Measure and Student Type

Outcome Measure	All Students	Additional Funding for Each:	
		Pell Grant Recipient	Need-Based Fee Waiver Recipient
Associate degree for transfer	\$1,760	\$666	\$444
Associate degree	1,320	500	333
Credit certificate requiring 18 or more units	880	333	222
Transfer-level math and English courses completed within first academic year	880	333	222
Transfer to a four-year university	660	250	167
Nine or more career technical education units completed	440	167	111
Regional living wage obtained within one year of community college completion	440	167	111

Over Next Two Years, Base Allocation to Decrease, Student Success Allocation to Increase. In 2018-19, roughly 70 percent of the cost of the formula stems from the base allocation, 20 percent from the supplemental allocation, and 10 percent from the student success allocation. The share for the base allocation is scheduled to decrease to roughly 65 percent in 2019-20 and 60 percent in 2020-21, whereas the share for the student success allocation is set to increase to 15 percent in 2019-20 and 20 percent in 2020-21. To achieve these changes in shares, statute specifies changes to the base and student success rates for each of the next two years. Whereas the base rate is set to decrease from \$3,727 to \$3,046 over the period, the student success rates are set to double.

New Formula Insulates Districts From Funding Losses During Transition. The new formula includes several hold harmless provisions for community college districts that would have received more funding under the former apportionment formula than the new formula. For 2018-19, 2019-20, and 2020-21, these community college districts are to receive their total apportionment in 2017-18, adjusted for COLA each year of the period. Beginning in 2020-21, districts are to receive no less than the per-student rate they generated in 2017-18 under the former apportionment formula multiplied by their current FTE student count. To help districts with declining enrollment, the state also retained its longstanding one-year hold harmless provision that allows districts to receive the greater of their calculated current- or prior-year allotments.

State Allocates Enrollment Growth Separately From Other Components of the Apportionment Formula. Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula. Statute does not specify how the state is to go about determining how much growth funding to provide. Historically, the state considers several factors, including changes in the adult population, the unemployment rate, and prior-year enrollment. When the state funds growth, the Chancellor’s Office uses a statutory formula to allocate that funding across community college districts. The allocation formula takes into account local educational attainment, unemployment, and poverty rates, as well as recent local enrollment trends. The formula is designed to direct a larger share of enrollment growth to high-need districts.

Community College Districts Required to Conduct Annual Financial Audits. Districts must contract annually with a certified public accountant to conduct an audit that reviews their financial statements and verifies compliance with state and federal programs. The compliance portion of the audit includes a review of districts' documentation relating to FTE enrollment. The Chancellor's Office annually publishes an audit manual that provides guidelines for the documentation that must be collected and reviewed in assessing compliance.

Oversight Committee. AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, established the Student Success Funding Formula Oversight Committee, which was charged to continuously evaluate and review the implementation of the funding formula. The 12 members of the committee are appointed equally by the Administration, Senate and Assembly. The committee is charged to make recommendations by January 1, 2020, regarding the inclusion of first-generation college students, whether the definition of low-income students should be adjusted to regions of the state, and incoming students' level of academic proficiency. By June 30, 2021, the committee must provide recommendations on whether the formula should include noncredit instruction and instructional service agreements and how districts allocations would be adjusted in a recession.

Governor's Budget Proposals

Projects Higher Cost of 2018-19 Apportionments but Does Not Cover Shortfall at This Time. The Administration estimates that 2018-19 apportionments cost \$69 million more than provided for in the Governor's current budget package. The higher cost is primarily a result of the student success allocation exceeding levels assumed in the 2018-19 Budget Act. The Administration indicates it will decide whether to provide additional funding to address the apportionment shortfall in May, at which time the state will have updated estimates of both apportionment costs and General Fund revenues.

Funds COLA and Enrollment Growth. The Governor's budget includes \$248 million to cover a 3.46 percent COLA for apportionments. In addition, the budget includes \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional FTE students).

Postpones Scheduled Changes in Funding Formula Rates. The Administration proposes to postpone for one year the scheduled changes in the share of apportionment funding linked with the base allocation and the student success allocation. Under the Governor's proposal, the 2019-20 funding formula rates would be the same as in 2018-19, adjusted for COLA. The Administration indicates the proposal is intended to provide additional time for the Chancellor's Office to assess the reliability and quality of the student outcome data used in determining districts' funding allocations. In 2020-21, rates would change as currently scheduled, with base rates decreasing and student success rates doubling.

Caps Year-to-Year Growth in Student Success Allocation. The Governor also proposes to limit growth in a district's student success allocation such that it can increase no more than 10 percent each year. This proposal helps to constrain the total costs of the formula and limits the fiscal effects of student outcome data that is of potentially poor quality.

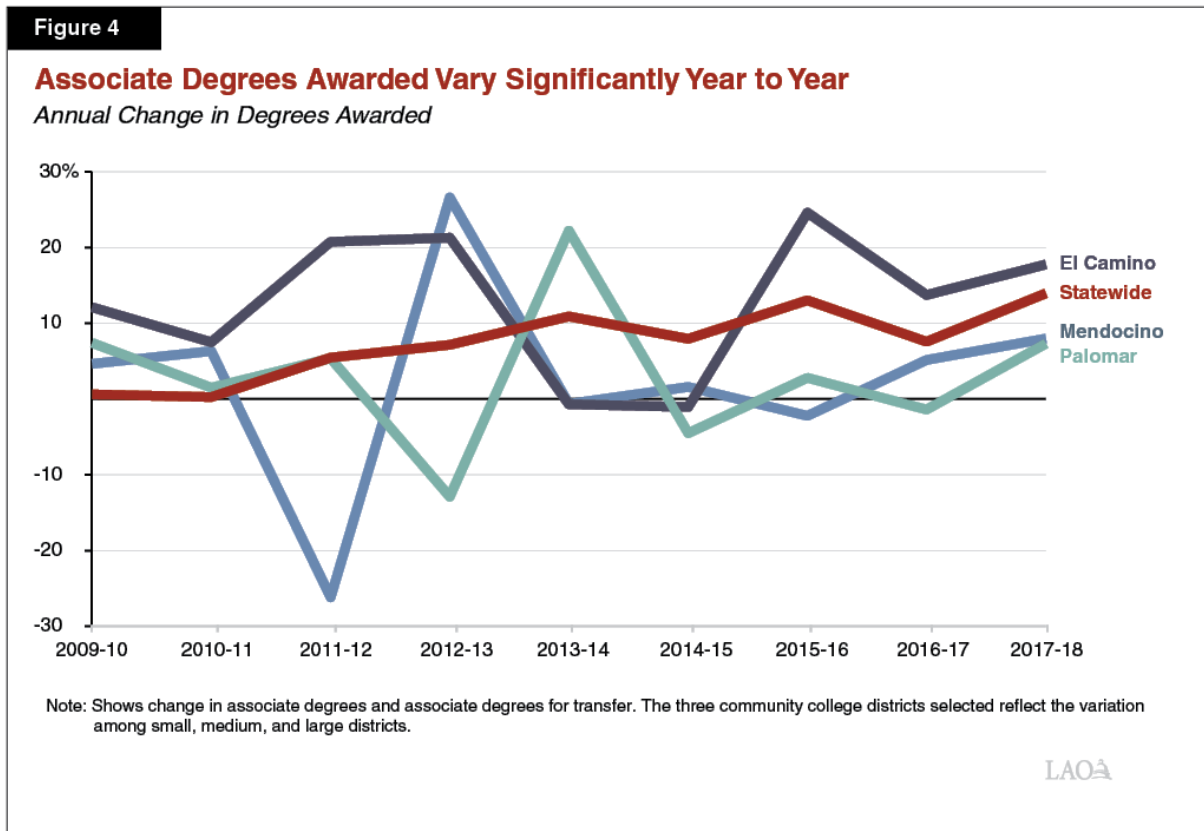
Student Centered Funding Formula Oversight Committee Operations. The Governor also proposes \$435,000 General Fund one-time for the Chancellor's Office of the California Community Colleges to support an external contract to staff the Student Centered Funding Formula Oversight Committee. This funding shall be available for encumbrance or expenditure until June 30, 2021. The 2018-19 budget did not provide the Chancellor's Office with funds to support the external contract.

Legislative Analyst’s Office

Apportionment Shortfall. On the one hand, the Legislature could cover the shortfall, thereby signaling support for the new funding formula, with its emphasis on improving community college student outcomes. On the other hand, the Legislature could choose not to cover the shortfall. Were the shortfall not to be covered, current practice would result in each district having its apportionment amount prorated downward. Based on the current estimated shortfall, district apportionments would be reduced by about one percent.

Proposed Enrollment Growth Is in Line With Recent Systemwide Demand. The Governor proposes lower enrollment growth than the state has budgeted for CCC the past few years. The lower growth rate, however, is consistent with the growth districts have experienced the past few years. In 2016-17, districts used \$38 million of \$114 million budgeted for enrollment growth. In 2017-18, districts used \$32 million out of \$60 million budgeted for growth. For 2018-19, the Administration projects districts will use \$33 million of the \$60 million provided. Given these trends, the LAO thinks the \$26 million proposed by the Governor for 2019-20 is reasonable.

Student Outcome Data Can Fluctuate Year to Year. The Administration has expressed concern with anomalies in the preliminary 2017-18 student outcome data. For example, 2017-18 statewide growth in the number of associate degrees awarded was the highest reported growth rate since 2008-09. The LAO’s review of historical data, however, shows student outcome data to be prone to significant year-to-year variation. The variability is particularly large when looking at individual districts.



Likely Several Causes of Data Variability. Because this data has not traditionally been audited or reviewed by external entities, the data may not be accurate or collected consistently. The degree counts

for any particular year also could be affected by administrative decisions or delays in the actual processing or reporting of degrees. (Some students who complete their coursework in May, for example, might not receive their degree until July due to processing issues.) Data also could vary by year because of differences in student cohorts, with larger incoming cohorts producing a larger set of outcomes in subsequent years. Finally, some of the changes could be due to specific local circumstances. For example, a district might see an increase in its number of transfer students if a local CSU campus were to increase its transfer admissions rate that year.

Chancellor’s Office Plans to Add Auditing Guidelines for All Funding Formula Data. The 2018-19 audit manual released by the Chancellor’s Office does not require auditors to review the data used to calculate the supplemental and student success allocations of the apportionments formula. The Chancellor’s Office indicates it will update auditing guidelines for 2019-20 to include a review of this additional data. These new guidelines will provide the state with greater assurance that the data is being properly collected, tabulated, and reported.

Legislative Analyst’s Office Recommendations.

1. Approve Governor’s Proposal to Postpone Changes in Funding Formula Rates. Although postponing the changes and implementing new audit guidelines likely will help improve data quality and reliability, they LAO is concerned that accurate and reliable data might still be prone to significant year-to-year volatility.
2. Use a Three-Year Rolling Average to Distribute Student Success Allocation. This approach is similar to the approach used to smooth out enrollment funding in the base allocation. Using a rolling average would mitigate the fluctuations that might occur because of data irregularities while still creating incentives for districts to improve outcomes over the long run.
3. Consider Ways to Promote Improvements Instead of the Governor’s Proposal to Cap the Student Success Allocation. The LAO recommends the Legislature explore other cost-containment options that continue to provide strong incentives for districts to make genuine improvements in student outcomes.

For example, the Legislature could limit the amount of outcomes-based funding generated by an individual student to the highest award earned in any particular year. This is similar to a suggestion from the Community College Academic Senate. Under such an approach, a student who earns an associate degree and a certificate would only generate outcomes-based funding for the associate degree. This would prevent districts from generating additional funding by encouraging associate degree students to obtain unnecessary certificates, yet still reward districts that see improvement in student completion. Targeted modifications of this type would allow the state to reduce formula costs without reducing the incentive for districts to improve outcomes for students.

Staff Comments

Apportionment Estimates. On March 14th, the Chancellor’s Office released the first principal apportionment for 2018-19. The Chancellor’s Office estimates a \$324 million funding shortfall, of which \$143 million is attributed to a higher base, student success and hold harmless allocation than estimated, and \$181 million lower estimates of offsetting revenues. Offsetting revenues are attributed to property taxes, education protection revenues and student fees. The Legislature will receive update

revenue estimates closer to May Revision. In managing the general apportionment within the available appropriations, the Chancellor's Office proposes to apportion to districts in 2018-19, at least the amount they received 2017-18, adjusted by 2018-19 COLA.

Chancellor's Office Plans to Conduct Review of Data Collection Processes This Spring. In addition to updating the audit manual, the Chancellor's Office entered into a contract with the Fiscal Crisis and Management Assistance Team (FCMAT) this spring to review the data collection and reporting processes of a random sample of 12 districts across the state. The goal of this review is to identify ways to improve the consistency and quality of data reported by districts. The review is expected to be completed by early May, such that its findings and recommendations could be incorporated into the final 2019-20 budget.

Advisory Workgroup. The Chancellor's Office convened an advisory workgroup to review other components of the funding formula. The workgroup will make recommendations in late April or early May to the Legislature. The workgroup is reviewing the following questions:

1. How should the three-year average of credit full-time equivalent students be calculated?
2. How should the formula count Pell Grant recipients who attend multiple colleges within the same district?
3. How should the formula account for students who reach more than one of these outcomes in a given year?
4. To which district should the outcome be attributed?
5. How might the formula consider students who complete transfer-level mathematics in one district and transfer-level English in a different district?
6. What is an appropriate timeframe for completion of the courses?
7. How might the formula consider students who complete nine or more CTE units, but do not complete nine or more CTE units in a single district?
8. Should the formula expect that students complete nine or more CTE units in a single pathway (or other similar set of courses)?
9. Are there other types of outcomes related to workforce mission of the California Community Colleges (such as "journey person status" or other outcomes related to apprenticeship) that might be considered as part of the student success allocation?
10. What is the appropriate timeline for making the determinations of whether an individual has attained a regional living wage?
11. How should regions be determined for the regional living wage?
12. Should the formula limit year-to-year growth in an allocation (i.e. student success allocation)?

Staff notes that the state provides \$20 million ongoing Proposition 98 General Fund to the Chancellor's Office Institutional Effectiveness (IEPI) to provide "regional and online workshops and trainings to community college personnel to promote statewide priorities, including strategies to improve community college operations and system leadership training to better coordinate planning and implementation of statewide initiatives." Budget bill language also notes that funding may be utilized to coordinate with community college districts to conduct policy research, and develop and disseminate effective practices through the establishment of an online clearinghouse of information. The IEPI Executive Committee, which decides which workshops to offer, receives input and advice from a number of sources, and approves regional workshops and guidance on specific learning outcomes for events. For example, recently the IEPI held workshops on incarcerated and formerly incarcerated college students and data disaggregation. The subcommittee may wish to ask how IEPI can help support standardized data collection and disseminate and implement best practices and processes.

Given the implementation issues and questions of the funding formula, as well as the estimated apportionment shortfall, the subcommittee may wish to wait until May Revision when the state has updated revenue estimates and recommendations from the advisory workgroup and FCMAT.

Staff Recommendation. Hold Open

Issue 2: Online Community College (Informational)

Panel

- Heather Hiles, Chief Executive Officer of the Online Community College

Background

AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018, created the new online community college to be administered by the CCC Board of Governors. The Board of Governors is to choose the chief executive of the college. The chief executive is required to establish an advisory council consisting of local trustees from other community colleges as well as employees of the online college. In February, the Board of Trustees approved Heather Hiles as the president and chief executive officer of the online college.

The 2018 budget provided \$100 million Proposition 98 General Fund one-time for startup costs and \$20 million Proposition 98 General Fund ongoing for operations. The startup funding may be spread over a seven-year period and used for technology, building space, and business plan development, among other things.

In spring of 2018, the Department of Finance provided the committee with a breakdown of one-time start-up costs:

- \$25 million for design, development, and capital improvements for scalable technology: Support instructional technologies, personalization technologies, master data management and analytics system, financial system, and 24 hour help desk technology set up.
- \$20 million for a research and development unit: Support design and development of demonstration projects, development and implementation of virtual and mobile labs, and interactive workshops and focus groups.
- \$23 million for set up of core functions: Support design of student-centered experience and supports, faculty and staff experience and supports; staff training; quality assurance on instructional; and 24 hour supports. This funding will also establish mobile integration, development and testing of non-traditional fee models, and prior learning assessment. Lastly, the college will need to establish partnerships with entities with physical presence, establish partnerships with employers and other partners to review and inform program pathway design and delivery.
- \$16 million for scaling efforts: Support scaling efforts over the seven year start-up period, including specialized admissions and records services and financial aid services and related student support services.
- \$11 million for operations development: Development of business processes, legal support, initial and long-term staffing plan, development of responsive metrics and indicators driving student success to inform design.
- \$5 million for implementation of business plan and establishing accreditation: Supports implementation of a seven-year business plan with key milestones, indicators, and outcomes to

facilitate the college's scaling effort; supports the process of seeking and establishing accreditation.

The funding for ongoing operations is intended for the salaries and benefits of staff, staff training, and technology licensing and maintenance. When the college begins enrolling students, it is to receive apportionment funding similar to all other community college districts, with the apportionment funding coming on top of the college's base \$20 million ongoing allocation.

In spring of 2018, the Department of Finance provided the committee with a breakdown ongoing operations costs:

- \$3 million for ongoing technology related costs: Annual licensing for use of technology, website and related tools and network support, maintenance and upgrade, ongoing training.
- \$5 million for program pathways: Pathway validation and development, content development and improvements, continuous assessment of student program pathways.
- \$11 million for salaries and benefits, facilities, office equipment, supplies, travel, collaboration tools and incidentals.
- \$1 million for other professional services.

As of writing this agenda, the online college has not spent any funds.

College Intended to Focus on Short-Term Pathways. Initially, the online college is intended to focus on short-term programs for working adults who have no postsecondary credentials. Over the next three years, the college is required to develop at least three short-term program pathways linked with industry needs. These pathways may not be duplicative of programs offered at existing community colleges. In addition, for every 10 pathways offered by the online college, at least one pathway must be developed in collaboration with an existing community college. The online college also is to use existing industry certifications, competency-based learning, and prior learning assessments to reduce the amount of additional courses students need to complete their pathway.

The college is required to utilize and leverage existing community college programs and activities including Zero-Textbook-Cost Degree Grant Program, Open Educational Resources, the Strong Workforce Program, Online Education Initiative and the Guided Pathways Program framework.

Several Milestones and Reporting Requirements for College. AB 1809 required the online college to meet certain program, administrative, and accreditation milestones within the first seven years. Most notably:

1. By July 1, 2019, the college must develop a seven-year implementation plan, validate a business plan and develop three program pathways. The college must also develop an accreditation plan and create an outreach plan.
2. By the last quarter of calendar year 2019, the online community college must begin enrolling students;

3. By August 1, 2019, the college is required to report to the Legislature, on startup milestones including the number of designed program pathways;
4. By July 1, 2021, the college must design and validate at least three additional pathways program and apply for accreditation.
5. By August 1, 2021, the college is required to report a comprehensive status report on activities and outcomes;
6. By August 1, 2022 and each year thereafter, the college must report various milestones;
7. By July 1, 2023, the college must design and validate at least 13 program pathways by and enroll students into the college's program pathways;
8. By April 1, 2025, the college must obtain full accreditation;
9. By July 1, 2025, the college must enroll students into the college's program pathways, and
10. By January 1, 2026, the board of governors will contract with an independent evaluator to assess the colleges' progress.

College Exempt From a Few Requirements Applying to Other Colleges. The online college has flexibility with regard to setting its academic calendar and establishing its student fee structure. The online college, however, is subject to most other rules and regulations that apply to existing community colleges. For example, the online college is required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. As with other colleges, it also is required to have its programs and courses reviewed and approved by the Chancellor's Office.

The online college is authorized to establish an affordable fee structure, that is equivalent to or less than fees charged by traditional community colleges. Students must also be eligible for fee waivers such as the College Promise Grant. The enrollment fees for online and in-class courses at the CCCs are the lowest in the country, at \$46 per unit, and have not changed since 2012-13. During budget deliberations, the Chancellor's Office indicated that this new fee structure could be an experimental, subscription-based flat rate for a set time period (or academic term). Prior to establishing the fee structure the college must notify the Legislature and the Department of Finance 60 days before the effective date of the structure.

Competitive Grants for Existing Colleges to Develop New Online Programs. The 2018 budget provided \$35 million Proposition 98 General Fund one-time for existing community college districts to develop online programs and courses that (1) lead to short-term industry-valued credentials or (2) enable a student who completed a program at the online community college to continue his or her education at an existing community college. The Online Education Initiative (OEI), administered by Foothill-De Anza Community College District, is to award these grants. OEI is required to submit a report to the Legislature by April 1, 2020, regarding outcomes related to the grant. The grant is hosted on the California Virtual Campus website. Applications for the grant are due on May 1, 2019, and awardees will be notified on May 31, 2019. The Chancellor's Office notes that 100 of colleges issued letters of intent to apply for the grant. Grants may range in size from tens of thousands of dollars up to several hundred thousand dollars; however, they may not exceed \$500,000 per college/district.

Requires Chancellor's Office to Make Recommendations for Providing Existing Colleges More Flexibility. AB 1809 required the Chancellor's Office, by January 1, 2019, to recommend to the Board of Governors ways of making online and competency-based programs easier and more attractive for colleges to develop and operate. The Chancellor's Office recommendations must include ways to streamline the processes for (1) funding noncredit competency-based programs, and (2) offering online courses under a flexible calendar. As of writing this agenda, the Chancellor's Office has not made recommendations.

Program Pathways. The first three program pathways that the online college plans to implement are medical coding, informational technology support and first line supervisor in multiple industries. The medical coding program will be in partnership with Service International Employees Union (SEIU) United Health Workers West (UHWW).

Administration. AB 1809 authorized the board of governors to contract with the Foundation for Community Colleges for the purpose of providing administrative support for the online college's start-up functions. On September 18, 2018, the board of trustees approved two contracts between the district and Foundation. The first contract was for administrative services agreement, where the Foundation would be compensated for allocable costs, direct costs, and indirect costs (per the contract is 10 percent of direct costs, to cover overhead rent, utilities, etc.). The second contract is the fiscal agency agreement, where \$10 million Proposition 98 General Fund is transferred to the Foundation. The purpose of this transfer is to provide funds to the district, through accounts established on its behalf by the Foundation.

Executive Search. AB 1809 requires the college to be subject to the same competitive bidding and state contracting requirements that apply to community college districts. On March 18, 2019, the board of trustees approved a no bid contract with the Leadership Group, Inc. to recruit six executive positions, with a maximum cap of \$92,000 per each individual search, or up to \$552,000. On April 8, 2019, the Board of Governor's heard an item to reduce the contract to \$376,000.

The subcommittee may wish to ask:

1. What is the status of the Chancellor's Office recommendations regarding funding noncredit competency-based programs and offering online courses under a flexible calendar?
2. How many students does the college anticipate enrolling in last quarter of calendar year 2019? What type of fee structures is the college exploring?
3. How has the college engaged with faculty, and what role have they had in the startup process?

Staff Recommendation. This is an informational item.

Issue 3: Community College Affordability

Panel

- Michelle Nguyen, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Christian Osmena, Community College Chancellor's Office

Background

Fee Waivers for CCC Students With Financial Need. When the Legislature introduced a CCC enrollment fee in 1984, it created the BOG fee waiver program. This program waives enrollment fees—currently \$46 per unit—for students who have some financial need. (Financial need is defined as the difference between the total cost of attendance and the amount a student's family can contribute toward that cost, as calculated by a federal formula.) Students apply for a fee waiver by completing either the Free Application for Federal Student Aid (FAFSA) or a shorter form developed by the Chancellor's Office. Students may receive this fee waiver for any number of units taken. In 2017-18, 41 percent of CCC students—representing almost two-thirds of units taken—had their enrollment fees fully waived through this program.

Full-Time Student Success Grant. The 2015 Budget Act established the Full-Time Student Success Grant, which provided additional financial aid to students receiving the Cal Grant B Access Award and are taking 12 or more units. The 2015 budget provided \$39 million Proposition 98 Fund ongoing for this purpose. In 2016, the budget increased the program by \$2.2 million Proposition 98 General Fund ongoing to include Cal Grant C students in the program. The 2017 budget provided an increase of \$25 million Proposition 98 General Fund ongoing for the Full-Time Student Success Grant. The total funding for the program in 2017 was \$66.2 million Proposition 98 General Fund ongoing. In 2017, approximately 83,400 students received awards totaling \$66.35 million. The 2018 budget subsumed this program into the Student Success Completion Grant described below.

Community College Completion Grant Program. The 2017-18 budget established the Community College Completion Grant Program and provided \$25 million Proposition 98 General ongoing to provide additional aid to Cal Grant B or C students who are on-track to complete their degree. Students must demonstrate financial aid, and enroll in sufficient number of units to be considered on track to complete, as specified. Eligible students would receive an award of \$2,000 annually, and the award cannot supplant other grant, fee waiver or scholarship aid. Based on 2017 data, approximately 11,664 students received an award, totaling \$12 million. The 2018 budget subsumed this program into the Student Success Completion Grant described below.

CCC Student Success Completion Grant. The 2018-19 budget created the CCC Student Success Completion Grant by combining the Community College Completion Grant and the Full-Time Student Success Grant. The new financial aid grant program provides eligible Cal Grant B or C community college students with an additional \$649 per semester or quarter equivalent for enrolling in 12-14 units, and provides \$2,000 per semester or quarter for students enrolled in 15 or more units. Students must maintain satisfactory academic progress. AB 1809 requires the Chancellor's Office to report by April 1, 2020 on student and award data regarding the 2018-19 award year. The Governor proposes \$142.8 million Proposition 98 General Fund for this purpose. Data regarding this program will be available late April.

California College Promise program. AB 19 (Santiago), Chapter 735, Statutes of 2017 created the California College Promise program. The state provided \$46 million Proposition 98 General Fund ongoing for the program in 2018-19, the first year it was funded. Colleges are permitted—but not required—to use these funds to provide fee waivers to first-time, full-time students without financial need during their first year of college. To be eligible for these waivers, students must have no prior postsecondary coursework, enroll in 12 or more units per semester, and submit a FAFSA. Under the program, colleges also are permitted to use their College Promise funds for a broad range of other purposes, such as providing supplemental services to students.

AB 19 requires colleges to meet six requirements to receive college promise funds. Specifically:

1. Partner with school districts on college outreach efforts.
2. Partner with school districts to support practices that improve college readiness and reduce the need for remediation.
3. Use evidence based practices for the assessment and placement of incoming students.
4. Implement Guided Pathways to help students enter and stay on a defined academic path.
5. Ensure students complete the FAFSA or California Dream Act Application.
6. Participate in federal student loan program.

In 2018-19, 105 colleges met all six requirements and are, in turn, receiving College Promise funds. Nine colleges have opted out of the program, primarily out of concern that offering federal student loans will increase their cohort default rates. In order for colleges to remain eligible for federal financial aid, including the Pell Grant program, colleges must maintain cohort default rates below a certain threshold to.

Some Colleges Are Using Funds for Purposes Other Than Fee Waivers. The Chancellor's Office allocates College Promise funds primarily based on the estimated number of students at each college who are eligible for fee waivers under this program. According to the Chancellor's Office, 85 of the 105 colleges receiving College Promise funds are using some or all of their funds to provide fee waivers to first-time, full-time students without financial need. The remaining colleges are using the funds for other purposes. Examples of other uses include book stipends for financially needy students and additional financial aid staff positions. The Chancellor's Office indicates that some colleges are opting to use College Promise funds for other purposes because they already had local programs waiving fees for students without financial need.

Mount San Antonio College, a recipient of AB 19 funds, found that if they used AB 19 funds to provide fee waivers, the typical student who would receive a fee waiver was a white, male teenager from the upper-middle-class town of Diamond Bar. Instead, Mount San Antonio College used AB 19 funds to offer first-time, full-time students with at least a 2.0 GPA free bus passes, book grants of up to \$250 per semester, and food cards that can be used to buy meals on campus. Similarly, Las Positas College, in the San Francisco Bay Area, used AB 19 funds to provide students with up to \$500 per semester to buy textbooks. Las Positas College also used AB 19 funds to hire additional financial aid counselors to help students apply for other forms of aid.

Financial Aid Outreach. There are a variety of state financial aid campaigns that the conduct outreach to prospective students and families, as well as provide professional development to college and high school counselors.

- I Can Afford College Campaign. According to the website, the I Can Afford College Campaign is a “statewide, financial aid awareness initiative sponsored by the CCC.” The campaign started in 2004 and produces campaign materials, flyers, post cards, posters, as well as a website to inform students about financial aid opportunities, such as the Board of Governors Fee Waiver. Approximately \$5.3 million Proposition 98 General Fund ongoing is provided for the campaign.
- Career Education. Statute permits the Chancellor’s Office to set aside up to five percent or \$12.4 million Proposition 98 General Fund ongoing from the Strong Workforce Program to support statewide coordination activities for career technical education (CTE). The Chancellor’s Office uses \$3 million Proposition 98 General Fund of this funding for outreach activities.
- A Degree with a Guarantee. Statute permits the Chancellor’s Office to set aside up to five percent or \$23.8 million of the Student Equity and Achievement Program (SEAP) funds each year for state administrative operations relating to student outcomes. The Chancellor’s Office has chosen to use \$2 million of this amount each year for this campaign.
- The state also currently provides \$35.2 million Proposition 98 General Fund ongoing for campuses to provide direct contact with potential and current financial aid applicants. Funds are distributed based on FTES weighted by participation in the BOG Fee Waiver. Each campus receives a minimum allocation of \$50,000.

For each campaign, the Chancellor’s Office chooses a district to serve as a fiscal agent. At the direction of the Chancellor’s Office, the district contracts with an external marketing and communications firm. The Chancellor’s Office works closely with the selected firm to develop campaign strategies and messaging.

The state also provides \$7.9 million ongoing General Fund to the California Student Aid Commission to support 14 California Student Opportunity and Access Program (Cal-SOAP) intersegmental consortia throughout the state. Cal-SOAP provides financial aid outreach and tutoring services to low-income K-12 students and informs them about opportunities in postsecondary education or career technical education. Current Cal-SOAP projects include: Central Coast (Santa Maria), Central Valley (San Joaquin), East Bay (Oakland and Richmond), Long Beach, Los Angeles, Merced, Northcoast (Eureka), Sacramento, San Diego/Imperial, San Francisco, San Jose, Santa Barbara, South County Gilroy, South San Joaquin, and Solano.

Additionally, the state provides \$328,000 General Fund ongoing for the Cash for College Program, which provides financial aid workshops to assist low-income students with completing the FAFSA and the Cal Grant grade point average verification form.

Governor’s Budget Proposal

Governor Proposes \$40 Million Proposition 98 General Fund Ongoing for College Promise Expansion. The Governor proposes to augment funding for the program based on the estimated cost of waiving enrollment fees for first-time, full-time CCC students in their first two years of college who do not have financial need under the BOG fee waiver program.

Under the Governor’s proposal, total ongoing funding for the program would be \$80 million Proposition 98 General Fund ongoing. Though the 2018-19 Budget Act included \$46 million Proposition 98 General Fund ongoing for the College Promise program, the Administration now estimates that first-year fee waivers cost only \$40 million Proposition 98 General Fund—the same as its estimated cost for second-year fee waivers. Consistent with the existing design of the program, colleges could use their additional College Promise funds to waive enrollment fees for qualifying students or for other purposes, such as student support services. The proposal does not change the six requirements colleges must meet to receive funds under this program.

Governor Proposes \$5 million One-Time General Fund for Student Success Awareness Team. The Administration also proposes \$5 million General Fund one-time for the Chancellor’s Office to create a Student Success Awareness Team to support colleges in communicating with students information about the California College Promise, college costs, and career and transfer pathways. The Student Success Awareness Team will be responsible for researching and identifying information needs, developing resources and content that can be used locally, providing professional development to practitioners, and fully integrating the separate CCC campaigns and websites. This funding shall be available for encumbrance or expenditure until June 30, 2022.

Legislative Analyst’s Office Comments

Colleges Have Other Stronger Fiscal Incentives to Improve Student Support. The College Promise program was designed to create a financial incentive for colleges to adopt six student support practices. Since creating the program, the Legislature has adopted other reforms that provide more explicit requirements and stronger financial incentives for colleges to improve student support. AB 705 (Irwin), Chapter 745, Statutes of 2017, requires colleges to use multiple measures to determine whether incoming students can be placed into transfer level coursework—one of the six practices required under the College Promise program. The Student Equity and Achievement Program (SEAP), a \$475 million Proposition 98 General Fund ongoing block grant created in 2018-19, requires colleges to adopt practices that overlap with two of the College Promise program requirements. SEAP combined two categorical programs, the Student Success and Support Programs (SSSP), which focused on matriculation, counseling, assessment and orientation, and the Student Equity Program, which provided services to student groups with achievement gaps identified in a college’s equity plan. The 2018-19 budget package also created a new funding formula, described in an earlier item that bases a portion of a college’s general-purpose apportionments on student outcomes. Together, these recent reforms create incentives that are similar to—and considerably larger than—those created under the College Promise program.

Reject Governor’s Proposal to Increase Funding for College Promise Program. The LAO recommends rejecting the proposal because: (1) it is too soon for the Legislature to evaluate the current College Promise program, (2) the program primarily benefits students without financial need, and (3) colleges now have stronger incentives to provide student support and improve student outcomes. Rejecting the proposal would free up a like amount of funding for other Proposition 98 priorities.

Staff Comments

As noted above, in 2017-18, 41 percent of CCC students —representing almost two-thirds of units taken—had their enrollment fees fully waived through the BOG Fee Waiver program. Tuition at the CCC is the lowest in the nation, and comprises at most, 10 percent of total college costs.

Living expenses such as food and housing, transportation and other personal expenses make up the majority of undergraduate student expenses. The chart below illustrates the average costs of students living in an apartment off campus in the San Diego area:

College Costs for a Student Living Off-Campus

2018-19 Undergraduate Student Budget	San Diego Mesa College
Tuition and Fees	\$1,144
Housing and Food	\$13,779
Books and Supplies	\$1,917
Transportation/ Other Expenses	\$4,248
Total Costs	\$21,088
Tuition/ Fees Percent of Total Costs	5.43%

Staff notes that not all community colleges post on their website the estimated total cost of attendance.

Financial Aid Outreach. Currently, the Chancellor's Office devotes a portion of categorical set aside funds to resource outreach and awareness, with the remainder to support statewide and administrative activities. The Chancellor's Office notes that using existing funds to pay for these upfront costs associated with the Governor's proposal would divert resources away from the current student outreach efforts during the transition process. The Chancellor's Office plans to utilize some of the \$5 million one-time General Fund to provide professional development, research and development on the issues and develop material. As noted in the item regarding the Student Centered Funding Formula, the Institutional Effectiveness (IEPI) is a statewide collaborative effort to help advance the effective practices, the subcommittee may wish to consider whether IEPI could help in creating a standardized approach.

Student Support Services Programs. Through various categorical programs, such as Extended Opportunity Programs and Services (EOPS), Cooperative Agencies Resources for Education Program (CARE), CalWORKs program, Puente Program, NextUp Program (also known as Cooperating Agencies Foster Youth Educational Support), Disabled Student Support Services and Programs, and the Mathematics Engineering, Science Achievement (MESA) Program, community colleges provide additional support services and aid, such as book and transportation vouchers, academic counseling and childcare services to eligible low-income, first-generation college, foster youth or students with disabilities.

In addition to these categorical programs, community colleges may also SEAP funds, totaling \$475 million ongoing Proposition 98 General Fund, to support the aforementioned categorical programs. While the core of SEAP funding is used to support matriculation and counseling services, it is unclear how colleges have spent SEAP funds and how they have supported other equity categorical programs.

Education Code 78222 requires districts to report to the Chancellor's Office to report by January 1 of each year on how SEAP funding was expended and an assessment of progress in advancing various student success goals. Statute also requires the Chancellor's Office to report to the Legislature by April 1 of each year, a systemwide report summarizing the district reports. As of writing this agenda, staff has not received this report.

The Legislature may wish to consider how to prioritize financial aid for community college students. For example, given limited resources, should financial aid prioritize students with the financial greatest need, or should it prioritize tuition expenses.

Staff Recommendation. Hold Open

Issue 4: Facilities

Panel

- Randall Katz, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, Chancellor's Office

Background

State Funds Community College Facilities Through General Obligation Bonds. The state typically issues general obligation bonds to cover a portion of the cost of community college facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of \$4 billion for community college facilities. Virtually no funding remains from these facility bonds.

New State Bond Approved in 2016. After a ten-year gap, voters approved Proposition 51 in November 2016. The measure authorizes the state to sell \$2 billion in general obligation bonds for community college projects. The funds may be used for an array of CCC projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

Community College Districts Raise Local Funding for Facilities. The bulk of community college facility costs are covered with local funds. Districts typically sell local general obligation bonds to raise this support. Districts currently must get at least 55 percent of their voters to approve the sale of these local bonds. Since 1998 (when the voting threshold for local facility bonds was reduced from two-thirds), community college districts have sold \$26 billion in local general obligation bonds for facility projects.

Community College Facility Projects Ranked by Chancellor's Office and Reviewed by the State. To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The chancellor's office reviews each project based on the age of the building, enrollment growth, existing inventory, project design, assignable square footage change and local contribution. The Chancellor's Office ranks all submitted facility projects using prioritization criteria adopted by the Board of Governors. Projects are prioritized in the following order:

1. Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
2. Projects to increase instructional capacity.
3. Projects to modernize instructional space.
4. Projects to complete campus build-outs.
5. Projects that house institutional support services.

Within these categories, projects with a local contribution receive greater consideration. After ranking the projects, the Chancellor's Office submits capital outlay project proposals to the Legislature and Governor in the fall. The projects are reviewed as part of the annual state budget process.

Review Process Works Somewhat Differently for Life Safety Projects. To be approved in the highest-priority category under the Chancellor's Office process, a district must (1) have a third party entity identify the facility as an imminent danger to the occupants, and (2) submit a project scope that is

the least costly option for permanently addressing the problem. A project to address immediate electrical safety issues, for example, could not include renovations related to other building issues.

Almost Two Dozen Proposition 51 Projects Already Approved, Many More Recommended by Chancellor's Office. To date, the state has approved 21 Proposition 51-funded community college projects. The total state cost for all phases of these projects is estimated to be \$587 million. For 2019-20, the Chancellor's Office is recommending 39 additional projects. Of the 39 projects, six projects were proposed last year but not funded. The remaining 34 projects were newly approved by the Chancellor's Office in fall 2018. Of the projects, the Chancellor's Office ranked three in the highest-priority category, 15 in the second highest-priority category, 15 in the third category, and six in the fourth category. The projects are estimated to have total state costs of \$689 million.

Governor's Budget Proposals

Governor Proposes Funding 12 New CCC Projects for 2019-20. The Administration proposes \$18 million Proposition 51 funds to fund 12 of the 39 projects submitted by the Chancellor's Office. The funding would cover the cost of preliminary plans and working drawings. Total state costs for all phases of the projects, including construction, are estimated to be \$254 million. Of the 12 projects, one is in the Chancellor's Office's highest-priority category, three are in the second priority category, five are in the third priority category, and three are in the fourth category. The Administration indicates it funded all projects that address life safety issues and include substantial local matches. For two projects with little or no local match, the Administration indicates it included the projects because the districts demonstrated financial hardship. The chart on the following page outlines the 12 projects that the Governor proposes to approve.

Governor Proposes to Fund 12 New CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
San Bernardino	Technology replacement building	\$2.3	\$34.4	\$75.7
Redwoods	Physical education replacement building	5.4	60.7	60.7
American River	Technology replacement building	1.3	30	58
Saddleback	New Gateway Building	1.719	26.1	52.3
Alameda	Auto and diesel technologies replacement building	1.2	17	33.7
Los Angeles City	Theater arts replacement building	1.1	15.2	30.1
Merced	New agricultural science and industrial technologies complex	0.4	13	25.6
Santa Monica	Art replacement complex	0.8	11	21.5
Rio Hondo	Music/Wray theater renovation	0.9	9.9	20.5
Sequoias	Basic skills replacement center	1.4	15.7	17.4
Fresno	Child development replacement center	1	13.5	16.9
Butte	Technology building renovation	0.5	8.1	10.7
Totals		\$18.1	\$254.3	\$422.9
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

Governor Supports Next Phase of 15 Previously Approved Projects. The Governor's budget also includes \$341 million in Proposition 51 funds for the construction phase of 15 projects that were initially approved in 2017-18 or 2018-19.

State Would Support 15 Continuing CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
Santa Monica	Science and mathematics building addition	\$37.0	\$39.6	\$78.1
Laney	Learning resource replacement center	22.8	24.4	75.7
Mount San Antonio	New physical education complex	53.9	57.5	72.2
Santa Rosa	Science and mathematics replacement building	30.8	33.1	65.6
Orange Coast	Language arts and social sciences replacement building	28.3	30.4	59.8
Allan Hancock	Fine arts replacement complex	22.9	24.5	48.3
Golden West	Language arts replacement complex	21.9	23.5	46.5
West Hills (North District Center)	New library and instructional facility	40.3	42.4	43.3
Santa Ana	Russell Hall replacement	19.2	20.7	40.9
Solano	Library replacement building	17.4	20.2	39.7
Compton	Instructional replacement building	14.9	16.2	24.9
Mission	Portables replacement	10.1	10.8	21.5
Merritt	New child development center	5.7	6.1	20.0
Imperial	Academic buildings renovation	8.7	9.0	17.7
Long Beach (Pacific Coast Campus)	Construction trades building renovation, phase 1	6.7	7.3	13.1
Totals		\$340.7	\$365.8	\$667.5
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

April Letters. The Governor provides approval of three new capital outlay projects through the April Letters process.

April Letters Approved CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
Skyline	Workforce and Economic Development Center renovation	1.2	14.6	28.8
Cañada College	Building 13- Multiple Program Instructional Center renovation	0.8	9.7	17.3
College of the Canyons	Modernize Boykin Hall academic building	0.4	4.9	9.5
Totals		2.4	29.2	55.6
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

Rio Hondo College. The Governor also proposes an increase of \$132,000 Proposition 51 for the preliminary plans and working drawings phases of the Rio Hondo CCD, Rio Hondo College Music/Wray Theater Renovation project, which the Governor proposed to fund in January.

The April Letter also requests reappropriation of funds for three projects:

1. **San Francisco CCD, Ocean Campus – Utility Infrastructure Replacement Project.** This project was delayed by several months due to district cash flow problems and because the district had to replace key personnel in Finance and Administrative Services. These positions have been filled and the district is using its General Fund to cover project operating cash. The Administration requests reappropriation of \$2.4 million Proposition 51 for the working drawings phase of the project. The total cost of the project is \$81.9 million Proposition 51.
2. **Peralta Community College District, Laney College – Learning Resource Center.** The project received \$1.6 million Proposition 51 in 2018 for the preliminary plans and working drawings phases. Peralta CCD encountered delays in executing contracts for the design of this project. The Administration requests reappropriation of \$0.8 million Proposition 51 for the working drawings phase of the project.
3. **Peralta Community College District, Merritt College – Child Development Center.** The project received \$436,000 Proposition 51 in 2018 for the preliminary plans and working drawings phases, of which only the preliminary plans has been encumbered. Due to challenges with the contracting process, the Administration requests reappropriation of \$0.23 million Proposition 51 for the working drawings phase of the project.

Governor Postpones Additional Funding for Five Previously Approved Projects. For five projects that previously received funding for preliminary plans and working drawings, the Administration proposes postponing construction funding.

Five Previously Approved Projects Not Receiving Construction Funding in 2019-20
(In millions)

College	Project	Year Initially Approved	Estimated Construction Cost	
			State	Total
San Francisco (Ocean)	Utility infrastructure replacement ^a	2017-18	\$76.3	\$76.3
Pasadena City	Armen Sarafian building seismic replacement ^b	2017-18	53.5	55.5
Redwoods	Arts building replacement ^c	2018-19	22.2	22.2
Fullerton	Business 300 and Humanities 500 Renovation ^c	2017-18	15.7	30.1
San Francisco (Alemany Center)	Seismic and code renovations ^a	2017-18	14.4	14.4
^a Both project delays and insufficient local match. ^b Insufficient local match. ^c Project delays. For Redwoods project, district demonstrated financial hardship and no local match is expected.				

Legislative Analyst’s Office Comments

The state still is on a somewhat slow track to expend all Proposition 51 bond funds. Accounting for all phases of all projects to date (including the 12 proposed projects), the state would have committed \$668 million of the \$2 billion authorized by Proposition 51. (This amount excludes construction funding for the postponed projects.) At this pace, the state would be on track to exhaust Proposition 51 bond funding in about nine years (by 2025-26). Given the amount of projects approved by the Chancellor’s Office, this somewhat slow pace is driven by state-level decisions, not lack of demand from community colleges. The chart on the following page outlines 24 other Chancellor’s Office approved projects that were not approved by the Administration.

Chancellor's Office Approved Projects Not Approved by the Administration
(dollars in millions)

College	Project	Priority Category ^a	2019-20 State Cost ^b	All Years	
				State Cost	Total Cost
Folsom Lake	Instructional buildings phase 2	2	\$1.3	\$31.4	\$58.5
Mount San Jacinto	Math and Sciences building	2	1.6	26.8	50.7
Clovis	Applied Technology building	2	1.8	26.1	49.9
Irvine Valley	Fine arts building	2	1.6	23.2	45.1
Long Beach City	Music/theatre complex	2	1.7	23.2	44.6
Mount San Jacinto	Science and Technology building	2	1.9	23.2	44.1
Santa Barbara City	Physical education replacement	1	3.2	41.1	41.9
West Valley	Learning resource center renovation	3	1.6	19.9	40.1
Los Rios (Natomas Education Center)	Natomas Center phases 2 and 3	2	0.9	27.8	39.4
Woodland	Performing arts facility	4	1.4	19.4	37.7
West Hills Lemoore	Instructional Center phase 1	2	1.6	23.4	31.7
Kern (Delano Center)	LRC multipurpose building	2	1.2	16.1	31.2
Laney	Theater buildings renovation	3	0.7	8.2	26.5
Chaffey	Instructional Building 1	2	1.0	13.0	26.1
Cerritos	Health Sciences Building 26 renovation	3	1.1	12.7	24.7
Merritt	Horticulture building replacement	3	0.8	10.1	24.5
Lake Tahoe	RFE and Science renovation	3	1.5	11.1	21.6
Porterville	Allied health building	2	0.8	10.9	20.8
Monterey Peninsula	Public safety center phase 1	4	0.7	9.2	19.1
Los Rios (Elk Grove Center)	Elk Grove Center phase 2	2	0.4	9.0	17.0
Reedley	New child development center	4	0.8	10.4	14.4
Cabrillo	Buildings 500, 600 and 1600 renovation	3	0.3	3.6	7.3
Monterey Peninsula	Music facilities phase 1 renovation	3	0.2	2.5	6.4
San Mateo	Water supply tank replacement	1	0.5	5.7	6.3
Totals			\$30.3	\$434.9	\$789.6

Different Approaches to Life Safety Issues Is Creating Confusion for Districts. Although the Chancellor's Office has a specific process for addressing life safety issues, the Administration has its own approach. The Administration reviews every project approved by the Chancellor's Office and prioritizes those that appear to be addressing life safety issues, even if life safety is not the primary reason for the project. In contrast, the Chancellor's Office may deem a project higher priority because it addresses a lack of instructional capacity, even if no life safety issues are involved. Inconsistency in how the two agencies are reviewing projects is resulting in confusion for districts, as their projects are effectively being subjected to two competing standards.

Unclear if Prioritizing Life Safety Is the Right Approach for Community Colleges. The Administration's approach to prioritizing community college projects is consistent with the approach generally used for state-owned buildings, where the state is directly responsible for safety. This approach, however, might not be the right approach within the context of community college facilities. Community college districts are the ones directly responsible for any life safety issues related to their facilities. Additionally, the Administration's approach can reward districts that have done a poor job maintaining their facilities. For example, if two districts submit requests to modernize buildings that are of the same age, the Administration's approach prioritizes the project that has a life safety issue. The life safety issue, however, could be the result of poor district maintenance practices. The Chancellor's Office approach, which requires third-party review and limits the scope of life safety projects, does not create these poor incentives to the same degree.

Consider Approving Additional CCC Projects. Given the somewhat slow pace of project approvals and the LAO's concerns with the Administration's rationale for which projects it has included in its budget, the Legislature may want to consider approving more projects than the Governor. In choosing which projects to fund, the Legislature could evaluate the projects based on the Chancellor's Office priority categories or work with the Chancellor's Office and administration to develop another set of clear, agreed-upon criteria.

Explore Better Ways to Address Life Safety Concerns. The LAO recommends directing the Administration and the Chancellor's Office to develop one agreed-upon framework for how life safety issues should be considered in the review of community college projects. If the Administration and Chancellor's Office cannot come to an agreement, the LAO recommends the Legislature codify an approach in statute. The LAO believes the framework should ensure state funding is available in case of a facility emergency but also have strong incentives for districts to maintain their facilities in good condition. Additionally, the LAO thinks the framework should ensure districts provide a local contribution based on their local resources. Creating one set of rules will simplify the process, clarify expectations for districts, and help the state more thoughtfully prioritize among projects.

Staff Comments

The Chancellor's Office is currently reviewing their capital outlay prioritization process. Through they are not in the formal consultation process, the Chancellor's Office indicates that they are seeking to align the approval process to the Vision for Success, such as the number of low-income and English Second Language students that the college serves, and aims to begin the transition with 2020-21 capital outlay requests. The subcommittee may wish to ask for additional details regarding this change, and whether this will create more confusion in the field regarding the different prioritization between the Chancellor's Office and the Administration.

Staff Recommendation. Hold Open.

Issue 5: Basic Needs and Mental Health (Informational)

Panel

- Christian Osmena, Community College Chancellor's Office
- Colleen Ganley, Community College Chancellor's Office

Background

Basic Needs. The 2017-18 budget provided \$2.5 million Proposition 98 General Fund one-time for community colleges to establish "hunger free campuses." Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, specified that these campuses must have: (1) a designated campus employee to provide students information on how to enroll in CalFresh, and (2) an on-campus food pantry or regular food distributions on campus.

The 2018-19 budget also provided \$10 million to address student hunger and basic needs. The budget required the Chancellor's Office to submit the report to the Legislature by February 15, 2019 regarding:

1. The hours of operation for any on-campus food pantry and the unduplicated count of the number of people served.
2. List of local community-based partners;
3. The unduplicated number of donated on-campus meal sharing program, and those who received a donated meal;
4. List of on-campus restaurants or qualifying food vendors that have been approved to participate in the CalFresh Restaurant Meals Program (RMP);
5. List of on-campus point of sale (POS) locations that accept electronic benefit transfer (EBT) payments;
6. The estimated unduplicated count of the number of students assisted with a CalFresh application;
7. The number of staff serving the campus with informed CalFresh referral and information or other anti-hunger services, among others.

On March 11, 2019, the Chancellor's Office reports that 109 community colleges had a food pantry or food distribution on campus and 60 colleges had partnerships with county CalFresh staff, outside philanthropic organizations, and community collaborations. The report found that 73 colleges are actively providing information about CalFresh to students.

In March 2019, the Chancellor's Office partnered with the Hope Center to conduct a survey of basic needs security among college students. Approximately 40,000 students across 57 community colleges participated in the survey. The survey found that 50 percent of respondents were food insecure in the prior 30 days, and 60 percent of respondents reported being housing insecure and 19 percent of respondents reported being homeless in the previous year. The survey found that 22 percent of food insecure students received SNAP benefits and eight person of students who experienced homelessness received housing assistance. However, it is unclear what the root causes of student hunger and homelessness are, such as issues with financial aid processing or distribution, or eligibility requirements for public benefits.

Mental Health Services. Education Code 76355 specifies that the maximum student health fee that community colleges may charge is \$21 per semester. Services and fee for services vary across campuses, for example at Riverside City College services include:

- Physician diagnosis and treatment for short-term,
- Low-cost physical exams at \$25,
- Immunizations and tuberculosis testing,
- Women's health screening,
- Personal counseling and substance abuse information and counseling,
- Community referrals,
- Free over-the-counter medications and low-cost prescriptions- such as antibiotics,
- First aid and emergency care, and
- Free family planning for eligible students.

There is no fee for the office visits however, a small fee may be charged for in-office lab tests, prescription medicines and immunizations. The Chancellor's Office notes that prior to the budget augmentations provided below, approximately 90 colleges offered direct mental health counseling services.

The 2017-18 budget provided \$4.5 million Proposition 98 General Fund one-time to support mental health services and training at community colleges. Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, specified that funds may be used to expand and not supplant mental health services, provide training and develop stronger relationships with the county behavioral health department and community-based mental health services for which reimbursement is available through the students' health coverage. SB 85 also specified that the funds may also be provided to a community college district to provide training to community colleges throughout the state regarding prevention and early intervention in the treatment of mental health conditions, suicide prevention, and mental health stigma. SB 85 requires the Chancellor's Office to submit a report to the Legislature by May 1, 2018 on the use of these funds, including:

1. The types of activities supported by the funds, including services and training being offered and the number of students being served or trained.
2. Data related to the evaluation of the training or services, if available.
3. Recommendations for the expansion of the programs, training, or services supported by the grant funds.

As of writing this agenda, the Chancellor's Office has not released a report. The Chancellor's Office indicates that 15 colleges received competitive awards ranging from \$250,000 to \$350,000. Colleges were also required to provide matching funds for the award. The Chancellor's Office will receive preliminary reports on how colleges spent funds in July.

The 2018-19 budget provided \$10 million Proposition 98 General Fund one-time for the same purpose. The Chancellor's Office distributed funding through standard apportionment processes and the amount each college is eligible to receive is based on total student enrollment. AB 1809 requires the Chancellor's Office to report by March 1, 2019 on the use of these funds. As of writing this agenda, this report is not available.

The Governor's budget does not propose additional funds to address basic needs or provide mental health services to community colleges. Should the Legislature wish to provide additional funds for this

purpose, additional information is needed as to how investments were spent previously and associated outcomes data. The subcommittee may wish to ask how many campuses provide mental health services, the average wait-time for students to see a provider, what the vacancy rates are at colleges, and if the student health fee or state investments were sufficient in addressing student mental health needs. Additionally, the Legislature may wish to request the Chancellor's Office provide updated information the 2018-19 state investment in basic needs and its impact such as how many unduplicated students were served by on-campus food pantries and number of students colleges helped apply for CalFresh.

Staff Recommendation. None. This item is informational.

Issue 6: CCC Strong Workforce Program**Panel**

- Lisa Qing, Legislative Analyst's Office
- Michelle Nguyen, Department of Finance
- Matt Roberts, California Community College Chancellor's Office
- Christian Osmena, California Community College Chancellor's Office

Background

The 2016-17 budget act provided \$200 million Proposition 98 General Fund ongoing to establish the Strong Workforce Program. The purpose of the program was to improve the availability and quality of CTE and workforce programs leading to certificates, degrees, and other credentials.

This program supplements about \$2 billion in apportionment funding for CTE instruction at CCCs. This includes credit, noncredit and career development and college preparation (CDCP) courses. In 2016-17, CTE FTES accounted for approximately 25 percent of all FTES statewide.

Emphasizes Regional Planning. AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, required community colleges to coordinate their CTE activities within seven existing regional consortia (Bay Area, Central/Mother Lode, Inland Empire/Desert, Los Angeles, North/Far North, Orange County, San Diego/Imperial, and South Central Cost). Each consortium, consisting of all community colleges in the region, is to ensure that its offerings are responsive to the needs of employers, workers, civic leaders, and students. To this end, each consortium must collaborate with local workforce development boards, economic development and industry sector leaders, and representatives from civic and labor organizations within its region. Each consortium also must collaborate with LEAs, adult education consortia, and interested California State University and University of California campuses to improve program alignment.

Four-Year Program Plans. Consortia must meet at least annually to develop or update four-year program plans based on analyses of regional labor market needs. Each plan must include: regional goals aligned with performance measures under the federal Workforce Innovation and Opportunity Act (WIOA); a work plan, spending plan, and budget for regionally prioritized projects identifying the amounts allocated for one-time and ongoing expenditure; and a description of the alignment of the plan with other CTE and workforce plans in the area, including the regional WIOA plan. The Chancellor's Office will review the plans and provide technical assistance to consortia not meeting their goals. The Chancellor's Office is to post regional plans on the CCC website and beginning January 1, 2018, annually submit a report to the Governor and the Legislature on performance outcomes, disaggregated for underserved demographic groups. In 2018, the Chancellor's Office submitted a report to the Legislature; however, at the time outcomes metrics were not available. The report instead provided general information on the distribution of funds by region and investments by sectors. As of writing this agenda, the 2019 report has not been released.

Each region has an identified priority or emerging industry sector based on labor market data. These industry sectors are:

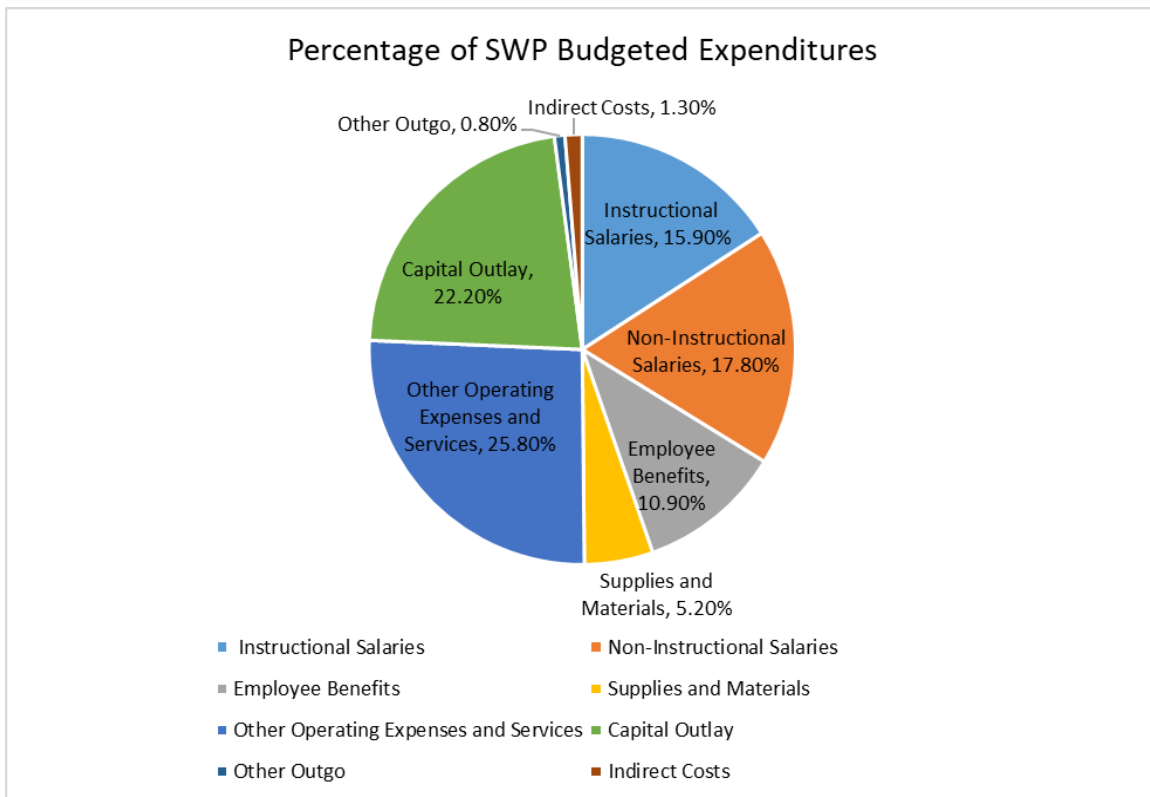
1. Advanced manufacturing

2. Advanced transportation and renewables
3. Agriculture, water and environmental technologies
4. Energy, construction and utilities
5. Global trade and logistics
6. Health
7. Information and communication technologies
8. Life sciences and biotechnology
9. Retail, hospitality and tourism
10. Small business

For example in the Inland Empire/ Desert region, the priority and emergent sectors are: (1) advanced manufacturing (priority), (2) advanced transportation and logistics (emergent), (3) global trade (priority), (4) health (priority), and (5) digital media (emergent).

Based on information provided by the Chancellor’s Office, regions invested the most in the health sector (which was identified as a priority sector in all regions), information and communications technology/ digital media (identified as a priority or emergent sector in all regions by the central valley), and advanced manufacturing (identified as a priority or emergent sector in all regions).

Allocates Funds to Regions and Districts. AB 1602 directs the Chancellor to provide 40 percent of program funds to the seven CTE regional consortia and 60 percent directly to community college districts. Both pots of funding are for supporting regionally prioritized initiatives aligned with their CTE program plans. AB 1602 prohibits districts from using the new funds to supplant existing support for CTE programs. The chart below displays how colleges spent funds.



AB 1602 permits the Chancellor to allocate up to five percent (\$10 million Proposition 98 General Fund) of the funds to a community college district for statewide activities to improve and administer the program. The Chancellor’s Office notes that it used \$10 million to:

1. Develop and maintain state technological infrastructure and services. Examples include the NOVA reporting system and Here to Career Mobile App,
2. Support the collection and use of outcomes data. This funded the CTE Outcomes Survey (CTEOS), which collects information on whether a student obtained a job related to their field of study (data that are not available elsewhere and are included in the Strong Workforce Program Metrics, as well as the Vision for Success and the Student Success Metrics); and the LaunchBoard suite of data tools, which includes the Strong Workforce Program tab that provides access to the colleges/districts/region on SWP outcomes data for Career Education students,
3. Support of the creation of new curriculum,
4. Contribute to the statewide re-branding of CTE, and
5. Provide training and technical assistance with implementing the Strong Workforce Program.

Requires Chancellor’s Office to Recommend Funding Allocations. For 2016–17, each region’s and district’s funding allocation will reflect its share of (1) the state’s unemployed adults, (2) FTE students enrolled in CTE courses, and (3) projected job openings. Each of these factors will determine one-third of that year’s allocation. Beginning in 2017–18, unemployment and CTE enrollment each will comprise 33 percent of the allocation, job openings will comprise 17 percent, and successful workforce outcomes (as evidenced by the WIOA performance measures) will comprise 17 percent. The Chancellor’s Office will provide its recommended funding allocation to DOF and the Legislative Analyst’s Office by August 30 of each year. Release of funds is subject to DOF’s approval.

The Chancellor’s Office notes that beginning in 2019-20; SWP incentive funding will revise the definitions of workforce outcomes metrics and methodology to align the student success metrics of the Student Focused Funding Formula.

Metrics	FY 2017-18 (using original SWP metrics)	FY 2018-19 (using original SWP metrics)	FY 2019-20+ (aligned with Student Success Metrics)
Course Enrollments	X		
Progress		X	X
Credential Attainment	X	X	X
Transfer		X	X
Employment		X	
Job Related to Field of Study		X	X
Earnings		X	X
Earnings Gain		X	X
Living Wage		X	X

Requires Chancellor’s Office to Develop Certain Workforce Policies. AB 1602 requires the Chancellor’s Office to submit a plan by July 1, 2017 to (1) reduce the time required to gain local and state approval for a new course or program to no more than one academic year, and (2) ensure portability of approved courses and programs across colleges and districts. In addition, AB 1602 directs the Chancellor’s Office to eliminate barriers to hiring qualified instructors for CTE courses, including

reevaluating the required minimum qualifications for CTE instructors. AB 1602 directs the Chancellor’s Office to consult with various stakeholders, including the CCC Academic Senate and the California Workforce Development Board, in developing these policies.

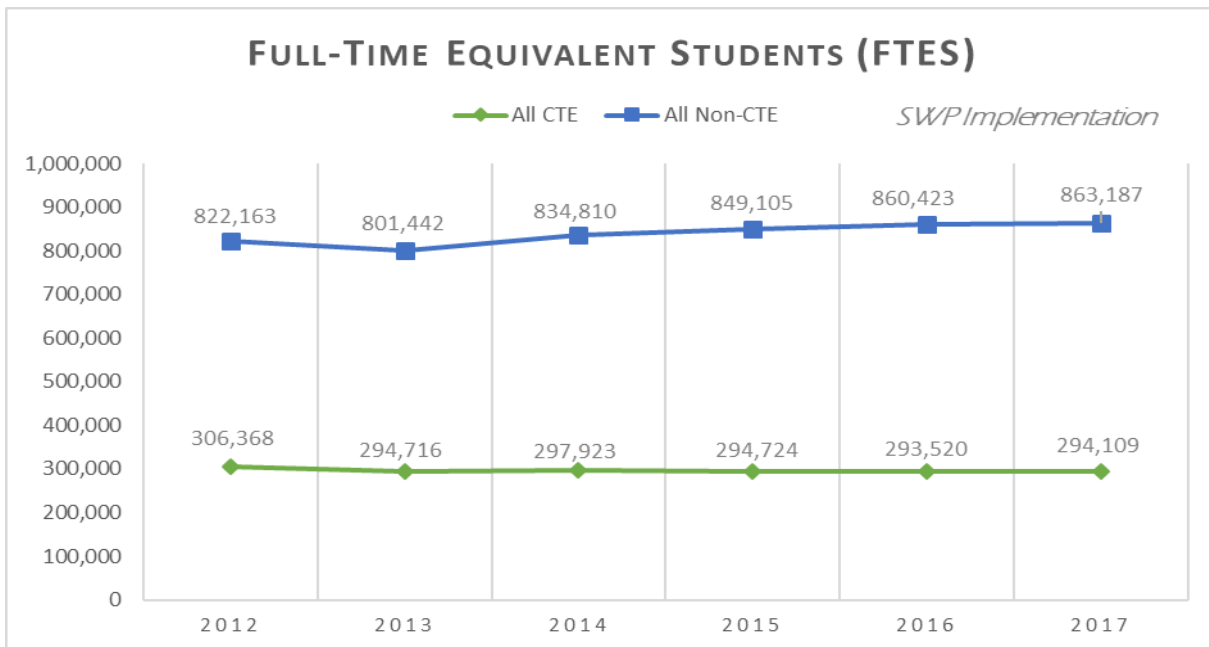
Governor’s Budget Proposal

The Governor’s budget continues to fund the Strong Workforce Program with \$248 million Proposition 98 General Fund. However, approximately \$77 million Proposition 98 is from one-time funds. The Administration indicates that while the program is through a combination of one-time and ongoing funds, the intent is to continue funding this program on an ongoing basis.

Staff Comments

The Chancellor’s Office notes that there is limited outcomes data regarding the impact of the Strong Workforce Program. Based on preliminary data, the Chancellor’s Office notes that one-year after implementation of the Strong Workforce Program, CTE FTES increased by 600 FTES from 2016-17 to 2017-18. Additionally, from 2016-18 to 2017-18, there was an estimated increase of 4,878 CTE certificates or degrees. The charts below summarize trends prior to implementation of the program and one-year after implementation.

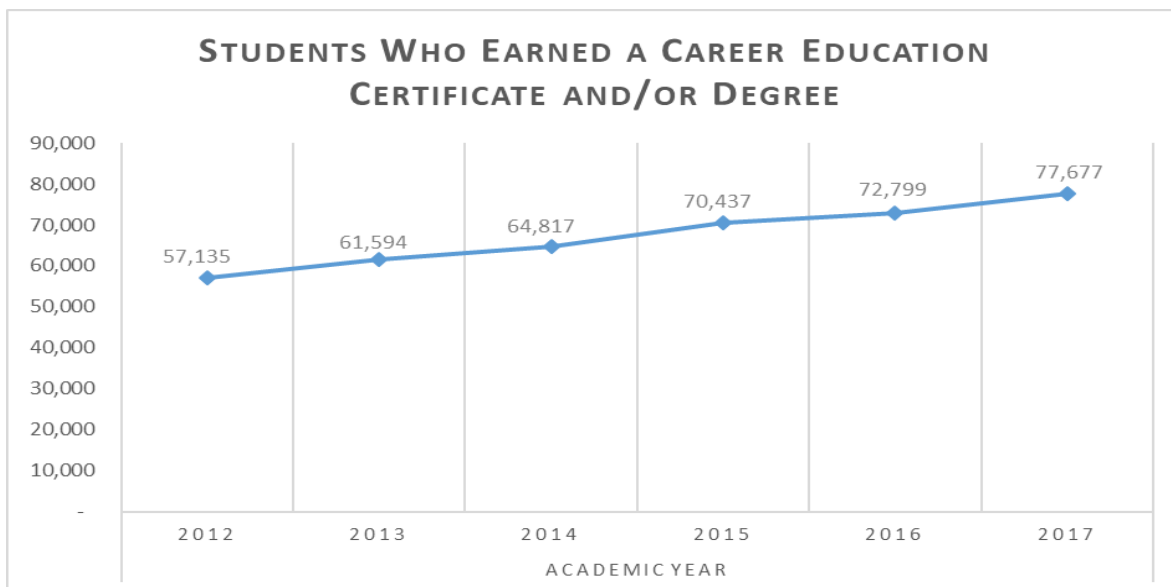
Full-Time Equivalent CTE Students



Region	Academic Year					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
State	306,368	294,716	297,923	294,724	293,520	294,109
Bay Area	66,889	62,599	62,472	60,866	60,024	58,593
Central Valley/Mother Lode	30,681	29,302	29,658	30,212	30,185	31,003
Inland Empire-Desert	23,489	23,129	22,624	22,431	22,082	21,806
Los Angeles/Orange County	104,305	100,824	103,604	100,262	99,817	100,124
North/Far North	32,852	32,005	31,338	31,809	33,946	33,418
San Diego/Imperial	26,159	25,255	26,001	26,711	25,310	26,925
South Central Coast	21,994	21,601	22,226	22,435	22,155	22,240

While there was an overall increase of 600 CTE FTES statewide, some regions experienced a decrease in CTE FTE enrollment: the Bay Area (1,431 FTEs decrease), Inland Empire-Desert (276 FTE decrease) and the North/Far North (528 FTE decrease). The subcommittee may wish to ask why these regions experienced this decline.

Students completing a CTE Certificate or Degree by Region



Region	Academic Year					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
State	57,135	61,594	64,817	70,437	72,799	77,677
Bay Area	12,100	13,258	14,013	14,055	14,022	14,463
Central Valley/Mother Lode	5,628	6,204	6,677	7,530	7,640	8,564
Inland Empire/Desert	5,334	5,016	4,947	4,988	5,044	5,463
Los Angeles/Orange County	17,808	19,975	20,110	23,759	24,547	26,340
North/Far North	6,663	7,159	7,302	7,008	7,488	7,549
San Diego/Imperial	6,237	6,396	7,493	8,771	9,325	9,556
South Central Coast	3,386	3,604	4,286	4,346	4,754	5,764

Due to limited data, it is unclear how SWP impacted a student's earnings, whether they obtained employment in jobs related to their field of study, or if colleges are meeting the demands of industry or students. Staff notes that without this critical information, it is difficult for the Legislature to evaluate the program as it enters into its fourth year. Additionally, as the Chancellor's Office plans to amend its outcomes metrics and methodology to align with Student Funding Formula, the Legislature may wish to ask if this would impact a community colleges' behavior.

Staff Recommendation. Hold Open.

6100 CALIFORNIA DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 7: K-12 Career Technical Education Programs

Panel:

- Ryan Anderson, Legislative Analyst’s Office
- Lina Grant, Department of Finance
- Michelle McIntosh, Department of Education
- Matt Roberts, California Community College Chancellor’s Office
- Christian Osmena, California Community College Chancellor’s Office

K-12 CTE Background:

Career Technical Education (CTE) is generally described as workforce-related training and education. In California’s education system, CTE is provided through the K-12 system, primarily in high schools, through the California Community Colleges (CCC), and also through adult education providers.

K-12 CTE. The California Department of Education (CDE) defines career technical education as a “...program of study that involves a multiyear sequence of courses that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers.” It further defines 15 industry fields for career technical education as noted in the table below:

Industry Sectors	
Agriculture	Health Science and Medical Technology
Arts, Media, and Entertainment	Hospitality, Tourism, and Recreation
Building Trades and Construction	Information Technology
Business and Finance	Manufacturing and Product Development
Child Development and Family Services	Marketing, Sales, and Services
Energy and Utilities	Public Services
Engineering and Design	Transportation
Fashion and Interior Design	

In 2005, the State Board of Education (SBE) adopted model curriculum standards for CTE, and in 2007, the board further adopted a framework for implementing the CTE curriculum in grades seven through twelve. In 2013, the board updated these standards and aligned them with the state’s Common Core English language and mathematics standards, Next Generation Science standards, and history/social science standards. CTE standards are divided by each of the 15 sectors identified above and, according to the CDE, are intended to define the knowledge, concepts, and skills that students should acquire at each grade level. School districts are required by statute to offer to all otherwise qualified students in grades seven to twelve a course of study that provides an opportunity for those students to attain entry-level employment skills in business or industry upon graduation from high school. Offering CTE courses that comply with the CTE model curriculum standards meets these statutory requirements.

A formal CTE program has long been incorporated into the curriculum of many high schools. In recent years, CTE has largely been operated through Regional Occupational Centers and Programs (ROCPs), which provide services for high school students over 16 and some adult students. According to the CDE, approximately 470,000 students enroll in ROCPs each year. Students may receive training at schools or at regional centers. The provision of CTE by ROCPs varies across the state and services are provided under the following organizational structures: 1) a county office of education operates an ROCP in which school districts participate, 2) school districts participate in a joint powers agreement that operates an ROCP, or 3) a single school district operates an ROCP. Prior to 2008-09, ROCPs received funding through a categorical block grant (approximately \$450 million Proposition 98 annually), based on hourly attendance. However, under the policy of categorical flexibility, school districts could use ROCP funds for any purpose through 2012-13.

Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under the LCFF. This new formula eliminated most categorical programs, including separate ROCP funding, and instead provided school districts with a grade span adjusted per average daily attendance (ADA) amount based on the number and characteristics (low-income, English learner and foster youth students generate additional funds) of K-12 students. The high school grade-span rate included an additional 2.6 percent increase over the base grant to represent the cost of CTE in high schools; however, school districts are not required to spend this funding on CTE. In order to protect CTE programs as the state transitioned to LCFF, the Legislature and the Governor enacted a maintenance-of-effort requirement to ensure local educational agencies (LEAs) continued to expend, from their LCFF allocation, the same amount of funds on CTE as they had in 2012-13 through the 2014-15 fiscal year.

K-12 CTE Outcomes and Accountability. Preparing students for college and careers more broadly is also part of the state's expectations for local educational agencies (LEAs) (school districts, county offices of education, and charter schools) under the state's multiple measure accountability system that was created along with LCFF. Under this system, the SBE adopted the college and career readiness indicator (CCI) for use beginning in the fall of 2017, based on 2016-17 data. This new indicator ranked the college and career readiness of graduating students, by assessing a student's attainment of the following, in addition to a high school diploma: CTE pathway completion; mastery of English language arts and mathematics standards; completion of Advanced Placement (AP) exams and/or International Baccalaureate (IB) exams; college course credit, and completion of A-G courses (courses that count towards the requirements for attending a California State University or a University of California). In 2018, achieving the state seal of biliteracy and Leadership/ Military Science course completion were added to the CCI. Indicator categories include "prepared", "approaching prepared", and "not-prepared" for college and careers. The CCI is one of several indicators by which the state tracks both the status of LEAs and progress made to determine the need for additional support. While the CCI is not solely a measure of CTE, LEAs providing access to robust CTE programs will be able to more easily reach higher ratings. At this point, tracking of students into post-secondary education, and specifically CTE programs and employment is limited; however, the SBE has left open the possibility of adding additional metrics to the CCI to increase its' ability to determine "career readiness".

CTE Incentive Grant Program Background

In 2015-16, the Legislature and Governor responded to concerns that CTE programs needed additional support outside of LCFF in the short-term to ensure sustainability of quality programs by enacting the CTE Incentive Grant program. This grant program provided one-time Proposition 98 funding for each of the 2015-16 through 2017-18 fiscal years, with a local matching requirement. The funding amount and

match requirement were adjusted each year, as follows:

- 2015-16: \$400 million, match requirement 1:1 (local match: grant funding)
- 2016-17: \$300 million, match requirement 1.5:1
- 2017-18: \$200 million, match requirement 2:1

School districts, charter schools, county offices of education, joint powers agencies, or any combination of those could apply for these funds to develop and expand CTE programs. Matching funds could come from LCFF, foundation funds, federal Perkins Grant, California Partnership Academies, the Agricultural Incentive Grant, and any other fund source with the exception of the California Career Pathways Trust. Grantees were also required to provide a plan for continued support of the program for at least three years after the expiration of the three-year grant. In addition, grantees were subject to the following requirements for eligible programs:

- Curriculum and instruction that aligns with the California Career Technical Education Model Curriculum Standards.
- Quality career exploration and guidance for students.
- Pupil support and leadership development.
- System alignment and coherence.
- Ongoing, formal industry and labor partnerships.
- Opportunities for after-school, extended day, and out-of-school work based learning.
- Reflection of regional or local labor market demands, and focused on high skill, high wage, or high-demand occupations.
- Leads to an industry recognized credential, certificate, or appropriate post-secondary training or employment.
- Skilled teachers or faculty with professional development opportunities.
- Data reporting.

The CDE, in conjunction with the SBE, determined whether a grantee continued to receive funds after the initial year based on the data reported by program participants. Grantees are also required to annually report the following data aligned with the core metrics required by the federal Workforce Innovation and Opportunity Act and the quality indicators described in the California State Plan for Career Technical Education and by the federal Perkins IV. The data to be reported included the following:

- The number of pupils completing high school
- The number of pupils completing CTE coursework
- The number of pupils obtaining an industry-recognized credential, certificate, license, or other measure of technical skill attainment
- The number of former pupils employed and the types of businesses in which they are employed
- The number of former pupils enrolled in a postsecondary educational institution, a state apprenticeship program, or another form of job training.

While the majority of the funds were allocated to program applicants, one percent was available for technical assistance activities. The CDE identified the following county offices to provide regional technical assistance: Butte, Fresno, Los Angeles, Napa, Sacramento, San Bernardino, and Santa Barbara. Technical assistance provided is based on the required elements of the program and professional development for specific industry sectors and regional needs.

2018-19 CTE Incentive Grant Program Changes. In the 2018-19 budget, the CTE Incentive Grant Program was authorized as an ongoing program with some changes. The ongoing Proposition 98 funding for the program was set at \$150 million. The county office of education technical assistance providers were eliminated with the intent that technical assistance for the program would be provided under newly-created support positions for the K-12 Strong Workforce Program (discussed below). In addition, the program maintains an ongoing 2:1 match requirement for grantees to match with state funds. Demand for the program remains strong with applications totaling over \$350 million for the 2018-19 funds. Ultimately, 337 applications were funded totaling \$150 million.

K-12 Strong Workforce Program Background

The 2018-19 budget also included \$150 million in ongoing Proposition 98 funding for a new K-12 CTE program, the K-12 Strong Workforce Program. Funds are distributed through the Strong Workforce Program operated by the Chancellor's Office of the CCCs and are used by K-12 local educational agencies (LEAs) to establish and support K-12 CTE programs that are aligned with industry needs.

The allocation to each existing consortia (made up of CCC districts and other local industry, workforce, and education partners, already established for the Strong Workforce Program) is based on three factors: the unemployment rate in the region, the region's total ADA for students in grades seven through 12, and the proportion of projected job openings in the region. Funding is further divided within each region to ensure that LEAs of all sizes are able to compete. Within each consortium, a subcommittee of individuals with K-12 education and workforce development expertise, known as a K-12 Selection Committee, is established. This committee will award competitive grants to LEAs, in consultation with the consortium. Grantees must provide a 1:1 local match if they apply as an ROCP or program operated as a joint powers agreement, or a 2:1 match if applying on behalf of a single LEA. Programs must meet the quality requirements established under the CTE Incentive Grant and report similar outcome data.

Under the competitive grant process, the K-12 Selection Committee is required to give positive consideration and the highest weight to applicants with the following characteristics:

- Aligned programs serving unduplicated (English Learners, Foster Youth, and Low-Income students)
- Programs that the committee, in consultation with the consortium, determines most effectively meets the needs of the local and regional economies.
- Programs serving student subgroups with higher than average rates of dropouts.
- Programs based in areas with high unemployment rates.

The K-12 Selection Committee is also required to give positive consideration to programs that leverage resources and structures from existing CTE programs, include private contributions, make investments in CTE infrastructure, equipment, and facilities, or operate within rural school districts.

The Chancellor's Office reports that consortia have received 478 applications totaling \$266 million. Grant awards will be announced later this month.

While there are now two sources of additional CTE funding for K-12 LEAs, integration of the K-12 CTE Incentive Grant Program and the K-12 Strong Workforce Program is supported by shared data elements, collection, and reporting. In addition, both programs must coordinate regionally to ensure plans for support and expansion of CTE programs include alignment with regional labor market

demands, demonstrate partnerships with industry and higher education, and provide opportunities for students to intern or otherwise engage in real work-based learning. Finally as discussed below, a shared technical assistance structure is underway.

CTE Technical Assistance. The 2018-19 budget included \$14 million in ongoing Proposition 98 funding to support a K-12 Workforce Pathway Coordinator in each CCC district to provide technical assistance and create partnerships with local industry and to provide for K-14 Technical Assistance providers at each consortium. These positions have not yet been filled.

CTE Outcome Data. In response to concerns that the data required under the former CTE Incentive Grant Program was not adequately collected and reported, statute required the formation of the California Workforce Pathways Joint Advisory Committee, to review and make recommendations on the data metrics for the CTE Incentive Grant Program and the K-12 Strong Workforce Program. The committee must also annually to report to the Department of Finance, the Governor, and the appropriate policy and fiscal committees of the Legislature on whether the metrics continue to be appropriate for measuring and evaluating the program and whether any new metrics should be added. The new CTE Incentive Grant Program and the K-12 Strong Workforce Program share the same data requirements, which now also include the number of students meeting standards as measured by the CCI, in addition to those noted in the first CTE Incentive Grant Program. Finally, requirements for data sharing between CDE and the CCC were included in statute.

Governor's Budget Proposal

The Governor's budget does not include significant changes related to CTE. The Governor's proposed trailer bill language includes technical changes related to the CTE Incentive Grant program and the K-12 component of the Strong Workforce Program. These changes include updating references to the federal Carl D. Perkins Career Technical Education Improvement Act with the Strengthening Career and Technical Education for the 21st Century Act, clarifying that regional occupational centers operated by a county office of education are eligible to apply for funding and other technical changes.

Suggested Questions:

- 1) For both the CTE Incentive Grant and the K-12 Strong Workforce Program what lessons were learned from data collection issues over the past few years and how will each of the new programs ensure accurate outcome data is collected and reported?
- 2) With the technical assistance support structure not yet in place, how have applicants for the CTE Incentive Grant Program and the K-12 Strong Workforce program been supported in developing their plans?

Staff Recommendation: Hold Open.

Issue 8: Adult Education Program

Panel:

- Lisa Qing, Legislative Analyst's Office
- Keith Nezaam, Department of Finance
- Carolyn Zachry, Department of Education
- Javier Romero, California Community College Chancellor's Office
- Christian Osmena, California Community College Chancellor's Office

Background:

Adult Education Program. The Adult Education Program was created in 2015-16 and provides \$500 million in ongoing Proposition 98 funding annually for the provision of adult education through the K-12 and community college systems and their local partners. This new program was built on two years of planning to improve and better coordinate the provision of adult education by the Chancellor of the California Community Colleges and the Superintendent of Public Instruction. The program has restructured the provision of adult education through the use of regional consortia, made up of adult education providers, to improve coordination and better serve the needs of adult learners within each region.

There are currently 71 regional consortia with boundaries that coincide with community college district service areas. Formal membership in consortia is limited to school and community college districts, county offices of education (COEs), and joint powers agencies (JPAs). Each formal member is represented by a designee of its governing board. With input from other adult education and workforce service providers, such as local libraries, community organizations, and workforce investment boards, the consortia have developed regional plans to coordinate and deliver adult education in their regions. Only formal consortia members may receive adult education funding directly. However, under a regional plan, funds may be designated for, and passed through to, other adult education providers serving students in the region.

Adult Education Areas of Instruction. Block grant funds may be used for programs in seven adult education instructional areas:

- 1) Elementary and secondary reading, writing, and mathematics (basic skills).
- 2) English as a second language and other programs for immigrants.
- 3) Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.
- 4) Short-term career technical education with high employment potential.
- 5) Pre-apprenticeship training activities coordinated with approved apprenticeship programs.
- 6) Programs for adults with disabilities.

-
- 7) Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

Consortia Funding. The first year of funding (2015-16) was designed as a transition year. Of the \$500 million total grant, \$337 million was distributed based on a maintenance of effort amount for school districts and COEs that operated adult education programs in 2012-13, and subsequently became members of regional consortia. Each of these providers received the same amount of funding in 2015-16, as it spent on adult education in 2012-13. The remainder of the funds were designated for regional consortia based on each region's share of the statewide need for adult education, as determined by the chancellor, superintendent, and executive director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy. Need-based funding in 2015-16 for consortia was \$158 million.

In 2016-17, and future years, the CCC and CDE distribute block grant funding based on (1) the amount allocated to each consortium in the prior year, (2) the consortium's need for adult education, and (3) the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year. In practice, each year's allocation has provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. However in 2018-19, the allocation was adjusted by a COLA that covered both 2016-17 and 2017-18 totaling \$20.6 million. Each consortium may choose a fiscal agent to receive state funds and then distribute funding to consortium members, or opt out and have members receive funds directly.

In addition, according the LAO, the state provides approximately \$300 million annually in noncredit apportionment funding for community college adult education programs.

Data Funding. As part of the 2018-19 budget act, \$5 million in ongoing Proposition 98 funding was provided to support a data sharing platform and ensure accurate data collection and reporting. In addition, trailer bill language specified that adult schools assign statewide student identifiers (SSIDs) for students without social security numbers and the community college must coordinate with the Department of Education (CDE) to assign SSIDs for students without social security numbers. The CDE and CCCO report that this new SSID policy is on track for this process to be in place for the 2019-20 school year.

Systems Alignment

As part of the effort to align systems, the original statute required the CCC and CDE to examine and make recommendations in several areas for potential streamlining and alignment across systems. While limited progress has been made, several alignment issues continue to remain unresolved, including:

- **State Funding.** Adult schools are funded primarily through the adult education block grant (AEBG), which does not provide funding on a per-student rate, while adult education at the CCC is funded through non-credit apportionments. As a result, the state continues to pay different amounts for similar types of courses.
- **Local Fee Policies.** Adult schools may charge fees for CTE courses (although there is no consistent fee policy) while the CCC may not charge fees for non-credit instruction. This

perpetuates inequities for students statewide and within consortia.

- **Minimum Instructor Qualifications.** Instructors of noncredit courses at the CCC are required to have a bachelor’s degree and specific coursework experience, while instructors at adult schools also need an adult education teaching credential. This may contribute to teacher shortages for adult schools, and the inability of CCC instructors to easily teach at adult schools.

The 2018-19 budget allocated up to \$500,000 of the \$5 million approved in ongoing data funding to contract with an external entity to survey adult schools to determine expenditures, revenues (including fees) and hours of instruction provided related to each type of instructional area from 2017-18. When completed, this survey may serve to inform future decisions about the adult education program.

Adult Education Reporting

Progress in Serving Adult Students. Consortia are in their fourth year of providing services under the adult education program, and the CCC and CDE were required to provide a report to Legislature on the implementation and effectiveness of the adult education program on February 1st. The report has not yet been submitted, but staff did receive a draft copy. Staff also notes that last year’s report was also not provided until three months past the due date. The report provides information on the program for the 2017-18 year and discusses progress made on data reporting.

Based on preliminary data, the report notes that in 2017-18, adult education consortia served 763,349 unduplicated adult students. As noted in the chart below, not all of these students were enrolled in adult education program areas, 305,363 received only services, which could include workshops, educational or career planning, assessment, or were referred to an outside supportive service (received at least one hour of instruction in adult education), leaving 481,263 as the official number for students enrolled in a program receiving 12 or more contact hours of instruction per year.

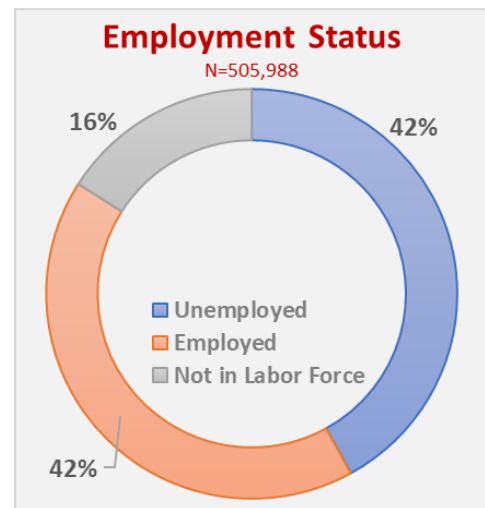
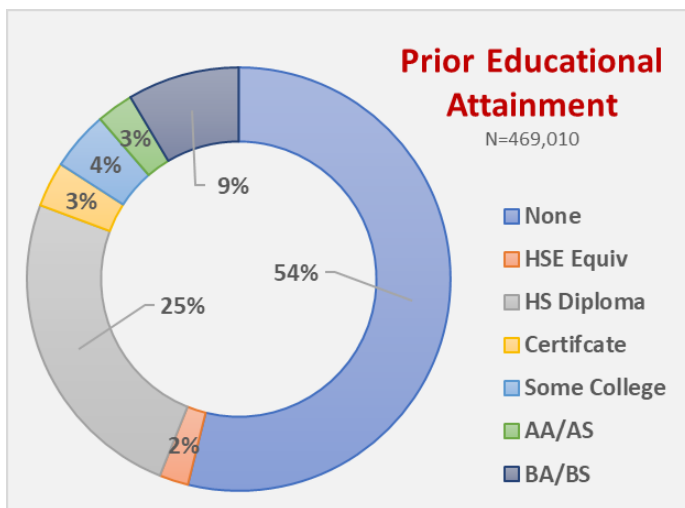
AEBG 2017-2018 State-Level Student Counts				
	K-12	Community College	Other	Totals
Total Adults Served by Consortia	456,072	289,399	17,878	763,349
Participants in AE Programs	308,333	162,443	10,487	481,263
Students Receiving Only Services	256,271	42,967	6,125	305,363

The highest enrollment category continues to be English as a Second Language (ESL) and Civics as shown below, followed by Adult Secondary Education (ASE), Adult Basic Skills Education (ABE), and Career Technical Education (CTE).

California Adult Education Unduplicated Enrollment by Program – 2017-2018				
	K–12 Adult	College	Other	Totals
Primary AE programs				
ABE	46,164	46,332	6,507	99,003
ASE	135,949	33,859	6,242	176,048
ESL and EL Civics	195,433	114,614	1,769	311,816
CTE Programs	87,307	36,198	3,963	127,465
Subcategory AE programs				
AWD	5,578	5,717	10	11,305
Adults Training to Support Child School Success	9,427	3,567	75	13,069
Adults Entering or Reentering the Workforce	62,623	35,168	3,461	101,252
Pre-apprenticeship	2,413	50	1	2,464
Integrated Education and Training	7,170	5,344	30	12,544
Totals	552,061	280,847	22,058	854,966

Enrollment category trends are generally consistent across both adult schools and community colleges with the exception being that adult schools serve a higher proportion of students in ASE while the community colleges and adult schools are serving about an equal number of students in ABE.

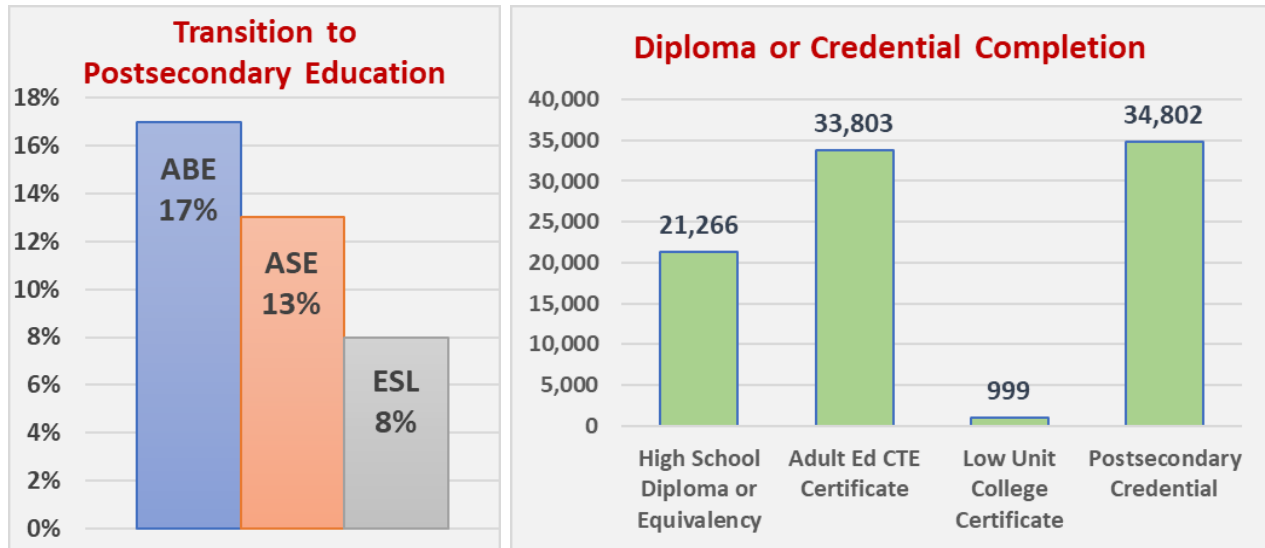
The consortia also attempted to collect data on the education and employment status of students that entered the system.



Adult Education Outcomes. Finally, the report also included some preliminary information on student progress and educational outcomes.

For 2017-18, approximately 129,221 students enrolled in ABE, ASE, and ESL demonstrated a measurable skill gain (measured either by pre-post testing or student course progression). Approximately 34,290 adult education students in ABE, ASE, and ESL transferred to either a CTE

program (adult school or community college) or any community college credit program, reflecting about 10 percent of this population. For degree and certificate completion, in addition to high school diploma or equivalents, CTE certificates, and associate degrees, the program is tracking low and high unit college certificates; however, only low unit college certificate data is available at this time as the information has only been tracked for two years.



The Adult Education Program is also tracking employment and wage data to the extent available based on the number of adult students who have a social security number entered into the system or have self-reported data. This data is also lagged and reflects that in 2016-17, 85,573 adult learners were employed after exiting the program, as identified through the Employment Development Department wage file. Of this sample, 39 percent reported a wage increase after exiting the program.

Governor’s Budget Proposal:

The Governor’s budget proposal includes an increase of \$18 million in ongoing Proposition 98 funding for a cost-of-living-adjustment (COLA) of 3.46 percent. The funds would be distributed to consortia based on their current allocation.

Staff Recommendation. Hold Open.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, April 25, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION**Issue 1: Child Care and Early Education – Background and Caseload Changes****Panel:**

- Sara Cortez, Legislative Analyst’s Office
- Sarah Burtner, Department of Finance
- Khiem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during “Stage One” (when a family first enters CalWORKs) and “Stage Two” (once a county deems a family “stable”, defined differently by county). In the past, the state has funded “Stage Three” (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the “Kindergarten Readiness Act” and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA’s Local Control Funding Formula allocation. LEAs may enroll children in transitional

kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

State Child Care and Preschool Programs

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.
Preschool	
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.
Transitional Kindergarten	Part-year program for children who turn five between September 2 and December 2. May run part day or full day.

Source: Legislative Analyst's Office

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2016 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program — referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of

Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the “administrative rate,” which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. The rate is increased by a statutory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. The current standard reimbursement rate (SRR) is \$45.44 per child per day of enrollment for General Child Care and \$45.73 for State Preschool.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool is now budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers receive General Fund through the General Child Care program to support wrap-around care. The Governor’s January proposal would change this as discussed in a later item. In contrast, transitional kindergarten, is funded with Proposition 98 funds through the Local Control Funding Formula (LCFF) based on Average Daily Attendance (ADA). A local district receives the same per ADA funding for a transitional kindergarten student as for a kindergarten student.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

From 2009-2013, overall funding for child care and preschool programs decreased by \$984 million; and approximately 110,000 slots, across all programs, were eliminated. During this time, the state also froze provider rates, cut license-exempt provider payments, and lowered income eligibility for families. Since 2013, the state has invested over \$1.5 billion into child care and early education. These increases are a combination of increased provider rates, increased child care and state preschool slots

and access, and investments in the quality of programs. The summary of subsidized slots provided in the system is displayed below.

Child Care and Preschool Subsidized Slots

	2017-18 Revised	2018-19 Revised	2019-20 Proposed	Change from 2018-19	
				Amount	Percent
CalWORKs Child Care					
Stage 1	38,322	34,228	32,162	-2,066	-6.0%
Stage 2 ^a	52,913	58,674	60,785	2,111	3.6%
Stage 3	33,516	44,320	52,428	8,108	18.3%
Subtotals	(124,751)	(137,222)	(145,375)	(8,153)	(5.9%)
Non-CalWORKs Programs					
Alternative Payment Program	29,804	44,785	45,055	270	0.6%
General Child Care ^b	28,563	28,427	28,144	-283	-1.0%
Migrant Child Care	3,046	3,037	3,012	-25	-0.8%
Care for Children with Severe Disabilities	106	103	102	-1	-1.0%
Subtotals	(61,519)	(76,352)	(76,313)	(-39)	(-0.1%)
Preschool Programs					
State Preschool—part day	101,101	102,501	101,630	-871	-0.8%
State Preschool—full day	64,528	66,609	78,208	11,599	17.4%
Transitional Kindergarten	90,615	90,318	90,211	-107	-0.1%
Subtotals	(256,244)	(259,429)	(270,049)	(10,621)	(4.1%)
Totals	442,514	473,002	491,737	18,735	4.0%

Note: Slot numbers reflect DSS estimates for CalWORKs Stage 1; DOF estimates for CalWORKs Stage 2 and 3, General Child Care, Migrant Child Care, and Care for Children with Severe Disabilities; and LAO estimates for all other programs. For Transitional Kindergarten, reflects preliminary estimates, as enrollment data are not yet publicly available for any year of the period. Table does not include slots funded through emergency bridge program for foster children.

^a Does not include certain community college child care slots (1,300 to 1,800 slots annually).

^b State Preschool wraparound slots for non-LEAs (funded by General Child Care) are shown in State Preschool—full day.

DSS = Department of Social Services. DOF = Department of Finance. LEAs = local education agencies.

Governor's Budget Proposal

The Governor's budget increases funding for child care and preschool programs, including transitional kindergarten, by \$665 million for a total of \$5.3 billion in state and federal funds. This reflects an increase of 14.2 percent from 2018-19. Base workload changes are described below, while major policy proposals are discussed in more detail later in the report.

Non-CalWORKs Child Care – The proposed budget includes \$79 million for a 3.46 percent cost-of-living adjustment (COLA) for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.

CalWORKs Child Care – The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage One, a \$36 million increase in Stage Two, and a \$83 million increase in Stage Three.

Transitional Kindergarten. – The proposed budget also includes an increase of \$24 million (for a total of \$890 million) Proposition 98 General Fund for transitional kindergarten, reflecting ADA growth and a COLA. This adjustment is included in total LCFF funding for the 2019-20 fiscal year.

Other Adjustments – The proposed budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.

Finally, the proposed budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year’s budget that commence in April 1, 2019.

Legislative Analyst’s Office Analysis:

The Legislative Analyst’s Office reviewed the Governor’s caseload related proposals in their recent publication; *The 2019-20 Budget: Early Education Analysis*. In regards to the proposed changes the LAO notes that the state made changes in 2017-18 that are impacting caseload for Stages Two and Three. Specifically the state made changes to income eligibility criteria and a key family reporting requirement.

- **Income Eligibility.** Under the new policy, families are eligible to enroll in subsidized child care if their income is below 70 percent of the 2016 SMI—\$54,027 for a family of three. Families can continue receiving benefits as long as their income is below 85 percent of SMI (\$65,604 for a family of three). Previously, to be income eligible (for both entering and exiting the program), parents were required to earn below 70 percent of the 2007 SMI (\$42,216 for a family of three).
- **Family Reporting Requirement.** Families now must report information necessary for determining eligibility only once a year unless changes in income make them ineligible. Previously, families were required to report any change in income or work hours within five days.

As a result the combined cost of CalWORKs Stages Two and Three has grown from \$714 million in 2016-17 to more than \$1 billion in 2018-19—an increase of 45 percent across the period. The increase is primarily due to higher caseload related to the above changes, but the cost per child also has increased as a result of the state updating to the 2016 RMR survey. The LAO also notes that in addition to the funding requested in the Governor’s Budget, current year funding fell short of caseload projections and \$80 million was provided in a mid-year augmentation to cover 2018-19 costs.

The LAO recommends the following:

- Given the substantial year-over-year caseload growth in recent years, the Legislature may want to budget more funding in the event caseload grows more quickly than the administration assumes (3 percent per year was included in the Governor's Budget). Budgeting initially at a higher level would minimize the chance the state has to use reserves to cover higher costs down the road. It also would prevent the state from having to dis-enroll children midyear if additional funding is unavailable.
- The Legislative may wish to consider increasing provider rates to align with the most recent regional market rate survey released this spring. Based upon the state's recent experience with survey-based rate increases, updating survey rates in 2019-20 likely would cost in the tens of millions. This increase is not built into the Governor's Budget.

Staff Comments:

Staff notes that while caseload for CalWORKs Stages Two and Three continues to increase, caseload in Stage One has decreased. While this generally is aligned with the decrease in the CalWORKs program participation overall, families in Stage One are not currently provided with stable, ongoing care and therefore may choose other care options. A related budget proposal, heard in Subcommittee #3 on April 11, proposes to stabilize families by establishing continuous, stable Stage One child care by authorizing care for 12 months or until transfer to Stage Two, whichever occurs first and to improve systems and notifications to ensure that families do not experience a disruption in services during the transition from Stage One to Stage Two.

Staff also notes that inequities continue to exist for some providers, limiting the pool of providers willing to provide flexible care. For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate. This low rate means that license – exempt providers may be unwilling or unable to offer part day or flexible hours even if there is demand from families in their local area.

Finally staff notes that in the 2018-19 budget, adjustment rates were increased for infants, toddlers, children with exceptional needs, and children with severe disabilities. The adjustment factor for children with exceptional needs applies to all child care programs except for part day preschool, although part-day preschool serves a significant number of children. Extending this rate increase to part-day preschool would cost roughly \$5.5 million, according to the LAO, and would support providers serving this vulnerable population.

Suggested Questions:

- Does CDE agree with the Administration's projections for CalWORKs Stages two and three growth?
- What would the impact be of updating to the most recent RMR survey?

Staff Recommendation: Hold Open.

Issue 2: State Preschool Expansion**Panel:**

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khiem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

The part day State Preschool program provides at least 3 hours per day of developmentally appropriate activities for 175 days per year. The full-day program provides between 6.5 and 10.5 hours of care for 250 days per year. State Preschool is currently funded by a combination of Proposition 98 and non-Proposition 98 state General Fund. All funding for the part-day/part-year state preschool is budgeted under the State Preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full-day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers receive General Fund through the General Child Care program to support wrap-around care. LEAs provide two-thirds of State Preschool slots and non-LEAs provide about one-third of State Preschool slots and are more likely to operate full-day programs.

Since 2014-15, the budget has included an increase in state preschool slots in each budget agreement, reaching a total of almost 170,000 slots in 2018-19 (approximately 103,000 part day and 67,000 full day). In recent years, new slots have been prioritized for full-day preschool slots for LEAs, reflecting the availability of Proposition 98 funding. However, according to the CDE, there has not been sufficient demand among LEAs for full-day, full-year slots. After first offering these slots to LEAs for full day care, CDE has had to repurpose funds to part-day slots when not enough applications for full-day slots were received. CDE reports that anecdotally, contractors note that LEAs may not offer full-day programs based on low reimbursement rates and the ability to earn more for children served in transitional kindergarten settings, which has fewer program requirements.

The chart that follows displays the number of slots the Legislature added in the budget over the past two years for the State Preschool Program at LEAs and non-LEAs by full-day and part-day, the number of slots requested by agencies in each category, and the number of slots awarded in each category based on available funds. In some years CDE has had additional funds from relinquished contracts or identified other available funds and were able to award additional slots. In many cases non-LEAs have requested significantly more full day slots than were available.

Preschool Expansion - Legislative Intent, Provider Demand, and Slot Allocation

		2017-18			2018-19		
		Intended Slots Based on Budget Act	Number of Slots Requested by Agencies	Awarded Slots Based on Available Funds	Intended Slots Based on Budget Act	Number of Slots Requested by Agencies	Awarded Slots Based on Available Funds
Full-Day	LEA	2,959	1,043	275	2,959	1,341	Not yet awarded
	Non-LEA	-	2,554	741	-	2,648	Not yet awarded
Part-Day	LEA	-	1,801	1,309	-	2,865	Not yet awarded
	Non-LEA	-	2,354	1,833	-	2,431	Not yet awarded

Source: Department of Education

Governor’s Budget Proposal

The Governor’s budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration also proposes to increase slots in 2020-21 and 2021-22, bringing the total to 30,000 additional slots by the end of the three-year period and serving all low-income four year olds.

The Governor’s budget also shifts \$297 million for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full-day State Preschool through non-Proposition 98 General Fund, and this proposal would unify the funding source for the program for non-LEA providers.

Finally, the Governor’s budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool.

Legislative Analyst’s Office Analysis:

The Legislative Analyst’s Office reviewed the Governor’s State Preschool expansion proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. In regards to the proposal, the LAO notes that the purpose of the State Preschool program is two-fold, focused on increasing kindergarten readiness among children from low-income families and, especially with the full-day option, also helping low-income, working families with their child care costs. The LAO notes that the expansion of slots, particularly full-day slots for non-LEAs, will support additional access for to low-income working families as non-LEAs are generally more likely to provide this type of program. The LAO also has some concerns about the proposal to eliminate the work requirement for full day program eligibility, noting that this requirement directly supports the goals of the program. The LAO

notes that removing the work requirement may result in providers converting more slots from part day to full day, which would either decrease total slots or create a need for an additional investment from the state to retain the same number of slots.

The LAO also finds that structurally the field may not be able to absorb new slots as quickly as the timeline proposed by the Governor, given the magnitude of the increase and CDE staff workload needed to distribute slots. Finally, the LAO anticipates that the awarding of new slots may take up to six months resulting in the first round of slots not being available until January 1, 2020. The LAO also finds the ability of providers to find and develop facilities to support the expansion may impact the roll-out of a proposal. However, in regards to the Proposition 98 funding shift, the LAO notes that there are benefits to simplifying the funding structure of this program.

The LAO makes the following recommendations:

- Add 2,500 new non-LEA slots beginning January 1, 2020; roughly a 10 percent increase from the full-day slots non-LEAs currently provide. This would allow CDE to ramp up for the administrative work required for the expansion and allow providers lead time to expand their programs. Future expansions could be informed by the number of 2019-20 slots taken up.
- Maintain the requirement that parents be working or in school. Removing the work requirement would result in some children from families where one parent stays at home receiving priority for full-day programs over other children from families with child care needs. Additionally, prioritize new slots to non-LEAs that agree to operate at least 10 hours per day. These changes would ensure that new slots meet the needs of parent(s) working full-time.
- Provide \$4 million in ongoing funding to assist providers with facility expansion. For 2019-20, we recommend having CDE distribute the funding among Local Planning Councils (LPCs) based on the county's population of low-income children under five. In the future, the state could use data from CDE's forthcoming needs assessment to distribute funding based on each county's unserved preschool population. LPCs would be required to have a facility specialist to work with local governments to address local zoning ordinances and other local issues serving as barriers to using facilities for child care and preschool.
- Support the change to provide non-LEAs slots from one fund source. This change allows more flexibility for non-LEA providers to use slots in a way that best meet families' needs and also simplifies contracting for the state and providers.
- Consider consolidating state funding for all existing preschool programs into one program. The state could build off the structure of the existing State Preschool program, which assures all participating children receive at least three hours of developmentally appropriate activities and also provides wrap care for working families. To improve the convenience for families and increase the likelihood that all low-income children can participate, the state could also require providers to offer programs year-round, operate at least 10 hours per day, and have flexible start times for part-day programs.

Suggested Questions:

- Does the field have the capacity to take up 30,000 slots over the next three years?

- Does CDE consider availability of slots and need for care in different areas of the state when awarding slots?
- What type of outreach does CDE do to solicit applications for new slots?
- The Governor is also proposing one-time investments in training and facilities in these fields, how does the timing of those investments align with the roll-out of new slots?

Staff Recommendation: Hold Open.

Issue 3: Early Childhood Education One-Time Investments**Panel:**

- Sarah Burtner, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Khiem Jackson, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

Facilities. Child Care and Preschool may be offered in a variety of different settings from center-based care, programs provided on an LEA campus, or care provided in a private home. There are both licensed and license-exempt options and all types help to meet the diverse needs of families. Licensed child care and preschool facilities must meet specific safety standards. Community Care Licensing, a division of Social Services, inspects facilities before providers can begin serving children. All licensed facilities are inspected on a three year cycle.

To secure facilities, providers may either own or rent facilities and in some cases may have subsidized rent (usually through a school district or another public entity). Funding for the upgrade or expansion of facilities has been limited, bond funding has not been available for these types of facilities in the past. However, the state has provided both grants and loans to providers in the past. The current program, the Child Care Facilities Revolving Fund (CCFRF) provides interest-free loans to child care providers to be repaid over an up to ten-year period. Loans are available for the purchase of new facilities or the upgrading of additional facilities. While the fund balance can fluctuate as a result of loans being paid back at any one time, according to the CDE, the CCFRF currently has an available fund balance of \$26.8 million and has not funded any new applications under the CCFRF in the past few years. In reaching out to providers, the CDE identified the following factors that contribute to a lack of applicants: the SRR is too low such that contractors cannot afford to pay back a loan; land is unavailable, even on LEA campuses; and the Maximum Funding Allowance (MFA) is too low (\$210,000). In 2016–17, the CDE increased the MFA from \$210,000 to \$420,000.

Workforce. Early education staff are required to meet certain educational requirements. A child care or preschool teacher in a program that contracts with the state must hold a Child Development Teacher Permit. The permit is issued by the Commission on Teacher Credentialing and requires 24 units of early childhood education coursework and 16 units of general education coursework. Child care or preschool teachers in other licensed centers in California are required to have a Child Development Associate Credential or a minimum of 12 units of early education coursework. This credential is issued by a national nonprofit organization focused on educating and training child care workers. Other child care workers, such as aids and directors have different education and experience requirements.

In 2018-19, California provided \$50 million for workforce training, including programs for coaching and stipends for workers to increase their education.

Planning. While California's focus in the area of early care and education has primarily been on making incremental progress toward building back the system from funding cuts in the last recession,

efforts have been ongoing to provide the research needed to support improvements in the field. These efforts by the state and research groups have covered areas such as reimbursement rate structures, access to child care, supporting young children with special needs, child care workforce issues, and alignment with kindergarten

In addition, the state was recently awarded a Preschool Development Grant totaling \$10.6 million in federal funds. With the funds, CDE is examining current levels of access to child care and preschool programs throughout the state. CDE also intends to develop a strategic plan that will identify the steps the state could take to improve programs for children from birth through age five. The strategic plan will address topics including access, workforce, and facilities and will be developed in coordination with practitioners and representatives of state agencies. All associated activities are expected to be completed by December 2019.

Governor's Budget Proposal:

The Governor proposes to provide \$500 million in one-time General Fund to support and strengthen the state's early care and education system as follows:

Facilities. The Governor proposes to provide \$245 million to expand facilities for subsidized child care. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through grants to non-LEA child care and preschool providers. Funds may be used for the construction of new or renovation of existing child care and preschool facilities. Priority would be given to applicants with a demonstrated need for facilities, those serving low-income communities and those who plan to serve children that qualify for subsidies.

Workforce. The Governor proposes to provide \$245 million to increase the educational attainment of the child care workforce. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through a competitive grant process administered through local partnerships in all 58 counties. The funding would be allocated based on the demonstrated need, cost-of-living, and number of children under age 13 that qualify for subsidized care in each county. The grants could be used for educational expenses, including tuition, supplies, transportation, child care, substitute teacher pay and other related expenses as determined by the Superintendent.

Planning. The Governor proposes to provide \$10 million for the State Board of Education to contract with a research organization for the development of a blueprint for the state's early care and education system. This plan would include recommendations for improving the system, including providing universal preschool or early education for all three and four years olds in the state, revenues, funding, reimbursement rates, systems alignment, quality standards, and system efficiencies for families and providers among other things. The work is intended to build upon existing reports and research studies.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's one-time investments proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. The LAO notes that the focus on workforce and facilities is justified given that these are some of the most commonly cited challenges for providers. However the LAO also notes that the state has collected very little data on either of these topics. The state does not have information on what the educational attainment is of the current workforce, or what facilities are being used across the state, what areas of the state are in most need of this support, and what the most cost-effective investments would be. The state also has relatively little

information on what the needs are of families for early care and education. These needs may vary across the state and expanded preschool offerings may be more in demand in some areas than others. Finally, the LAO also notes the numerous studies have already been completed or are underway in the child care and early education space and cautions against duplicating work already done.

The LAO also makes the following specific recommendations:

- Use 2019-20 as a year to collect information needed to make targeted investments in early care and education. The LAO also notes that one-time funds could be set aside to draw down based on the information gathered.
- In place of a \$10 million blueprint, provide \$2 million (\$1 million each) to answer specific questions about the need for facilities and access to child care. For facilities these questions could focus on the types of facilities providers use, the need for facilities maintenance, how providers currently cover the upkeep of their facilities and the challenges for each type of facilities arrangement. For addressing access, the research could focus on determining the needs of families across the state, including need for different hours or types of care and what factors go into families' decisions around selecting care, including those eligible for, but not receiving subsidized care.
- These reports should be aligned with providing input for the 2021-22 budget cycle.

Suggested Questions:

- What information do we currently have on child care and preschool facilities across the state?
- How do local communities take into account the need for child care in their local planning processes?
- Child care providers vary from family-run homes to large centers. How will these funds be made available for providers with different needs and ability to engage in a grant process?
- Children with exceptional needs benefit from facilities that can accommodate an inclusive classroom and teachers with additional training, how will the funding ensure that the needs of all children are taken into consideration?
- The proposed trailer bill language for the preschool and child care blueprint lists a broad range of topics that will be collected and analyzed. What are the top priorities for the Governor? Does the LAO or CDE have recommendations on what data is still missing to better inform steps to improve the early care and education system going forward?

Staff Recommendation:

Hold Open.

Issue 4: Women’s Caucus Proposal**Panel:**

- Senator Leyva

Proposal:

The Legislative Women’s Caucus continues to support a commitment to expanding access for subsidized child care and supports additional investments in access to care and workforce development. Specifically, the Women’s Caucus supports:

- The streamlining of CalWORKs Stage One child care eligibility rules to ensure that children have stable care and families do not experience a break in services due to a transition between the three stages of CalWORKs child care.
- The creation of guidelines for Early Care and Education (ECE) professional development to strengthen, recruit, and retain the ECE workforce.
- The establishment of a single regionalized state reimbursement rate system. This system would replace the current bifurcated system of reimbursement rates for early learning services which makes it difficult to fund and deliver high-quality ECE programs that meet the developmental needs of all children.

Staff Recommendation:

Hold Open.

Issue 5: Full - Day Kindergarten Facilities

Panel:

- Keith Nezaam, Department of Finance
- Amy Li, Legislative Analyst's Office
- Barbara Kampmeiner, Office of Public School Construction
- Bruce Fuller, Ph.D., Professor, Education and Public Policy, University of California, Berkeley

Background:

The state requires all elementary and unified districts to offer kindergarten to all five year olds. Additionally, those students that turn five between September 2nd and December 2nd qualify for transitional kindergarten (qualifying for two years of kindergarten). Currently, about 530,000 students participate in kindergarten in California.

School districts are provided the flexibility to determine the length of their kindergarten programs. Part-day programs are three to four hours long, while full-day programs operate more than four hours. Part-day programs often offer a morning and afternoon session using the same classroom and two teachers. School districts receive the same funding rate (\$8,235 per student in 2018-19) for operating a part-day or full-day kindergarten program. In 2017-18, 71 percent of districts ran only full-day kindergarten programs, 19 percent ran part-day programs and 10 percent ran a combination of full-day and part-day programs. The number of full-day programs has increased significantly since 2007-08.

Full Day Kindergarten Facilities Grant Program. The 2018-19 budget provided \$100 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facilities Grant Program in order to help districts address barriers to providing full-day kindergarten programs. The Office of Public School Construction (OPSC), with approval by the State Allocation Board, was charged with allocating the grants to school districts that lack the facilities to provide full-day kindergarten. School districts could apply based on a school site that does not have enough classroom space to provide full-day kindergarten or an existing full-day kindergarten that does not meet CDE regulations. Priority for the grants is provided to districts with financial hardship or districts that have a high population of low-income students. The grants require a local match of 50 percent of the cost of new construction and 40 percent of the cost of renovation, except for those districts that meet the financial hardship requirements. Similar to other funds received under the School Facilities Program, savings from this program may be used for other local facilities needs.

The OPSC is awarding grants in two rounds of applications. The first round of applications were due in January and will allocate \$37.5 million for 12 projects. In the first round of applications, 72 districts requested a total of \$262 million with an additional request of \$62 million for financial hardship for a total of \$324 million for the state share of 261 projects. The majority of projects (76 percent) were for new construction. All of the projects selected for the first round are for financial hardship districts and 9 of the 12 districts previously offered full-day kindergarten. Funding will likely be awarded in May or June. The second round of applications will allocate \$60 million in grants and will be reviewed and awarded later this year.

Research:

Recently, the Berkeley Early Childhood Think Tank put together a research brief examining the current state of kindergarten and transitional kindergarten. The brief examined full-day offerings and found that in 2017-18, 73 percent of elementary schools (excluding charter schools) already offered full-day kindergarten. The research went further and using the share of children eligible for free-or reduced price lunch as a measurement, found that full-day kindergarten is operated more in schools serving more low-income students. Charter elementary schools generally provide full-day kindergarten, and following the trend observed in other elementary schools, also provide full-day kindergarten at a greater rate (almost universally) for schools serving the lowest income communities.

The research also examined transitional kindergarten and found that about 50 percent of elementary schools offered full-day transitional kindergarten in 2017-18 and another 25 percent offered part day. Similar trends occur as in kindergarten in regards to more full-day transitional kindergarten offerings in elementary schools serving low-income students.

The research notes that these numbers and differences across communities with different levels of resources may or may not reflect variation in demand due to parent preference or the ability of the school district to offer enough full-day classrooms to meet demands. In addition, the availability of funds via additional LCFF, Title I, or other funds targeted to low-income communities may have served to fund preferences for full-day kindergarten and transitional kindergarten.

The brief further notes that the balance of research shows that that full-day kindergarten yields stronger outcomes than part-day kindergarten for children's cognitive, pre-literacy, and math outcomes, similar to outcomes for students in full-day quality preschool programs. These gains are consistently greater for low-income children and children with disabilities.

Governor's Proposal:

The Governor's proposed budget includes \$750 million in one-time non-Proposition 98 General Fund for eligible LEAs to retrofit or expand existing facilities to allow for an expansion of full-day kindergarten programs through the Full-Day Kindergarten Facilities Grant Program.

The proposal also makes some changes to the current program. Specifically, savings from projects awarded as a result of this new funding would be available for professional development or instructional materials to build capacity for the implementation of a full-day kindergarten program or for other high priority local facility needs. In addition, applicants must now provide anticipated and three preceding years of enrollment data to verify need for new construction.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office reviewed the Governor's one-time investments proposal in their recent publication; *The 2019-20 Budget: Early Education Analysis*. The LAO notes the purpose of the current and proposed additional funding for the Full-Day Kindergarten Facilities Grant Program is broader than the stated goal of increasing the capacity of full-day kindergarten programs in the state. The current and new program both allow for funding to upgrade current full-day kindergarten classrooms without expanding the number of students served. The LAO notes data from the current program reflects that most districts applying for funds do already operate full-day programs. In addition, school districts reflect a variety of reasons for part-day programs. Beyond facilities, districts

cite teacher and parent preference and staffing costs as barriers. The LAO also notes that the number of school districts providing full-day kindergarten has been rising over the past several years without a dedicated funding source. Funding is available under the current school facilities program for districts with increasing enrollment or with older buildings.

The LAO makes the following specific recommendations:

- Do not expand the Full-Day Kindergarten Facilities Grant Program at this time. Instead utilize the \$750 million in one-time funding for other budget priorities. The current program is not notably increasing the number of children served in full-day programs and many school districts have moved to full-day offerings without targeted facility funding.
- If the Legislature remains interested in expanding Full-Day Kindergarten, it should reconsider the issue for the 2020-21 budget cycle. At that time the state will have awarded all the grants for the initial \$100 million invested in the program and will have more information about the demand for new facilities among districts running part-day programs. Funding in the future could be more tailored to specific program needs and the LAO recommends the funds are provided only to districts operating part-day programs with facilities-related barriers to moving to full-day programs that cannot be resolved through the existing School Facilities Program.
- If the Legislature would like to create a stronger incentive for school districts to run full-day programs, a consideration should be reducing the rates for providing part-day programs. Currently school districts are provided the same amount of LCFF funding per student for part-day and full-day programs. The part-day rate, for example, could be reduced by the difference in hours between the average part-day and full-day program (about 35 percent). Assuming the 2019-20 LCFF funding rates in the Governor's budget, this would equate to about \$5,500 in base funding per student in a part-day program compared to \$8,500 per student in a full-day program. A lower rate for less hours is generally consistent with how other statewide programs are funded. If the Legislature desires to implement a rate reduction for part-day programs, the LAO recommends doing it over a three-year period, beginning in 2020-21. This would allow districts time to consider and plan for any additional full-day programs and the state to adjust for any savings or costs that may result.

Subcommittee Questions:

- How does participation in the Full-Day Kindergarten Facilities Grant Program impact a school district's participation in the School Facilities Grant Program?
- Is the Administration open to considering limiting the program to those schools that are not currently operating full-day programs?
- The Governor also has a proposal for early care and education facilities. How did the Governor balance the need for additional facilities in that area compared with the need for full-day kindergarten when allocating one-time funding in the budget?

Staff Recommendation: Hold Open.

Issue 6: Kindergarten Child Savings Accounts**Panel:**

- Bijan Mehryar, Department of Finance
- Luis Bourgeois, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Davis O'Brien, Student Aid Commission

Background:

Child Savings Accounts are accounts designated for a specific child to build assets over time through contributions from governments, society, family, friends, or the child. The accounts are generally opened with an initial contribution, or seed money, from a sponsoring organization such as a government agency, nonprofit, or philanthropic foundation. Eligible uses of the accounts are for tuition (normally for post-secondary education such as college, vocational, or technical schools), room and board, books, supplies and equipment, and mandatory fees. Research indicates that even small college savings plans increase the likelihood of a student attending college.

Numerous California cities and local foundations have in recent years launched programs to enroll children and their families into savings accounts or 529 college savings accounts and provide some initial seed funding for these accounts.

Every Kid Counts Act. The Budget Act of 2017 established the Every Kid Counts (EKC) Act and established the EKC College Savings Program. Amendments to the EKC Act in 2018 placed this program under the authority of the Student Aid Commission (Assembly Bill 108 [Committee on Budget], Chapter 7, Statutes of 2018, Section 27). The intent of the EKC College Savings Program was to support and evaluate programs operated at the local level that provide incentives for low-income families to begin saving for their children's college education. The EKC Act allocated \$2,910,000 in one-time General Fund for EKC College Savings Program grant awards that support "local governments and other entities that sponsor one or more comprehensive citywide or regional children's savings account programs." The EKC Act specified how an entity may qualify for the grant, the minimum amount of the grant (\$100,000) and permissible activities for the use of the funds by the grantees.

To distribute the grants, the Commission developed a Request for Application process. Local entities were eligible if they met the following criteria:

- Have a college savings program in operation or development that primarily targets pupils in kindergarten and grades 1 to 6, inclusive, on or before December 31, 2018.
- Have moneys, in addition to this state funding, to support its college savings program.
- Agree to enter into an evaluation consortium that allows for independent research and evaluation of activities and outcomes associated with its college savings program.

The Commission received a total of nine applications for the EKC grants by the deadline of February 21, 2019. All applications were deemed by program staff to meet the statutory requirements. Under the EKC Act, the Commission was required to distribute grants to qualifying entities based on the number of applications, the total amount of funding available, and the number of students that each participating entity intended to serve, and the percentage of low income families residing in the community served by each participating entity.

The following qualifying entities were approved for funding by the Commission at its March hearing:

- City of West Sacramento (\$148,576)
- San Francisco Kindergarten to College (\$926,892)
- Santa Cruz Community Ventures (\$100,000)
- Corazon Healdsburg (\$110,779)
- El Monte Promise Foundation (\$448,044)
- United Way California Capitol Region (\$286,172)
- The Oakland Promise Kindergarten to College (K2C) Program (\$405,038)
- Glendale Unified School District (\$197,915)
- Los Angeles Housing and Community Investment Department (\$286,583)

Governor’s Proposal:

The Governor’s proposed budget includes \$50 million in one-time non-Proposition 98 General Fund to create the Kindergarten Child Savings Account program to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local governments, and philanthropy to create models for working towards providing Child Savings Accounts for incoming kindergartners.

Subcommittee Questions:

- How was the current proposal informed by the Every Kids Count Act and what differs in the Governor’s proposal or policy goal?

Staff Recommendation:

Hold Open.

Issue 7: Special Education**Panel:**

- Michelle Valdivia, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Khieem Jackson, Department of Education
- Heather Carlson, Department of Education

Background:

“Special education” describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal special education laws originally enacted in 1975 and reauthorized as IDEA in 2004, require states to provide early intervention services for infants and toddlers and schools to provide “specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability.” The law requires the provision of these special supports and services to students with exceptional needs from age 0 to age 22, or until they graduate from high school with a diploma.

Children with disabilities who are younger than age 5 and are not yet in school settings receive supports and services in different ways. For infants and toddlers (ages 0-3 years old), an individualized family service plan is created and services are generally provided by regional centers which served approximately 33,500 children served in 2015-16. These centers are non-profit agencies overseen by the Department of Developmental Services. However, a small percentage of infants and toddlers with special needs are served by school districts. A small number of school districts that had historically served these children were grandfathered into the current system and currently serve approximately 5,000 children. In addition, schools serve a small number of infants and toddlers (approximately 1,000) who have only a hearing, visual, or orthopedic (HVO) impairment. The state's federal IDEA plan required HVO-related services to be provided by the schools if an HVO impairment is the child's only disability. Once a child reaches age 3, the responsibility for serving children with disabilities is transferred to the school district of residence and regional centers are required to work with school districts during this transition.¹ Through regional centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility.

To determine a child's eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student's IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided

¹ Legislative Analyst's Office, *Evaluating California's System for Serving Infants and Toddlers with Special Needs*, January 4, 2018.

services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Federal law also dictates that students must receive a Free Appropriate Public Education in the Least Restrictive Environment. This means that to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. California is currently 48th in the nation in terms of students with disabilities spending at least 80 percent or more of their day in general education.

In 2017-18, 774,665 children, ages 0-22 received special education under the provisions of IDEA in California. This represents approximately 11 percent of the total state student population. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. In recent years, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising nearly 14 percent of the students with disabilities student population. Different types of disabilities are more prevalent at different ages. For example, speech impairments are most common in earlier grades, while learning disorders are generally identified later in a child's educational career. Schools integrate services and supports into the regular school day for transitional kindergarten through grade 12 students. For children ages 3-5 years old not yet attending school or who are served in an early care setting, preschool, or at home, the school district of residence provides services that may occur at the child's education or care setting, or at a facility designated by the school district. These services are in addition to the early education and child care services children may be receiving if they are enrolled in one of the state or federally-funded programs or in some other early education or care setting.

Special Education Enrollment by Age and Disability²

Age	0	1	2	3	4	Totals
Intellectual Disability	61	107	157	854	1,033	2,212
Hard of Hearing	406	643	627	384	353	2,413
Deaf	42	78	109	99	142	470
Speech or Language Impairment	14	205	887	12,706	18,119	31,931
Visual Impairment	22	94	85	92	85	378
Emotional Disturbance	0	0	*	*	16	16
Orthopedic Impairment	55	160	149	392	400	1,156
Other Health Impairment	311	761	1,045	930	1,131	4,178
Specific Learning Disability	0	*	*	21	57	78
Deaf- Blindness	*	*	*	*	*	0
Multiple Disability	37	92	108	245	308	790
Autism	0	*	71	5,642	7,022	12,735
Traumatic Brain Injury	0	0	*	17	29	46

Special Education Local Plan Areas (SELPs) and Fund Distribution. State and Federal special education funding is distributed regionally through 127 Special Education Local Plan Areas (SELPs) to school districts and charter schools in the state. Most SELPs are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPs, while three SELPs consist of only charter schools.

California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPs based on the total number of students attending, regardless of students’ disability

² December 2017, California Department of Education (* denotes less than 11 children in this category). This chart includes children served by LEAs, and does not include regional center data.

status. This funding model, often referred to as the AB 602 (Davis and Poochigian), Chapter 854, Statutes of 1997, formula after the implementing legislation, implicitly assumes that students with disabilities—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities. The ADA used to calculate the AB 602 formula is based on enrollment in grades Kindergarten through grade 12 (including transitional kindergarten). Although SELPAs are serving 3-5 year olds, they do not receive any additional funding under the AB 602 formula for these children. Federal funds are available for regional center services and a small amount (about \$150 million) is available for preschool services.

State and federal special education categorical funding totals over \$4 billion annually. California's model for serving special education services reflects that school districts first use their general purpose, Local Control Funding Formula (LCFF) funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a recent report by the Public Policy Institute of California, state and federal funding cover approximately 40 percent of cost of special education, with school districts covering the remaining costs from other fund sources.³ In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

Governor's Proposal:

The Governor's Budget includes \$577 million in Proposition 98 General Fund (\$390 million ongoing and \$187 one-time) for special education-related services for LEAs. Funds would be distributed according to a formula to LEAs serving more than the statewide average share of students with disabilities and having a population of low-income, foster youth, and English language learner students that exceeds 55 percent. Eligible LEAs would then get funded for each special education student above the statewide average. About 425 LEAs would receive funding under this proposal.

The funds are intended to provide preventative services to prevent the need for additional services in future years, and other strategies to improve outcomes for students with disabilities. One-time funding would be used for one-time purposes related to these goals such as professional development or equipment.

Legislative Analyst's Office Analysis:

The LAO reviewed the Governor's special educational proposals in their recent publication, *The 2019-20 Budget: Proposition 98 Analysis*. The LAO notes that the Governor's proposal creates a new categorical program and that districts may have difficulty integrating this new funding into their current special education programs. In addition, some of the Governor's stated concerns such as the poor performance of students with disabilities on the state's School Dashboard system were addressed in the 2018-19 budget with the creation of SELPA leads to provide additional support for schools and

³ Public Policy Institute of California, *Special Education Finance in California*

the funding of Multi-Tiered Systems of Support (MTSS) programs to provide additional support for students. The LAO also notes concerns with the proposed allocation formula. Because the formula is based on the number of student receiving special education, those LEAs that reduce these numbers through early intervention or other strategies would receive less funding for those services. In addition, the amount per student is about \$8,000 ongoing and this significant amount of funding may create incentives toward identification of students with disabilities that are not intended. Finally, given that costs for special education have been increasing faster than funding, it is likely that most LEAs would use the additional funds to cover existing special education costs rather than start new programs.

The LAO makes the following recommendations:

- Reject the Governor’s proposal and consider what the Legislature’s special education priorities are for the additional funds.
- Consider providing AB 602 rate equalization. Equalizing to the 90th percentile of existing rates would cost approximately \$333 million. Equalization to any percentile could be phased in over time.
- Consider providing some funding for preschool special education. There are different approaches to doing this, and the Legislature may wish to consider the following when developing a program in this area:
 - Avoid creating incentives to over or under identify three and four years olds for special education.
 - Currently three and four year olds are identified at about half the rate of school-aged children.
 - Consider the share of cost between federal funds, state categorical funds, and local general purpose funds. Covering all preschool special education is estimated to cost about \$700 million.
 - Avoid adding unnecessary complexity.

Staff Comments

Staff notes that there are concerns with both the distribution of funding under the Governor’s proposal and with the proposed use of funds. However, the Legislature and the Governor have similar goals in providing additional support for LEAs providing special education services to support better outcomes for students with disabilities. There are multiple proposals for special education in both the Senate and Assembly, including:

- Providing grants to school districts of residence for providing IEP services for three and four year olds served in mainstream early education settings and expanding transitional kindergarten for four year olds with IEPs.
- Equalizing special education funding received under the AB 602 formula across SELPAs to the 95th percentile.

- Providing AB 602 funding for school districts serving three and four year olds.
- Creating a high-cost service allowance for students with severe disabilities.

Staff also notes that while ongoing funding is needed to support LEAs in providing special education, there are also a variety of uses for one-time funds that would help to strengthen the system. A teacher shortage is particularly acute in the area of special education across the state. Despite efforts over the past few years to recruit new teachers and retain current teachers, additional supports for the special education teacher workforce are still needed. In addition, students receiving special education services may be integrated into a mainstream classroom, often providing benefits for both the student and the classroom peer group. Currently general education teachers do not receive significant amounts of training on special education services. Professional development for general education teachers, special education teachers, and para-educators focusing on best practices for serving special education students in inclusive environments is also needed to support the integration of all students.

Subcommittee Questions:

- What are the goals of the Administration’s special education proposal and how does the funding allocation meet those goals?
- Does the LAO or CDE have any recommendations for the use of one-time funds in special education?
- How is the MTSS program currently supporting LEAs in providing services for students with disabilities?
- Are there promising practices for preschool-aged students with disabilities that should be considered in a new program?

Staff Recommendation: Hold Open

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

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

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

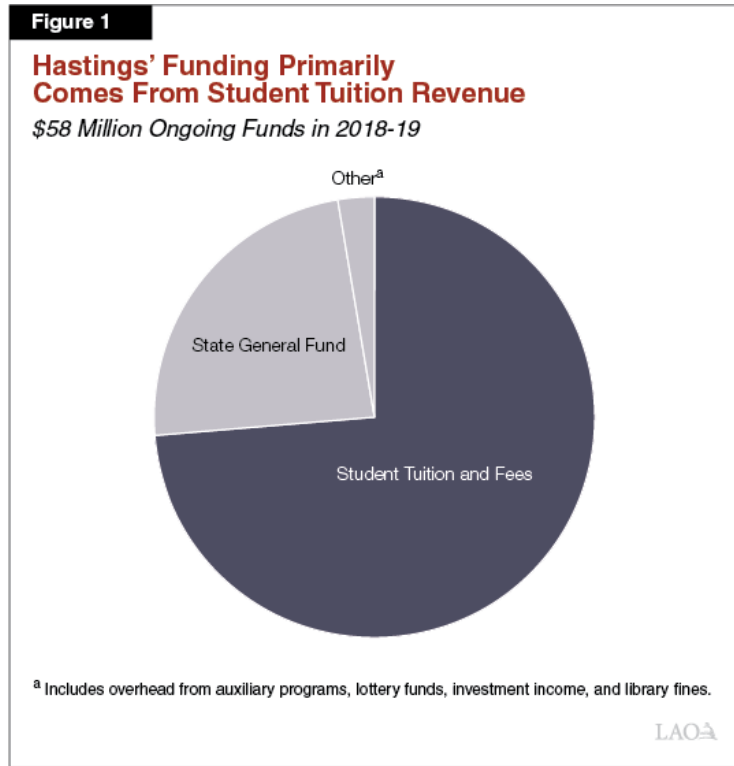
Background

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.

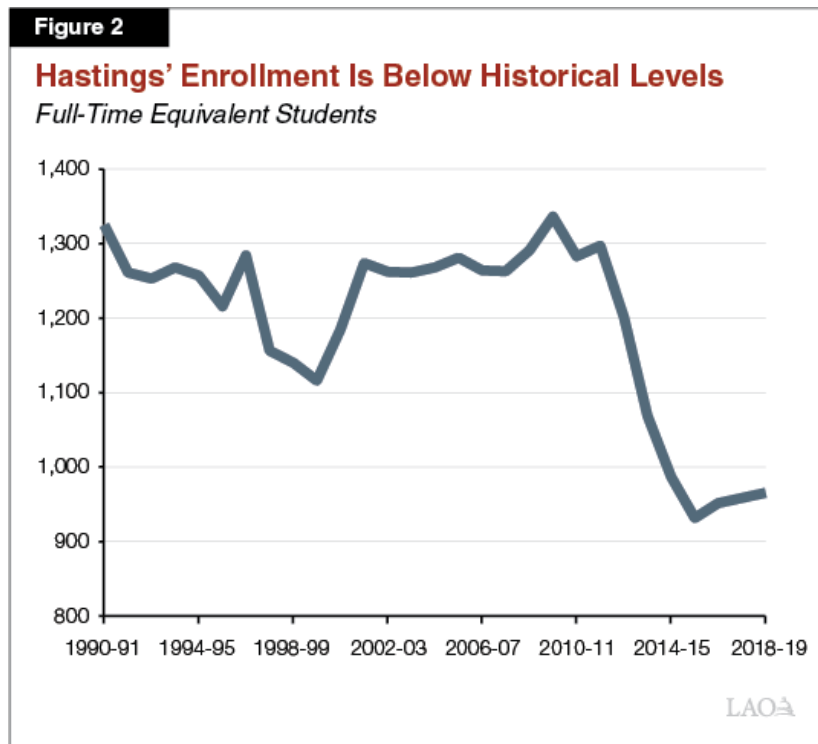
The Juris Doctor degree is granted by the Regents of the UC and is signed by the President of the UC and the Chancellor and Dean of Hastings College of the Law. In 2018-19, the school enrolled 944 full-time equivalent (FTE) juris doctor students, of which 823 are California residents. Most out-of-state 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
<p>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.</p>
<p>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</p>
<p>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.</p>
<p>^aExcludes \$24 add-on from College Access Tax Credit. WASC = Western Association of Schools and Colleges.</p>

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**

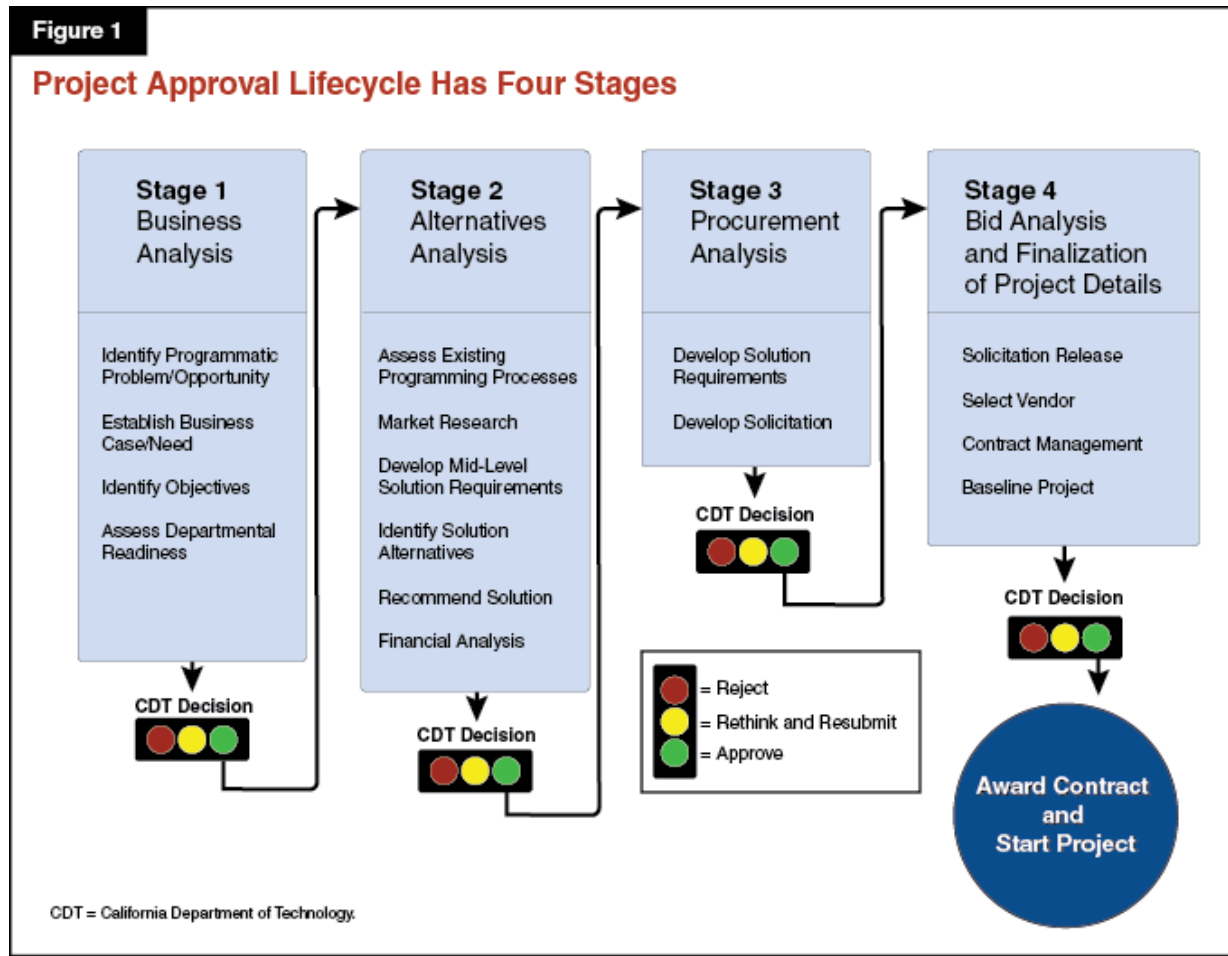
- Bijan Mehryar, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

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.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, May 9, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191
Consultants: Elisa Wynne and Anita Lee
AGENDA

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VARIOUS DEPARTMENTS**Issue 1: Additional Budget Requests – Early Education and K-12 Education****1A. English Learner Roadmap**

Budget Request: Appropriate \$13 million in one-time funding over a 3-year period to create the English Learner Roadmap Initiative. The funding would develop comprehensive “Communities of Practice” at the state and regional level to help build the capacity of educators, including professional development and additional rollout of the EL Roadmap. Of the total, \$12 million would be administered through a grant program under the CDE in collaboration with the California Collaborative for Educational Excellence. The remaining \$1 million would be used to cover administrative costs of the program.

1B. Armenian Genocide Benevolent Union

Budget Request: Appropriate \$500,000 in one-time funding for the Armenian Genocide Benevolent Union (AGBU) Generation Next (GenNext) Program. GenNext currently operates as a partnership with the Glendale Unified School District (GUSD) and provides targeted mentoring for youth ages 12-18 who face risk factors such as gang involvement, mental health, drug abuse, and poverty. The additional funds would be used to expand GenNext to support additional mentees and establish programs and workshops that meet needs in the community in areas of family involvement, self-esteem, mental health and suicide prevention, foster youth, and homeless aid.

1C. Early Childhood Nutrition

Budget Request: Appropriate \$16.7 million ongoing funding (\$1 million Proposition 98 and \$15.7 million General Fund) to restore the Child and Adult Care Food Program to child care settings and to increase reimbursement rates for meals in child care settings under a K-12 school authority.

1D. Breakfast After the Bell

Budget Request: Appropriate \$3 million in one-time funding for use over three years to provide grants to school food authorities to start or expand Breakfast After the Bell programs. Studies have shown that providing breakfast after the start of the school days increases participation in school, and supports the academic achievement, attendance, and health of students. The 2016-17 budget included \$2 million in funds for Breakfast After the Bell grants over the 2016-17 and 2017-18 school year.

1E. Healthy Start

Budget Request: Appropriate \$60 million over four-years to reestablish the Healthy Start Initiative to coordinate comprehensive, school-community integrated services and activities to improve the health and wellness of youth, and families. Funds would be used for two-year planning grants to establish and support local collaboratives and three-year operational grants to existing collaboratives. Funds would also be used to support staffing at the Department of Education and the Department of Managed Health Care to support the grant program, provide technical assistance, and provide for an evaluation.

1F. Charter School Facilities Grant Program

Budget Request: Appropriate \$20 million in one-time Proposition 98 funding plus additional growth and COLA funding for the Charter School Facilities Grant Program. The Charter School Facilities Grant Program provides annual assistance with facilities rent and lease expenditures to charter schools that meet eligibility criteria. Charter schools are awarded \$1,147 per unit of classroom-based Average Daily Attendance (ADA), up to 75% of their annual facilities rent and lease costs for the school.

1G. After School Education and Safety (ASES) Program

Budget Request: Appropriate \$112.8 million in ongoing Proposition 98 funding to fund the ASES program and keep pace with increases in the state minimum wage and cost-of-living. ASES programs serve over 400,000 students daily predominately in high-poverty areas. In the 2017 Budget Act, an increase of \$50 million in ongoing Proposition 98 funding was provided for ASES to raise the daily rate from \$7.50 to \$8.19.

1H. California-Grown for Healthy Kids Program

Budget Request: Appropriate \$15.3 million in ongoing Proposition 98 funding to establish a non-competitive grant to provide a 10 cent per breakfast reimbursement for California. Eligible school food authorities must serve breakfast universally free in all schools or serve breakfast and lunch free at very high poverty schools.

1I. California Association of Student Councils

Budget Request: Appropriate \$150,000 in ongoing Proposition 98 funding to support the California Association of Student Councils (CASC). These funds would support need-based scholarships for students to participate in CASC leadership events and for outreach to under-represented regions in the state and low-income students.

1J. 4-Day School Week

Budget Request: Adopt budget trailer bill language to correct an Education Code Section that ceases funding for schools operating on a full-day week and eliminate related penalties for Leggett Valley Unified School District (Mendocino County) and Big Sur Unified School District (Monterey County). Both school districts operate in remote regions of the state and allows flexibility for student and families in the area.

1K. Homenetmen Program

Budget Request: Appropriate \$100,000 in one-time funding to support the expansion of the Homenetmen Western Region's Hrashq and Scouting programs. The Homenetmen Western Region's purpose is to promote athletic and scouting programs for the Armenian American youth of California. The additional funding would support Hrashq, which is an Armenian Special Needs Olympics program in hiring staff, obtaining equipment, renting facilities, and other operational costs. The scouting program is affiliated with the Boy Scouts of America (BSA) and funding would be used to support

programs such as cultural training, scout leadership, civic responsibility, CPR and First Aid, BSA badges, events, and the regional scouting jamboree.

1L. Local Control Funding Formula (LCFF) Base Funding Increase

Budget Request: Increase the LCFF base funding by providing a cost-of-living-adjustment (COLA) to the LCFF formula of 5.16 percent in place of the COLA of 3.46 percent included in the Governor's budget. This increase in the COLA would provide approximately \$1 billion in additional LCFF funding above the level included in the Governor's budget.

1M. Model School Library Standards

Budget Request: Appropriate \$204,000 in one-time General Fund for the California Department of Education to update the Model School Library Standards. The current Model School Library Standards were adopted by the State Board of Education in 2010 and are designed to strengthen school library programs, including providing students with skills and information to become lifelong learners. An updated version of the Model School Library Standards would include digital citizenship and media literacy.

1N. Charter Accountability Resources and Support Network (CARNet)

Budget Request: Appropriate \$18 million over three-years to support CARNet which provides support guidance, and training for school districts and county offices of education in their oversight of charter schools. CARNet was established through a five-year federal grant program (through Spring of 2018) and during this time established and funded regional leads that developed best practices and templates for statewide adoption and provided in-depth training on best practices in charter oversight and accountability to authorizers. The funds would increase the number of CARNet regional leads to 11 and increase the technical assistance provided across the state.

1O. LGBTQ Professional Development

Budget Request: Appropriate \$6.5 million in ongoing Proposition 98 funding to support annual training for public school teachers, staff, and community resources for the health and well-being of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) students. This training would create a more supportive and safe learning environment for LGBTQ students by requiring high quality and comprehensive LGBTQ cultural competency training and professional development, including the adoption and implementation of anti-bullying policies, student privacy protections, creation of a welcoming environment, and awareness of mental health issues.

1P. Family Child Care Provider Support

Budget Request: Appropriate \$2 million ongoing to support family child care providers by providing the right to collectively bargain with the state for improvements such as a rate increase, and training, creating a training partnership to coordinate training offered to providers with other state efforts on early education, and compiling a list of family child care providers who administer state subsidized child care. Funds would support related workload at the Department of Education, Department of Social Services, and the Public Employment Relations Board.

1Q. College Readiness Block Grant

Budget Request: Appropriate \$220 million in one-time funding to support college readiness. Of this total, \$200 million would support K-12 local educational agencies in increasing college readiness and competitiveness and \$20 million would be provided to the University of California (UC) to promote student success and retention. In addition, an increase of 2,500 enrollment slots is requested for the UC.

1R. Child Development Institute

Budget Request: Appropriate \$1.5 million in one-time funding for the development of the Early Child and Family Center in the West San Fernando Valley. The area proposed for the center has a need for high quality child care. The new center will provide high quality educational and parenting programs, developmental and mental health screening, health promotion and intervention services, and resource linkage.

1S. California Grown Fresh School Meals

Budget Request: Appropriate \$1 million in Proposition 98 funding to extend the California Grown Fresh School Meals grant program established through the 2017 Budget Act to provide funding to school districts to increase California grown fresh fruits and vegetables and onsite preparation of school meals. Grantees may use funds to purchase California-grown foods, purchase equipment necessary to provide school meals to students, provide nutrition education to students, and provide professional development for relevant food service employees regarding the implementation of fresh and healthy school meals. In 2017-18, \$1 million was provided for this program and \$1.5 million was provided in 2018-19.

1T. Experience Berkeley High School

Budget Request: Appropriate \$75,000 in one-time funding to support the Stiles Hall Experience Berkeley High School which is a free 6-month program that provides Black, Latino, and Native American high school juniors with mentors, tools, and resources to complete a competitive UC college application and the opportunity to get a close, personal look at UC Berkeley. This request would be matched with private contributions.

1U. ADA Hold Harmless for Paradise Unified School District

Budget Request: Adopt trailer bill to allow Paradise Unified School District to retain its pre-Camp fire average daily attendance (ADA) levels through the 2020-21 fiscal year. In addition, provide for a three-year ADA ramp down period from 2021-22 through 2023-24 to allow the school district to determine and adjust for new long-term ADA projections. The Camp fire destroyed much of the town of Paradise in November 2018 and displaced a majority of the town's residents. As of March 2019, the district's enrollment has decreased by almost half, with more reductions anticipated.

1V. Collaborative Teacher Credentialing Program

Budget Request: Appropriate \$1.5 million in one-time funding for the establishment of the California Community College Teacher Credentialing Partnership Pilot Program. Through the program, the Commission on Teacher Credentialing (CTC) in coordination with the State Chancellor's Office to award up to three grants of up to \$500,000 each to collaboratives formed for the purposes of offering one or more teacher credentialing programs at participating community colleges or colleges. These partnerships are intended to provide access to teacher credentials for students in areas that do not have other high education options. This request funds SB 577 (Dodd); Chapter 603, Statutes of 2018.

1W. California Promise Neighborhood Program

Budget Request: Appropriate up to \$100 million for the continued operation of existing Promise Neighborhoods located in Los Angeles, San Francisco, Chula Vista, Hayward, and Corning and to add 15 additional neighborhoods through a competitive grant process. Under the Promise Neighborhood program, a lead non-profit agency is selected to coordinate services that include nutrition, health care, education, and employment support. Federal funding for this programs was previously provided under limited-term implementation grants, but has since expired.

Staff Recommendation: Hold all items open.

Issue 2: Additional Budget Requests – Higher Education**2A. University of California Los Angeles School of Public Affairs Latino Policy and Politics Initiative**

Budget Request: Appropriate \$2.5 million annually in core operating support for the UCLA School of Public Affairs Latino Policy and Politics Initiative. This funding will support faculty research, civic engagement and community engagement, strengthen the leadership pipeline, and disseminate data and policy ideas to stakeholders.

2B. Charles R. Drew University of Medicine and Science

Budget Request: Appropriate \$15 million General Fund to the UC, which will be allocated to support Charles R. Drew University of Medicine and Science. This funding will: (1) increase undergraduate and graduate enrollment by at least 2,000 students in the next five years as well as expand access to post-secondary education for residents of South Los Angeles and similar communities, (2) expand housing on campus, (3) build bio-science research building, (4) develop and implement autonomous medical school, and (5) develop new undergraduate and graduate academic programs.

2C. Rapid Rehousing

Budget Request: Appropriate \$20 million annually for the Rapid Rehousing grant. This grant will provide an individual or family immediate, temporary assistance for housing search, one-time financial assistance to offset move-in costs, ongoing financial assistance to bridges the gap between household income and housing cost for up to 24 months, and other supportive services to community resources. Funding will be distributed based on proportionate student enrollment at each public postsecondary segment. To qualify for the program, each campus must implement specific reforms, including a policy to prioritize homeless and foster youth students in the timing of the distribution of financial aid. A student must be enrolled at least half time to receive services, however if student falls below halftime, a student may receive services up to six months.

2D. CSU Wildland and Wildfire Urban Interface Grant Program

Budget Request: Appropriate \$5 million one-time for the CSU to administer the Wildland and Wildfire Urban Interface Grant Program to conduct wildfire research and symposiums, provide education and public outreach, and establish a mechanism to disseminate research results.

2E. California Council on Science and Technology

Budget Request: Appropriate \$11.5 million one-time to support the California Council on Science and Technology (CCST) as follows: \$6.5 million for the operational costs of the CCST Science Fellows for the next five years and \$5 million would be put in the endowment to match the private seed donation. The 2018-19 budget provided \$350,000 one-time General Fund for this purpose.

2F. San Jose State University and Alfred E. Alquist State Building

Budget Request: Appropriate \$250,000 General Fund to San Jose State University to begin planning a mix-use housing project on the site of a state-owned Alfred E. Alquist State Building in the City of San Jose.

2G. California State University Chula Vista

Budget Request: Appropriate \$2 million one-time for a potential campus in Chula Vista.

2H. California State University Silicon Valley

Budget Request: Appropriate \$1 million one-time to conduct a feasibility study and plan for the creation of CSU Silicon Valley at Canada College's existing campus within the San Mateo County Community College District.

2I. Lake and Mendocino County Career Technical Education

Budget Request: Appropriate \$1 million one-time to Mendocino College to provide start-up funds for a construction trades career technical education program in Lake and Mendocino counties.

2J. Assembly Bill 2 (Santiago) and the California College Promise

Budget Request: Appropriate \$66 million to implement Assembly Bill 2 (Santiago), which would authorize but does not require colleges to use funds to waive enrollment fees for two years for full-time students. The Governor's budget proposes \$40 million Proposition 98 General Fund to waive enrollment fees or provide other services for first-time, full-time CCC students in their first two years of college who do not have financial need under the BOG fee waiver program.

2K. Community College Baccalaureate Pilot Program

Budget Request: Amend existing law to change the deadline on the Legislative Analyst's Office report on the Community College Baccalaureate Pilot Program from July 2021 to February 2020. SB 1406 (Hill), Chapter 612, Statutes of 2018, changed the deadline for the final report from July 1, 2022 to July 1, 2021.

2L. Whittier City Library Service Upgrades

Budget Request: Appropriate \$4.4 million to renovate, purchase equipment and provide service upgrades at the Whittier library.

2M. California Humanities

Budget Request: Appropriate \$1 million to the State Library to provide funding for the California Humanities, a nonprofit organization that supports cultural activities.

2N. Historically Black Colleges and Universities Transfer Pathway

Budget Request: Provide \$81,000 to the community college HBCU Transfer Pathway. This program is currently being funded by a \$500,000 grant through the community college student equity and achievement program.

2O. California State University Council on Ocean Affairs, Science and Technology

Budget Request: Appropriate \$3 million to the CSU Council on Ocean Affairs, Science and Technology (COAST). COAST is the umbrella organization for marine, coastal and coastal watershed related research and education activities within the CSU. This funding will support student travel and research awards, faculty incentive grants, rapid response grants and staff support.

2P. CSU Salary Inversion

Budget Request: Appropriate \$100 million to the CSU to address the classified staff salaries and pay differentials between new support staff and currently employed staff. This request is in coordination with AB 369 (Weber), which seeks to reinstate salary steps for CSU classified employees.

2Q. UCLA Ralph J. Bunche Center for African American Studies

Budget Request: Appropriate \$3.5 million ongoing to the UCLA Ralph J. Bunche Center for African American Studies. The 2018-19 budget provided \$1.8 million one-time for the center.

2R. CSU Dominguez Hills – Mervyn M. Dymally African American Political and Economic Institute

Budget Request: Appropriate \$700,000 one-time General Fund for the Institute. The 2018-19 budget provided \$1 million in one-time General Fund for the Institute.

2S. UC Berkeley School of Education – Marcus Foster Fellowship

Budget Request: Appropriate \$1.2 million one-time General Fund to establish the Marcus Foster Research Fellowship at UC Berkeley School of Education in partnership with Marcus Foster Institute. The institute is located in Oakland, and aims to improve educational opportunities and outcomes for students in Oakland.

2T. CSU Graduate Initiative and Mental Health

Budget Request: Appropriate \$30 million one-time General Fund to support the CSU Graduation Initiative and \$5 million ongoing to meet staffing ratios for counselors and improve student mental health services at the CSU.

Staff Recommendation: Hold all requests open.

6100 DEPARTMENT OF EDUCATION**Issue 3: Mental Health in Schools – Local Perspectives****Panel:**

- Michael R. McCormick, Superintendent, Val Verde Unified School District
- Blanca G. Cavazos, Ed.D., Superintendent of Taft Union High School District
- Michael Lombardo, Executive Director Prevention Support and Services and Co-Coordinator, California PBIS Coalition, Placer County Office of Education

Background:

Mental health services in schools include a broad range of services, settings, and strategies. According to the Department of Education, psychological and mental health services in schools apply learning theory for individuals and groups to improve instruction and coordinate and evaluate plans to meet unique individual needs for learning or behavior problems. School psychologists also use research to design prevention and intervention programs, and provide crisis intervention, suicide prevention, and other mental health strategies as part of a student support services team. Mental health services that are provided in schools may include academic counseling, brief interventions to address behavior problems, assessments and referrals to other systems. Providing mental health services in a school based setting helps address barriers to learning and provide supports so that all students can achieve in school and ultimately in life. Schools are also places where prevention and early intervention activities can occur in a non-stigmatizing environment. Data show that mental health issues can lead to school failure and dropping out as early as middle school. Students who are exposed to violence have higher suspension and expulsion rates and lower school attendance and grades.

Students with Disabilities. For students with disabilities, a local educational agency (LEA) must develop an Individualized Education Program (IEP) which describes the impact of the student's disability and the services the student will receive. In some cases, mental health services may be identified in a student's IEP. The passage of AB 114 (Committee on Budget), Chapter 43, Statutes of 2011, shifted the provision of mental health services for students with IEPs to LEAs. School districts generally hire mental health professionals (i.e., credentialed and/or licensed social workers, psychologists) and provide services through these staff, contract with community mental health agencies or other qualified professionals to provide services, or contract with county mental health departments to provide services.

Other Mental Health Services. The Mental Health Services Act (MHSA), also known as Proposition 63, was enacted by voters in November 2004. Under the MHSA, the California Department of Mental Health (DMH) provides increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. The Act addressed a broad continuum of prevention, early intervention and service needs and the necessary infrastructure, technology and training elements that will effectively support this system.

Recently, the Mental Health Services Oversight and Accountability Commission funded County-School mental health partnerships with triage funding for crisis services dedicated to services for youth. The program supports four partnerships using strategies to: 1) build and strengthen partnerships between education and community mental health; 2) support school-based and community-based strategies to improve access to care; and 3) enhance crisis services that are responsive to the needs of children and youth, all with particular recognition of the educational needs of children and youth.

Suicide Prevention. In addition, legislation was passed recently to prevent youth suicide. Specifically, AB 2246 (O'Donnell), Chapter 642, Statutes of 2016, required that the Governing Board of any local educational agency (LEA) that serves pupils in grades seven to twelve, inclusive, adopt a policy on pupil suicide prevention, intervention, and post-intervention. In addition, the 2018-19 budget act included \$1.7 million for suicide prevention training for public school teachers, administrators, and other staff.

Multi-Tiered Systems of Support (MTSS). California's MTSS program focuses on aligning initiatives and resources within an educational organization to address the needs of all students. It is an integrated, comprehensive framework for LEAs that aligns academic, behavioral, and social-emotional learning in a fully integrated system of support for the benefit of all students. MTSS offers the potential to create systematic change through intentional integration of services and supports to quickly identify and meet the needs of all students. The state has provided \$45 million for implementation of MTSS statewide over the past four years.

Suggested Questions:

- What are the mental health needs of your students and have these changed over time?
- What strategies are used at the district or school level to target mental health issues? Are there gaps in service or needs that you cannot fill?
- What other non-education support is available in your community? Do you participate in any partnerships with other agencies?

Staff Recommendation: Information Only.

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 4: Commission on Teacher Credentialing Budget Proposals****Panel:**

- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Kim Leahy, Department of Finance
- Amy Li, Legislative Analyst's Office

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators.
- Enforcing standards of practice and conduct for licensed educators.
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers.
- Evaluating and approving teacher and school service provider preparation programs.
- Developing and administering competency exams and performance assessments.

Major Activities. In 2017-18, the CTC processed approximately 22,407 new teaching credentials (including preliminary and intern credentials), a 2.3 percent increase over the prior year. The CTC also processes other types of teacher authorizations including short term teaching permits, internship permits, and teaching waivers. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

The CTC is also responsible for misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications.

Lastly, the CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California.

State Operations. The CTC is a “special fund” agency whose state operations are largely supported by two special funds – the Test Development and Administration Account and the Teacher Credentials Fund. Of the CTC’s \$29.6 million state operations budget proposed for 2019-20, about \$23.3 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund; \$5.9 million is from educator exam fees, which fund the Test Development and Administration Account and \$408,000 in reimbursements. The CTC also received one-time General Fund (both Proposition 98 and non-Proposition 98) in 2016-17 and 2017-18 for some one-time activities and grant

programs. The chart on the next page outlines the CTC's expenditures in 2017-18, 2018-19 and the Governor's proposed expenditures for 2019-20.

**Commission on Teacher Credentialing Expenditures and Positions
(Dollars in Thousands)**

	Positions			Expenditures		
	2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
5381 Preparation & Licensing of Teachers	110.8	105.9	106.9	\$25,205	\$18,648	\$17,222
5382 Attorney General Legal Services	-	-	-	4,026	5,591	5,591
5383 Accreditation Streamline Project	-	-	-	174	690	310
5384 Educator Performance Assessments	-	-	-	354	1,275	1,235
5386 Integrated Teacher Preparation Grant	-	-	-	100	-	-
5388 Classified School Employee Teacher Credentialing Program	-	-	-	25,000	-	-
5397 Educator Preparation	-	-	-	125,000	-	-
5399 Administration	38.2	37.7	37.7	4,918	5,255	5,257
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	149.0	143.6	144.6	\$184,777	\$31,459	\$29,615
FUNDING				2017-18*	2018-19*	2019-20*
0001 General Fund				\$100	\$-	\$-
0001 General Fund, Proposition 98				150,000	-	-
0407 Teacher Credentials Fund				20,629	25,167	23,293
0408 Test Development and Administration Account, Teacher Credentials Fund				4,302	5,824	5,914
0995 Reimbursements				9,746	468	408
TOTALS, EXPENDITURES, ALL FUNDS				\$184,777	\$31,459	\$29,615

Source: Department of Finance

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance, of new and renewed credentials and other documents. Current law requires, as a part of the annual budget review process, the DOF to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

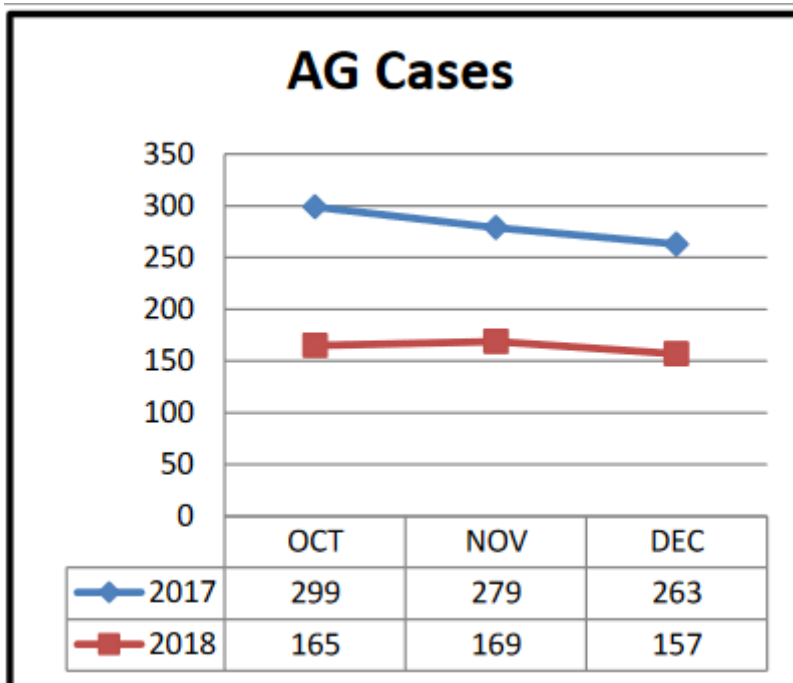
In 2012-13, the CTC increased the credential fee from \$55 to \$70 due to fund instability primarily due to a decrease in credential applications. This action restored the fee to the statutory maximum. In the 2015-16 budget trailer bill, AB 104 (Committee on Budget, Chapter 13, Statutes of 2015), the credential fee was further increased to \$100 per applicant, with the additional revenue generated intended to support processing of teacher misconduct caseload.

Test Development and Administration Account (Exam Fees). The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has the authority to review and approve the examination fee structure to ensure that the examination program is self-supporting. To determine fees for these testing programs, the CTC staff projects the number of exams, based upon their most recent figures, and compares these figures with projected examination program costs.

Backlog of Teacher Misconduct Cases. The CTC is charged with enforcing professional conduct standards and monitors the conduct of credential applicants and holders. The CTC has the authority to discipline applicants or holders for misconduct, and cases that are not resolved at the CTC may be referred to the Office of the Attorney General for an administrative hearing. In 2011, following a highly publicized educator misconduct case, the Commission released a field notification to all school district superintendents reminding them of their statutory requirement to report educator misconduct to the CTC. The number of cases reported by school districts to the CTC increased to more than double the number in the previous year and has remained at roughly double the 2010 amount in each year since. This increase in caseload to the CTC resulted in an increase in caseload referred to the Attorney General's Office. Moreover, a backlog began to grow at the Attorney General's Office, as cases were not sufficiently prepared to proceed to administrative hearing.

In order to address the backlog, the 2015 Budget Act included an increase in credentialing fees. The \$5 million in revenue generated by this is used to support additional legal staff for the Attorney General's Office. The 2016 Budget Act included \$8.5 million to address this backlog, including \$2.4 million in carryover from the 2015 Budget Act. The 2017 Budget Act also included \$4.5 million in one-time Teacher Credentials Fund carryover for the cost of representation by the Office of the Attorney General in educator discipline cases.

As part of the 2017 Budget Act, the Attorney General's Office was required to provide quarterly reporting on their legal services for the CTC. The most recent report was completed in February 2019 and covers the period of September 1 through December 31 of 2018. The report shows progress in reducing the backlog over the prior quarter, including the open cases assigned to the Attorney General shown below.



Source: Commission on Teacher Credentialing

Although the Attorney General's Office was slow to ramp up staff and expend the additional resources provided, the CTC now reports that the backlog at the Attorney General's Office has been eliminated and the cases are down to a workload level (approximately 150 cases).

Governor's Budget Proposal:

The Governor's budget includes \$2 million in one-time funding (\$1.2 million in 2019-20 and \$800,000 in 2020-21) from the Test Development and Administration Account (TDAA) reserve account and an ongoing allocation of \$136,402 from the TDAA for one permanent full-time education consultant to expand California's educator performance assessment system into special education. The funds would be used to develop, validate, and ensure consistency in the implementation and scoring of a Special Educator Teaching Performance Assessment (CalSTPA) for candidates completing a Commission-approved preparation program for the Preliminary Special Education Credential.

The Governor's budget also proposes trailer bill language that would require the CTC to develop and implement a statewide automated State Assignment Accountability System (CalSAAS), for annual monitoring of teacher misassignments in schools.

Legislative Analyst's Office Analysis:

The LAO makes the following recommendations related to the Governor's proposed budget for the CTC:

- ***Adopt Governor's Proposals to Fund Development of a Special Education TPA and Add One CTC Position.*** The special education TPA would measure whether prospective teachers meet state teaching standards while also helping to assess the overall quality of teacher preparation programs. Further, this proposal would bring special education credential requirements in line with the requirements the Legislature has established for general education. The requested one additional position would support the development of the special education TPA and data analysis of TPA results to inform the CTC accreditation process.
- ***Require CTC to Assess How Proposal Affects Teacher Supply.*** Given the state has experienced a shortage of credentialed special education teachers for many years and the impact of the new assessment on special education teacher supply remains unclear, the LAO recommends the Legislature direct CTC to collect additional data during the pilot phase to determine how the new TPA requirement affects the interest, workload, and completion rate of prospective teachers in special education teacher preparation programs. In addition to collecting data on how pilot test takers perform on the TPA, CTC could collect data on (1) how the TPA is affecting interest in special education teacher preparation programs, (2) how much time prospective teachers take to complete the TPA tasks and how it affects their overall program workload, and (3) what prospective teachers consider the added value of the TPA to their teaching preparation. The LAO recommends requiring CTC to report this information to the Legislature by January 2022—before the TPA becomes mandatory for all special education teacher candidates. The LAO thinks CTC could accommodate the cost of this work within its requested augmentation, as CTC would likely solicit test taker feedback on the TPA during the pilot phase.
- ***If Interested in Learning More About the Impact of the TPA on Student Outcomes, Consider Funding Evaluation.*** The research linking TPA performance to student outcomes is limited and somewhat outdated. Relatively little is known about how requiring teachers to pass a TPA impacts teacher preparation and student outcomes in California. Given the limited research, the Legislature could consider giving the California Department of Education (CDE) funding to contract with an independent evaluation firm to study this relationship for the special education TPA. Given that CDE is not involved in the development of the TPA, the LAO thinks it would

be better positioned than CTC to oversee an independent evaluation. Such a study could help the Legislature understand the extent to which the TPA achieves its goal of improving teacher preparation and student outcomes across the state.

Staff Recommendation: Hold Open.

Issue 5: Teacher Workforce**Panel:**

- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Amy Li, Legislative Analyst's Office

Background:

California currently has approximately 306,000 teachers, about half in elementary schools, 40 percent in middle and high schools, and almost 10 percent in alternative schools, adult schools or other education settings. Many of California's teachers have been in the classroom a long time, on average they have 12 years of experience.

There are a variety of paths to becoming a teacher in California, however, most new teachers first obtain a preliminary credential, which is issued for up to a five-year period, and then meet the requirements for a clear credential. The general requirements are as follows:

For a preliminary credential, applicants must satisfy all of the following:

- Complete a baccalaureate or higher degree from an accredited college or university. Degrees in professional education may only be used to apply for a multiple subject credential.
- Satisfy the basic skills requirement.
- Complete a teacher preparation program including successful student teaching, and obtain a formal recommendation for the credential by the California college or university where the program was completed. The Teaching Performance Assessment (TPA) is a required indicator of recommendation for a general education teaching credential.
- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s) or completing an approved subject matter program.
- For multiple subject and special education credentials, pass the Reading Instruction Competence Assessment (RICA), or satisfy this requirement through a teacher preparation program.
- Satisfy the Developing English Language Skills requirement.
- Complete a course on the U.S. Constitution or pass an examination given by an accredited college or university.
- Complete basic computer technology course work that includes the use of technology in educational settings.

For a clear credential, new teachers generally must complete a CTC-approved General Education (or other area, including Special Education) Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education employing the teacher; however, colleges and universities, and other school districts and county offices of education, may also provide these programs. The induction program is intended to provide support to a new

teacher and should be tailored to his or her needs and the needs of the employer. Teachers may also hold internship credentials, valid for two years, or one-year permits under certain circumstances.

Teacher Shortage. LEA's have experienced an influx of funding as the state has recovered from the last recession, teacher hiring and compensation has increased, and policies have been put in place to ensure small class sizes and the posting of available teacher jobs on EdJoin (the statewide educator job portal).

During the economic recession, LEA's laid-off significant numbers of teachers, deferred providing raises, and often left teachers uncertain, for months at a time, of having a job the following year. The effects of the economic recession contribute towards the enrollment trends in teacher preparation programs, restricting the future pipeline of teachers. The more common shortage areas in California are science, bilingual education, special education, and math. Low-income and urban schools often face higher rates of turnover and difficulty filling positions, although some rural areas may also face difficulties filling positions for a variety of reasons.

Another area of concern related to the current teacher shortage is the number of underprepared teachers in the classroom. The greatest growth has been in emergency permits known as Provisional Intern Permits (PIPs) and Short-Term Staff Permits (STSPs). In 2017-18, California issued 7,839 teaching permits, mostly PIPs and STSPs. Other factors that affect the teacher workforce include: teacher turnover rates, class size reduction efforts, credentialing requirements, the overall desirability of the teaching profession, and the availability of state funding, among other factors.

The CTC is required to annually report on teacher supply and released the most recent report, *Teacher Supply in California: A Report to the Legislature Annual Report 2017-18*, a report and which provided the following findings for the fiscal year 2017-18:

- There was a small increase in the number of newly issued credentials across all three types of preliminary teaching credentials (i.e., Multiple Subject, Single Subject, and Education Specialist).
- After a steady decline in the total number of initial teaching credentials for the past several years, 2017-18 was the fourth year in which there was a small increase over the prior year. The number of initial teaching credentials issued in 2017-18 was higher than the number of initial credentials issued five years ago.
- There was an increase in the number of teaching permits (Short-Term Staff Permit, Provisional Intern Permit, and Limited Teaching Assignment Permit) issued and based on this data it was estimated that there was a decrease of 0.3 percent in the number of fully credentialed teachers serving in California public schools.

Comparison of Teachers Serving in California Public Schools with Full Authorization versus Intern Credentials, Permits, and Waivers Issued, 2016-17 and 2017-18

	2016-17 Number	2016-17 Percent of Total	2017-18 Number	2017-18 Percent of Total
Fully Credentialed Teachers (Preliminary and Clear)	292,755	96.0%	293,108	95.7%
University Intern Credentials	3,777	1.2%	4,041	1.3%
District Intern Credentials	583	0.2%	885	0.3%
Limited Assignment Teaching Permit	1,874	0.6%	1,953	0.6%
Provisional Intern Permit (PIP)	2,288	0.8%	2,279	0.7%
Short-Term Staff Permit (STSP)	3,422	1.1%	3,607	1.2%
Variable Term Waivers	404	0.1%	388	0.1%
Total	305,103	100.0%	306,261	100.0%

Source: Commission on Teacher Credentialing

Programs to Address the Teacher Shortage. In recent years, the State has made significant investments in programs aimed at addressing the teacher shortage, especially for chronic shortage areas such as special education, bilingual education and science, technology, engineering and math (STEM) education. These programs administered by the CTC include:

- **Classified School Employee Teacher Credentialing Program.** The 2016-17 budget provided \$20 million in one-time Proposition 98 funding for the California Classified School Employee Teacher Credentialing Program. The 2017-18 budget provided an additional \$25 million for this program. The program is intended to recruit classified employees into the teaching profession, in order to reduce the teacher shortage and provide more diversity in the teacher workforce. The program provides up to \$4,000 for applicants that meet certain criteria.
- **Integrated Undergraduate Teacher Preparation Grants.** The 2016-17 budget included \$10 million in one-time non-Proposition 98 funding for California postsecondary institutions to develop or improve four-year integrated teacher credential programs. The CTC provided grants to institutions of higher education to develop a four-year credentialing program, with designated shortage areas receiving priority.
- **California Center on Teaching Careers.** The 2016-17 budget provided \$5 million in one-time Proposition 98 funding to create the California Center on Teaching Careers, to strengthen statewide recruitment of individuals into the teaching profession.
- **Teacher Residency Grant Program.** The 2018-19 budget included a total of \$75 million for locally sponsored teacher residency programs, including \$50 million in one-time Proposition 98 funding for teacher residency programs for special education teachers and \$25 million for teacher residency programs for other shortage areas, such as STEM and bilingual education. The CTC provides competitive grants to LEAs of up to \$20,000 per teacher; LEAs are required to provide a 1:1 local match. Funds could be used for a variety of purposes, including stipends for new teachers, mentor teachers, or tuition at a partner university.

- **Local Solutions Grant Program.** The 2018-19 budget provided \$50 million in one-time Proposition 98 funding for competitive grants to LEAs to develop and implement new, or expand existing locally identified solutions that address a local need for special education teachers.

Staff Comments:

Staff notes that in addition to the special education teacher shortage, LEAs are also experiencing shortages for specific special education specialists. Staff notes that in the prior budget cycle, the LAO recommended the Legislature fund targeted enrollment growth at the California State Universities (CSUs) for graduate specialist programs of occupational therapy and speech and language pathology. The LAO noted that the state could increase these programs by five percent per year (45 students and \$675,000 per year) until the critical shortage of these specialists is reduced.

Suggested Questions:

- Can the CTC provide an update on progress and funding for each of the teacher shortage programs currently underway?
- Can the CTC comment specifically on the need for special education teachers and how the current programs have impacted the supply of teachers?
- Does the LAO have any specific recommendations for continued investments in increasing the teacher supply?

Staff Recommendation: Information Only.

6100 DEPARTMENT OF EDUCATION

Issue 6: State Operations

Panel:

- Ed Hanson, Department of Finance
- Leisa Maestretti, Department of Education
- Sara Cortez, Legislative Analyst's Office

Background:

California's public education system is administered at the state level by the California Department of Education (CDE), under the direction of the Superintendent of Public Instruction and the State Board of Education. The CDE is responsible for enforcing education laws and regulations and providing technical assistance to local school districts and working with the education community to improve academic performance. The majority of staff under the CDE work at the department's headquarters in Sacramento where they administer state education programs and provide program support to local educational agencies. The CDE's administration, or state operations, is primarily funded with a combination of non-Proposition 98 General Fund and federal funds. Funding and authorized positions for the CDE are summarized by the table below:

CDE State Operations
(Dollars in Thousands)

Fund	2017-18	2018-19	2019-20	CY to BY	Percent
Source	Actuals	Projected	Proposed	Change	Change
General Fund	\$164,211	\$175,912	\$189,752	\$13,840	7.87%
Federal Funds	\$166,692	\$180,600	\$173,406	(\$7,194)	-3.98%
Fee Revenue	\$3,042	\$6,642	\$6,643	\$1	0.02%
Bond Funds	\$2,006	\$3,212	\$3,214	\$2	0.06%
Other Funds	\$23,621	\$31,973	\$30,324	(\$1,649)	-5.16%
Total Expenditures	\$359,572	\$398,339	\$403,339	\$5,000	1.26%
Percentage of Federal Funds to Total Expenditures	46.36%	45.34%	42.99%		
Positions	2,216.60	2,217.20	2,239.20	22.00	0.99%

Source: Department of Education

Governor's Budget Proposal:

The Governor's 2019-20 proposed budget includes an additional 22 positions and approximately \$3.4 million in state and federal funds for CDE's state operations.

The Governor's budget includes the following federal funding increase:

- \$138,000 in ongoing federal funding and one position to review, approve, and provide technical assistance regarding district plans for providing behavioral restraints to students in danger of harming themselves or others. (Pursuant to Chapter 998 of 2018 (AB 2657, Weber)).

The Governor's budget includes the following General Fund increases:

- \$275,000 in ongoing General Fund for two positions to support implementation of the Career Technical Education Incentive Grant Program and the K-12 Strong Workforce Program, which were funded pursuant to Chapter 32 of 2018 (AB 1808, Committee on Budget).

The Governor's proposal also includes provisional language that specifies the availability of this funding is contingent upon the CDE fully supporting no fewer than 6 full-time regional agricultural supervisor positions in the Agricultural Education Unit of the Career and College Transition Division using federal Perkins V Act funding. If the CDE is unable to support at least 6 full-time regional agricultural supervisor positions with federal Perkins V Act funding, \$142,000 and 1.0 position supporting the Career Technical Education Incentive Grant Program and the K-12 component of the Strong Workforce Program would be redirected for that purpose. The Governor's budget also includes trailer bill language codifying the responsibilities of the Agricultural Career Technical Education Unit.

- \$271,000 in ongoing General Fund to make two temporary positions permanent to support the development and implementation of state and federal accountability systems.
- \$142,000 in ongoing General Fund for one position to provide technical assistance to county offices of education in developing and implementing local inter-agency plans for the care of foster youth, pursuant to Chapter 815 of 2018 (AB 2083, Cooley).
- \$105,000 in ongoing General Fund to provide one additional position to review the waivers districts submit when they experience a reduction in student attendance or loss of instructional days due to natural disasters or other emergencies.
- \$53,000 in one-time General Fund to develop best practices for reviewing and approving school safety plans and post these on CDE's website, pursuant to Chapter 806 of 2018 (AB 1747, Rodriguez).

The Department of Finance has indicated that there may be additional changes at the May Revision related to the following proposals included in the Governor's budget:

- \$1.669 million in ongoing General Fund for 12 positions to expand capacity for child care and preschool program implementation and monitoring.

- \$452,000 in ongoing General Fund for three positions to provide technical assistance to districts identified as having poor outcomes for students with disabilities on either the new School Dashboard or under a revised federal formula for monitoring district compliance with special education law.
- \$279,000 in one-time General Fund for the Instructional Quality Commission to update content standards and curriculum frameworks for visual and performing arts and world languages. Also, fund the development of a model curriculum in ethnic studies. (Pursuant to Chapter 647 of 2016 [AB 2862, O'Donnell], Chapter 643 of 2016 [AB 2290, Santiago), and Chapter 327 of 2016 [AB 2016, Alejo]).

Legislative Analyst's Office Analysis:

The LAO makes the following recommendations related to Governor's proposed funding increases for the CDE:

New Workload and Funding for the California Department of Education (CDE)

2019-20 Governor's Budget (In Thousands)

Workload Proposal	Positions	Funding	Recommendation and Rationale
Federal Funds			
Review, approve, and provide technical assistance regarding district plans for providing behavioral restraints to students in danger of harming themselves or others. Pursuant to Chapter 998 of 2018 (AB 2657, Weber).	1	\$138	Approve. Helps CDE implement recent legislation. Funding is ongoing.
State Funds^a			
Expand capacity for child care and preschool program implementation and monitoring.	12	1,669	Withhold recommendation. To date, administration has not submitted detailed budget documentation.
Provide technical assistance to districts identified as having poor outcomes for students with disabilities on either the new School Dashboard or under a revised federal formula for monitoring district compliance with special education law.	3	452	Withhold recommendation. To date, the administration has not provided sufficient documentation to evaluate the proposal.
Fund Instructional Quality Commission (IQC) to update content standards and curriculum frameworks for visual and performing arts and world languages. Also fund the development of a model curriculum in ethnic studies. Pursuant to Chapter 647 of 2016 (AB 2862, O'Donnell), Chapter 643 of 2016 (AB 2290, Santiago), and Chapter 327 of 2016 (AB 2016, Alejo).	--	279	Approve. Helps IQC implement recent legislation. Funding is one time.
Support implementation of the Career Technical Education Incentive Grant Program, which was made ongoing pursuant to Chapter 32 of 2018 (AB 1808, Committee on Budget).	2	275	Approve. Helps CDE implement recent legislation.
Make permanent two temporary positions used to support the development and implementation of state and federal accountability systems.	2	271	Approve. Helps CDE comply with state and federal law.
Provide technical assistance to county offices of education in developing and implementing local inter-agency plans for the care of foster youth. Pursuant to Chapter 815 of 2018 (AB 2083, Cooley).	1	142	Approve. Helps CDE implement recent legislation.
Provide one additional position to review the waivers districts submit when they experience a reduction in student attendance or loss of instructional days due to natural disasters or other emergencies.	1	105	Approve. The number of waiver requests submitted to CDE has grown notably in recent years.
Develop best practices for reviewing and approving school safety plans and post these on CDE's website. Pursuant to Chapter 806 of 2018 (AB 1747, Rodriguez).	--	53	Approve. Helps CDE implement recent legislation. Funding is one time.
Total	22	\$3,384	
^a Funded by Non-Proposition 98 General Fund (ongoing), unless otherwise indicated.			

Suggested Questions:

- Does the CDE have concerns with the proposed funding amounts?
- Does the CDE have additional requests that were not funded in the Governor's Budget?

Staff Recommendation: Hold Open

Issue 7: Uniform Complaint Procedures
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Panel:

- Dianna Gutierrez, Department of Education

Background:

The Uniform Complaint Procedures (UCP) was established in 1991 to provide a standard process for investigating complaints that schools or school districts have violated federal or state laws and regulations. Generally, local educational agencies (LEAs) are required to investigate UCP complaints; however, complainants may appeal a decision to the CDE. The areas covered under the UCP have changed over time and are handled by a variety of different offices within the CDE, as noted in the below chart provided by the CDE.

CDE Office or Division Processing UCP Complaints/Appeals	Education Program and Date First under the UCP
Career and College Transition Division	<ul style="list-style-type: none"> • Agricultural Vocational Education, Date: September 1991 • Adult Education, Date: September 1991
Categorical Programs Complaints Management Office	<ul style="list-style-type: none"> • Elementary and Secondary Education Act (Titles I–VII) Date: September 1991 • Pupil Instruction: Course Periods without Educational Content, Date: January 2016 • Unlawful Pupil Fees, Date: January 2013
Improvement and Accountability Division	<ul style="list-style-type: none"> • Educational Rights of Foster Students, Date: January 2016 • Educational Rights for Homeless Students, Date: January 2016
Education Excellence and Equity Division	<ul style="list-style-type: none"> • Tobacco-Use Prevention Education, Date: January 2002 • Physical Education Instructional Minutes, Date: October 2015
Early Education and Care Division	<ul style="list-style-type: none"> • Child Care and Development, Date: September 1991
Education Equity UCP Office	<ul style="list-style-type: none"> • Discrimination, harassment, intimidation, bullying, and retaliation on the basis of a protected

CDE Office or Division Processing UCP Complaints/Appeals	Education Program and Date First under the UCP
	characteristic, Date: September 1991 <ul style="list-style-type: none"> • Student Lactation Accommodations, Date: January 2016 • Pregnant and Parenting Pupils, Date: July 2018
Expanded Learning Division	<ul style="list-style-type: none"> • After School Education and Safety, Date: August 1998
Local Agency Systems Support Office	<ul style="list-style-type: none"> • Local Control Funding Formula (Program or Procedures), Date: July 2013
School Facilities and Transportation Division	<ul style="list-style-type: none"> • School Facilities Conditions, Date: July 2004

LEAs are required to follow all state and federal laws, and generally UCP complaints are required through regulation to be first filed with the LEA. LEAs are required to adopt policies and procedures to process UCP complaints and ensure staff take appropriate actions. For most complaints, LEAs have 60-days to complete an investigation and issue a decision; however, some complaints have shorter time frames.

A complainant has the option of appealing to the CDE within 15 days of receiving a decision, identifying for the CDE whether they are alleging the facts were incorrect or the law was misapplied. When the CDE receives an appeal, it requests the related files from the LEA. The CDE reviews whether the LEA followed UCP procedures, the evidence supports the fact finding for the decision, and the LEA applied the law correctly. If the CDE determines an appeal has merit, it may issue a decision, require the LEA to investigate further, or conduct its own investigation. The CDE may also deny appeals, return the decision to the LEA for the correction of deficiencies, and forward any new issue back to the LEA for investigation. Each of these actions, requires the CDE and the LEA to respond according to regulations and may have its own set of requirements and timelines. In addition, both LEAs and complainants may request reconsideration of the CDE’s decision.

Auditor’s Findings. In a report released in January of 2017, the California State Auditor released an audit of the UCP. The auditor’s report found that the UCP process within CDE is in itself complex; fourteen different divisions or offices within the CDE handle UCP issues. The CDE did not have department-wide policies and procedures in place, the CDE did not track UCP appeals and complaints centrally, instead each division or office received UCP workload and followed its own process.

The auditor recommended at the time that the Legislature codify UCP regulations and prescribe consistent timelines for filing, investigation, and reviewing of UCP complaints and appeals. The auditor also recommended that the CDE should designate a central office to receive complaints and appeals. The auditor also recommended that CDE initiate regulations to include a 60-day timeline for

investigation of complaints and reviews of appeals, unless otherwise specified in statute or federal regulations.

In response to the audit, CDE took a series of steps including creating a centralized database for tracking of UCP complaints.

Legislative Actions. The Legislature required additional reporting from CDE on the UCP process specifically by November of 2017 and as a result added the UCP process to statute and specified 60 day timelines for responses in most cases through budget trailer bill in 2018-19.

The Legislature also required additional reporting from CDE by January 31 of 2019, through the following language in the 2018-19 budget bill, SB 840 (Mitchell), Chapter 29, Statutes of 2018:

“The Superintendent of Public Instruction shall report to the Legislature no later than January 31 of each year with a summary of the number of days for completion of appeals by complaint type and program area, including the rationale for complaints that exceed 60 days. The State Department of Education (SDE) shall commence a stakeholder workgroup focused on issues raised in the SDE 2018 Legislative Report: Uniform Complaint Procedures Process Update, and provide recommendations from the workgroup in the first annual report due by January 31, 2019”.

CDE 2019 Report: The CDE released the first annual UCP report on April 26, 2019, delayed due to changes in staffing and leadership with the election of a new Superintendent. The report notes that 2018 was the first full year all offices and divisions that process UCP appeals and complaints entered appeal and complaint data into a central database and the following table shows the requests:

The California Department of Education 2018 UCP Appeal and Complaint Requests

UCP Program	Number of Appeal/Complaint Requests
Education Equity (Discrimination, harassment, intimidation, bullying, and retaliation on the basis of a protected characteristic)	347
Unlawful Pupil Fees	51
Elementary and Secondary Education Act (Titles I–VII)	30
School Facilities Conditions	14
Local Control Funding Formula (Program or Procedures)	9
Child Care and Development	8
Physical Education Instructional Minutes	2
Educational Rights for Foster Students	2
Course Periods without Educational Content	1
Adult Education	1
Total	465

Of these 465 requests, the CDE accepted 193 appeal or complaint requests in 8 UCP programs. The Education Equity program accepted the highest number of appeals with 137, or 71 percent, of the accepted requests. These appeals were related to allegations of bullying, harassment, discrimination, retaliation, and/or intimidation on the basis of a protected characteristic (race or ethnicity, gender, disability, sexual orientation or identity, religion). The CDE completed 24 appeal reviews in 2018 related to unlawful pupil fees, 14 related to facility conditions, 8 related to Elementary and Secondary Education (categorical programs), and five related to local control funding formula program or procedures. Those not accepted may have been due to incomplete information, not meet the criteria for intervention, may have been outside of the scope of the UCP, or were currently under LEA investigation.

The CDE also engaged in a stakeholder process during the fall of 2018 with county offices of education, local school districts and direct-funded charter schools; as well as CDE program offices, divisions, and branches and reflected on the following topics:

- Clarity around the UCP
- Uniformity and Consistency
- Guidance and Technical Assistance

The CDE's response to both the stakeholder process and continued follow-up from the 2017 Audit and Legislative feedback includes the following as noted in the report:

- Updating regulations related to the UCP, including aligning them with current law, providing appropriate clarity and consistency, and ensuring more efficient administration of the UCP, and other additional amendments. (Commenced March 31, 2019)
- Establishment of a central UCP office within CDE to receive and process complaints. (pending)
- Creation of a statewide UCP email list to better coordinate with LEAs and local UCP coordinators. (pending)
- Updating of the UCP web page to create a more user –friendly experience and include additional resources. (pending)
- Expansion of technical assistance to LEAs, including training related to the UCP. (pending)

Suggested Questions:

- Why timelines has the CDE established for completing the changes identified in the report for the department to undertake?
- What were the key findings from the stakeholder were process and how are these reflected in CDE's recommendations?

Staff Recommendation: Information Only.

6870 CALIFORNIA COMMUNITY COLLEGES**Issue 8: State Operations****Panel:**

- Michelle Nguyen, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmena, Chancellor's Office of California Community Colleges

Background

In 2018-19, the Chancellor's Office has 143.5 authorized positions. The Chancellor's Office is comprised of 11 divisions and offices: educational services, academic affairs, students services and special programs, office of communications and marketing, college finance and facilities planning, office of digital innovation and infrastructure, office of general counsel, government relations, institutional effectiveness, internal operations, and workforce and economic development. In addition, the Chancellor's Office has an executive office.

Governor's Budget Proposal

The Administration proposes an increase of \$135,000 ongoing non-Proposition 98 General Fund and one new position for an Information Security Officer at the Chancellor's Office, to provide increased security capacity. The position would be housed within the office's Digital Innovation and Infrastructure Division, which currently has 20 staff that work on data management, management of application services, network support, and research and data analytics.

On March 28th, the Administration submitted an April letter requesting a shift of bond funds to support the Chancellor's Office Facilities Planning Unit. Specifically, the Administration proposes to add item 6870-001-6028 and 6870-001-6041 in the amounts of \$174,000 and \$1.38 million, respectively, and increase item 6870-001-6049 by \$637,000 from various bond funds. Additionally, the proposal eliminates item 6870-001-0574 and 6870-001-0658. These adjustments shift appropriation authority between bond funds to reflect available bond authority.

Legislative Analyst's Office Comments

Hiring an Information Security Officer Has Merit. In the summer of 2018, the Military Department conducted an information security assessment of the Chancellor's Office and identified several issues. Though the detailed findings of the report are confidential, the Chancellor's Office responded by identifying a list of policies and procedures intended to improve information security. At current staffing levels, the division does not have the capacity to implement the identified changes. Given other workload demands within the division, no staff currently focuses their time on information security issues. Instead, the Chancellor's Office redirects existing staff from other activities whenever an immediate security issue arises. The LAO believes having an additional position in the division to address these issues is important, particularly given the large volume of student data the Chancellor's

Office collects. Having a dedicated information security officer would allow the division to be proactive about developing policies and increasing monitoring to ensure the security of CCC data.

Chancellor’s Office Could Use Recent Augmentations to Fund Position. The Chancellor’s Office has received several augmentations to its state operations budget over the past two years—\$618,000 in 2017-18 and \$2 million in 2018-19 (bringing total General Fund for the Chancellor’s Office to \$16.7 million). Though the 2017-18 augmentation was tied to certain new positions, the Chancellor’s Office had discretion in the new positions it could support with the 2018-19 augmentation. To date, the Chancellor’s Office has not been able to document the new positions it funded with either the 2017-18 or 2018-19 augmentations. The office indicates it used the 2018-19 funds to support a reorganization, which makes tracking the funding more difficult. Given the importance of data security and the justification for an information security officer position, the LAO recommends the Legislature direct the Chancellor’s Office to use some funding from recent staffing increases to fund the new position. The Legislature could provide this direction through provisional budget language.

Staff Recommendation: Hold Open.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
6870 CALIFORNIA COMMUNITY COLLEGE

Issue 9: Immigrant Legal Services

Panel

- Michelle Nguyen, Department of Finance
- Seija Virtanen, University of California
- Carrie Hemphill Reith, California State University
- Marcela Ruiz, Department of Social Services
- Kim Johnson, Department of Social Services
- Paul Steenhausen, Legislative Analyst's Office
- California Community Colleges Chancellor's Office

Background

UC Legal Services. The 2018-19 budget provided \$4 million one-time funding for UC to provide legal services for undocumented and immigrant students, faculty and staff to be spent until June 30, 2022.

In 2018-19, UC used \$900,000 from the University of California Office of the President (UCOP) budget to fund attorneys at across campuses. In addition, UC Davis, San Diego, Riverside and UCLA used their own campus funds to pay for attorneys as well. UC Irvine makes a partial contribution towards an attorney and will be paying the full salary in 2019-20. Due the availability of these other funds, UC decided to delay the spending of the state General Funds until 2019-20 when UCOP funds are anticipated to not be available.

In the future, UC anticipates providing the \$4 million General Fund appropriation to the UC Davis Immigrant Legal Services Center (UCIMM). Currently UCIMM has a staff of eleven: Executive Director, two Managing Attorneys, three Attorney Fellows, four Staff Attorneys, and one Paralegal to provide full immigration legal services to every campus in the UC system except for UC Berkeley. UC Berkeley provides services to its students through a non-profit and philanthropic funding. Every campus has a dedicated attorney whose sole responsibility is to provide legal services and to work closely with other campus programs. In addition, by using teleconference capability, UCIMM works with students, faculty, and staff on all UC campuses through the undocumented student centers on those campuses. While UC has not spent the funds appropriated in the 2018-19 budget, the information below summarizes the previous UCIMM service information:

- For the 2015-16 academic year, UCIMM served 311 clients.
- For the 2016-17 academic year, UCIMM opened 872 new legal cases.
- For the 2017-18 academic year, UCIMM opened 1,377 cases and responded to 650 inquiries.
 - Moreover, in 2017-18, 67.6 percent of cases were student only, 24 percent were family members of students, 8.4 percent included both students and their family members, and 21 percent of their clients were transfer students.

-
- 625 cases involved Deferred Action for Childhood Arrivals (DACA) renewals. This reflects a 57.8 percent growth in DACA as compared to 2016-17 when UCIMM had 396 DACA matters
 - General Immigration Screening: 334 intakes or 24 percent of total matters. This compares to 271 in 2016-17.
 - Family Petitions and Adjustment of Status: 176 cases or 12 percent of total inquiries.
 - Naturalization: 55 cases or 4 percent, compared to 32 cases in 2016-17.
 - Special Immigrant Juvenile Status: 23 cases or two percent of matters, compared to 13 cases in 2016-17)

CSU Legal Services. The 2018-19 budget also provided \$7 million General Fund one-time to the California Department of Social Services (DSS) to contract with qualified providers to provide legal services to persons on CSU campuses. These funds shall be available for encumbrance or expenditure until June 30, 2022, and liquidation until June 30, 2025. The budget bill requires that the use of these funds be reported to the Legislature.

Since the enactment of the budget, DSS reports that for CSU, three immigration webinars for students were hosted by the UC Immigrant Legal Services Center, as follows: (1) Updates on DACA, Immigration, and Your Constitutional Rights, (2) Beyond DACA: Exploring Other Types of Immigration Relief and (3) Public Charge: What is the Rule, and What are the Proposed Changes.

DSS has selected four legal service providers to serve 20 of the 23 CSU campuses for the next two years, as displayed below.

Region	Organization	CSU Campuses	Tentative Awards
SF Bay Area & Central Valley	Centro Legal de la Raza	San Francisco San Jose East Bay Fresno Bakersfield Stanislaus	\$1.67 million
Northern Cal	Coalition for Human Immigrant Rights (CHIRLA)	Chico Sacramento Sonoma Humboldt	\$836,000
Los Angeles	Central American Resource Center of California (CARECEN LA)	Northridge Los Angeles Dominguez Hills Long Beach * Pomona * Fullerton * San Bernardino	\$1.53 million
San Diego	Jewish Family Service San Diego	San Diego San Marcos	\$450,000
Central Coast	TBD	Monterey Bay San Luis Obispo Channel Islands	

DSS is in the process of identifying legal service providers for two campuses on the Central Coast (Monterey Bay and San Luis Obispo); Maritime has a very small number of students who qualify for an exemption under AB 540, so services for students will be provided at a nearby campus, if needed.

Contracts with the four providers are each for two-year terms and are expected to be executed in the coming weeks. All of the providers are setting up offices, hiring staff, and two of the providers are delivering services on campus. Campuses and providers have begun coordinating the logistics of delivering immigration legal on each campus, tailored to their specific student needs, to allow for services to begin on campus as soon as feasible.

Given that, the funding was initially a one-time allocation, DSS chose not to encumber all the funds all at once to provide additional funding to each contract as the initial needs assessment phase was completed and contractors determined additional legal staff needed to meet campus demands. DSS will balance of \$2.3 million remaining of the total \$7 million allocation after two years with this contract.

CCC Legal Services. The 2018-19 budget also provided \$10 million one-time Proposition 98 General Fund to the Board of Governors of the Community Colleges to allocate funds to a community college district to contract with the DSS in order to contract with specified organizations to provide immigrant legal services and support to persons on California community college campuses. These funds are available for encumbrance until June 30, 2020, and liquidation until June 30, 2024. The budget requires use of these funds must be reported to the Legislature.

Since the enactment of the 2018-19 budget, it is unclear if any funding has been spent, who the providers are, which campuses or districts would provide services, among other key information. The Chancellor's Office notes that instead of working directly with DSS, it has instead transferred authority to the CCC Foundation to work with DSS. The Chancellor's Office notes that they do not have enough staff to work on undocumented student supports.

Governor's Budget Proposal

The Governor proposes investments in immigration legal services for all three segments:

- \$10 million Proposition 98 General Fund ongoing for the CCC starting in 2019-20,
- \$7 million ongoing General Fund for the CSU starting in 2019-20, and
- \$1.3 million ongoing General Fund for the UC starting in 2022-23.

Staff Comments

The subcommittee may wish to ask what the DSS and Community College Foundation's plan is in spending the \$10 million provided in the 2018-19 budget. Specifically, how much of the funds has been spent, which campuses will be providing services, and what type of services will they provide.

As noted above, CSU and DSS will have a balance of \$2.3 million after the 2020-21 fiscal year. The subcommittee may wish to ask what DSS' plan is for this remaining funding. The budget bill language provides encumbrance or expenditure until June 30, 2022, and liquidation until June 30, 2025.

The subcommittee may also wish to ask whether or not DSS is able to find enough qualified providers to apply for these grants and to meet student, staff and faculty demand.

The subcommittee may wish to ask the Administration why additional funding is needed at this time considering that the segments have not spent the 2018-19 funds.

Staff Recommendation. Hold Open.

SUBCOMMITTEE NO. 1

Agenda

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



Monday, May 13, 2019
11:00 a.m.
State Capitol - Room 3191

Consultant: Elisa Wynne, Anita Lee

Items for Discussion

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Public Comment		

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6440	UNIVERSITY OF CALIFORNIA
6610	CALIFORNIA STATE UNIVERSITY
6980	CALIFORNIA STUDENT AID COMMISSION

Issue 1: May Revision – Higher Education Proposals

Panel

- Department of Finance
- Legislative Analyst’s Office
- University of California
- California State University
- California Student Aid Commission

Background. The following items below summarize the Governor’s May Revision budget proposals for higher education.

University of California

- **Retirement Program.** The May Revision includes \$25 million one-time General Fund to support the UC Retirement Program (UCRP).
- **UC San Francisco Dyslexia Center Pilot Program.** The May Revision proposes \$3.5 million one-time General Fund to support a pilot dyslexia screening and early intervention program operated through the UC San Francisco Dyslexia Center. These funds will enable the Center to deploy the “Application for Readiness In Schools and Learning Evaluation”, provide curriculum support, train staff on potential educational interventions, and collect data for a report on outcomes.
- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget to provide \$15 million ongoing General Fund to address student food and housing insecurity, the May Revision proposes \$3.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.

Legislative Analyst’s Office Comments on UC

Consider How to Prioritize Funds. Each of the state’s three pension systems—CalPERS, CalSTRS, and UCRP—have notable unfunded liabilities. To prioritize limited resources, the state could continue to address its unfunded pension liability at CalPERS or CalSTRS before focusing on UCRP. For both CalPERS and CalSTRS, the state has a clearer responsibility to address unfunded liabilities, as the state sets associated pension benefits and contribution rates. By contrast, the state has no direct role in establishing the benefit level or funding policy of UCRP. Instead, the UC Board of Regents makes these decisions. Because of this less direct state role, the state’s obligation to pay for UCRP’s unfunded liabilities resulting from shortfalls in past funding policies is not as clear as with CalPERS and CalSTRS. Nonetheless, the Legislature could provide funding for UCRP’s unfunded liability if it would like to reduce cost pressures at UC.

Legislature Lacks Analysis on Proposal’s Estimated Savings. The administration has not provided the Legislature an analysis estimating the likely savings resulting from providing the one-time funding to UCRP. Such an analysis would allow the Legislature to weigh the tradeoffs of this proposal over other one-time priorities, such as additional supplemental payments to CalPERS or CalSTRS. The LAO specifically recommends that the Legislature request two analyses—one assuming UCRP hits all of its investment assumptions (known as an “actuarial” analysis) and one that considers many possible investment and other future scenarios (known as a “stochastic” analysis).

Consider Sharing UCRP Costs With UC’s Non-state Funds. UCRP’s \$10 billion unfunded liability represents the university’s combined liability across both its state-funded, core academic programs and its nonacademic programs. To ensure UC’s nonacademic programs (such as the medical centers and student housing) are also paying for their share of UC’s unfunded liability, the Legislature could require UC to match the state’s one-time funding with non-state funding. As a rough rule of thumb, we think a \$2 non-state match for every \$1 of General Fund would be reasonable. That is, UC would match the Governor’s proposed \$25 million one-time General Fund with \$50 million one-time non-state funds. Alternatively, the Legislature could work with UC to develop a more refined matching expectation.

Rapid Rehousing Proposal Would Help Only a Small Proportion of Students and Create Substantial Outyear Cost Pressure. Because the program is costly, the Governor’s proposed funding level for UC (\$3.5 million ongoing) would not serve a large number of students at UC—likely between 300 to 500 students per year. By comparison, UC survey data suggests several thousand UC students experience homelessness each year. Because the amount proposed by the Governor likely would serve only a small subset of homeless students, approving funding for the proposal could create substantial outyear cost pressure on the state. Additionally it is unclear how this proposal interacts with the administration’s \$15 million General Fund ongoing proposal for student food and housing insecurity.

Were the Legislature interested in funding rapid rehousing programs at UC in the budget year, the LAO recommends it enact clear authorizing language. Such language should include what is meant by rapid rehousing, how funds are to be allocated to campuses (such as through a competitive process), conditions that campuses must meet to operate a program (such as partnering with a local homeless service agency), how campuses are to identify program participants, and how the program is to be evaluated and the results shared with the Legislature.

UC San Francisco Dyslexia Center. The administration states that the center has successfully raised tens of millions in private philanthropy to support its operations and activities. The Legislature may wish to better understand whether the center could identify funds from these sources to cover the cost of the pilot (\$3.5 million one time). The ultimate goal of the pilot is to scale these activities across the state, the Legislature could ask the administration to estimate the cost of such an expansion before approving the pilot. Third, the Legislature could ask the administration how this special education pilot is intended to be coordinated with other state special education initiatives.

While the administration indicates that a portion of the proposed one-time funding would support data collection and evaluation of the pilot, the proposed budget bill language includes no required reporting to the Legislature on the pilot's results. Such reporting is essential given the administration's high expectations for the pilot. Such reporting, at a minimum, should include:

- The number of participating schools, school districts, and students.
- The number and percent of participating students who were diagnosed with a learning disability before the pilot compared to during the pilot year.
- How the one-time state General Fund was spent, as well as how any additional private or other nonstate funds were used to fund the pilot.
- The developed interventions resulting from the pilot.
- To the extent the results of the pilot are promising, a plan to expand the interventions in schools throughout the state. The plan should include the estimated cost of scaling the program statewide and identify all possible fund sources to cover this cost.

California State University

- **Support for Students Experiencing Homelessness.** In addition to the Governor's Budget proposal to provide \$15 million one-time General Fund to address student food and housing insecurity, the May Revision proposes \$6.5 million ongoing General Fund to support rapid rehousing of homeless and housing insecure students.
- **Project Rebound.** The May Revision proposes an increase of \$750,000 ongoing General Fund above the January budget proposal to provide \$250,000 to support Project Rebound. This program provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.
- **First Star Foster Youth Cohort at CSU Sacramento.** The May Revision proposes \$740,000 one-time General Fund to support a First Star Foster Youth Program at CSU Sacramento. This program will enable a cohort of foster youth to engage in a variety of activities that support learning opportunities, such as academic courses for college credit, social and cultural activities, service learning and other recreational activities.

Legislative Analyst's Office Comments on CSU

Rapid Rehousing. The administration has not explained how this May Revision proposal is intended to interact with its January proposal to provide \$15 million one time for CSU's housing and homeless initiative (formally known as "Basic Needs Partnerships"). Given that both proposed initiatives are intended to address housing insecurity at CSU, the Legislature will want to know how the two will complement or supplement each other rather than create two siloed programs with blurred lines of responsibility and accountability. The Legislature also should consider how prescriptive it wishes to be with how campuses address homelessness among students. For example, does the Legislature want to require campuses to use the rapid rehousing model only, or should campuses have flexibility to implement different strategies?

First Star Foster Youth Cohort at CSU Sacramento. The proposal serves only one cohort of approximately 30 foster youth over a four-year period at only one CSU campus (Sacramento)—raising

notable equity issues for other foster youth located in other areas of the state as well as other foster youth located in Sacramento that do not make it into the one cohort of participants. Second, were the Legislature to expand the program to treat foster youth across the state similarly, the cost of the program would be much higher. Third, were the state to treat the program as ongoing (to serve additional cohorts of foster youth in subsequent years), the cost pressure issue would persist into the future, affecting the state's fiscal outlook.

California Student Aid Commission (CSAC)

- **Cal Grant Program Costs Estimates.** The May Revision proposes a decrease of \$14 million General Fund in 2019-20 to account for the following:
 - **Lower Participation Estimates.** A decrease of \$19.9 million in 2019-20 to reflect a decrease in the estimated number of new recipients in 2018-19. The May Revision also reflects decreased costs of \$4.9 million in 2018-19.
 - **Higher Temporary Assistance for Needy Families (TANF) Reimbursements.** A decrease of \$5.9 million in 2019-20, which increases the amount of General Fund needed for program costs by a like amount. Combined with reimbursements included in the Governor's Budget, the May Revision offsets approximately \$1.1 billion in General Fund costs for Cal Grants with TANF.
- **Cal Grant Access Awards for Student Parents.** The May Revision proposes a decrease of \$24.9 million to reflect revised estimates to the Governor's Budget proposal to increase or provide access awards for students with dependent children attending the UC, CSU, or the CCCs. In January, the Administration proposed \$122 million for this purpose.
- **Competitive Awards.** The May Revision proposes an increase of \$2 million to reflect revised estimates of the costs to increase the number of available competitive awards from 25,250 to 30,000. In January, the Administration proposed \$9.6 million for this purpose.
- **Teacher Service Credit Scholarship Program.** The May Revision proposes \$89.8 million one-time General Fund for the Commission to administer and create a new loan forgiveness grants to teachers meeting certain criteria, with priority for school sites with high percentages of teachers with permits or waivers as their authorizations.
- **Tuition Award for Students at Private Nonprofit Institutions.** The May Revision proposes trailer bill language to provide the private nonprofit institutions sector an additional year (2019-20) to meet the required number of Associate Degree for Transfer (ADT) pathways and admissions of ADT students needed for the sector to maintain the maximum Cal Grant tuition of \$9,084. Under the revised schedule, private nonprofit institutions will need to meet a goal of 2,000 ADT students admitted in 2019-20, 3,000 students admitted in 2020-21, and 3,500 students admitted in 2021-22 and thereafter.
- **State Operations Support.** The May Revision proposes an increase of \$414,000 General Fund to support the implementation of the Cal Grant Supplement for Students with Dependent Children.

- **Child Savings Accounts Grant Program.** The May Revision modifies the January budget proposal for the Child Savings Account Grant Program. Specifically, the May Revision requires CSAC to administer the \$50 million program. CSAC is expected to consult with First 5 California to utilize its strengths in marketing, education, and parent engagement to encourage collaboration between grant applicants and their local First 5 Commissions.
- **Student Loan Awareness Initiative.** The May Revision transfers the administration of the proposed \$5 million one-time General Fund augmentation to support an outreach initiative for student loan borrowers from the Office of Planning and Research to the Commission.

Legislative Analyst's Office Comments on CSAC

Proposal Is Unlikely to Lead to Sustained Reduction in Teacher Shortage. Only 4,500 teachers would benefit and the fiscal incentive they receive would expire after four years, this initiative is unlikely to result in a notable, sustained increase in the availability of credentialed teachers. Additionally, prospective applicants would need to know about the program before they decide which subject areas and schools to teach in. This approach would decrease the effectiveness of the incentive because most teachers would find out about the grant after they have already completed their teacher preparation program and received their teaching credential in a certain subject area. The approach also is problematic because teachers might need to respond to job offers before finding out whether they have been selected for a grant. The Legislature may also wish to require CSAC to report on program outcomes, including the number of teachers receiving grants, the subject areas they obtain credentials in, the schools they work in, and the length of time they remain in their jobs. This information could inform future decisions the Legislature may face regarding the use of grants to address teacher shortages.

Creating Another Child Savings Account Program Could Be Viewed as Premature. The administration proposes \$50 million (one-time non-Proposition 98 General Fund) to create a new child savings account grant program. In 2017-18, the Legislature created the Every Kid Counts College Savings Program and provided \$3 million one time for this initiative. CSAC recently awarded grants to nine local entities operating child savings account programs. During the grant period (which lasts through June 2021), grantees are required to participate in an evaluation intended to assess program outcomes and identify best practices.

Recommend Rejecting Student Loan Awareness Proposal. The administration proposes \$5 million (one-time non-Proposition 98 General Fund) to provide information to students on loan borrowing. The proposed activities, however, appear to duplicate existing federal, state, and institutional efforts. In particular, the U.S. Department of Education already provides mandatory entrance and exit counseling to all borrowers of federal loans (which account for the vast majority of student loans). The U.S. Department of Education also requires all colleges participating in federal financial aid programs to provide students with certain consumer information regarding student loans. In addition, the segments offer financial literacy services that cover student loans, among other topics. Finally, the Legislature provides funding to the Bureau for Private Postsecondary Education (through the recently established Office of Student Assistance and Relief) to offer outreach and information on student loans to prospective students considering a for-profit college.

Hastings College of Law

- **UC Path Implementation.** The May Revision proposes an increase of \$594,000 one-time General Fund to support the revised implementation timeline of the UC Path payroll, accounting, time keeping, and human resources system.
- **Deferred Maintenance.** The May Revision authorizes the use of the proposed \$1 million one-time General Fund to include support for both critical deferred maintenance needs, and information technology and instructional equipment refreshes.

Legislative Analyst's Office Comments on Hastings

UCPath Implementation Proposal Raises Questions About Budget-Year Priorities. According to Hastings, the cost to align its administrative procedures with UCPath has increased due to a timing issue. Specifically, UC decided to delay Hastings' integration into the UCPath system by two months (from January 2020 to March 2020). The key question for the Legislature is whether Hastings should accommodate this cost within its budget or if additional state funding is warranted. The May Revision retains the Governor's January proposal to give Hastings a \$1.4 million ongoing General Fund base increase in 2019-20—reflecting a 10 percent increase to its ongoing General Fund appropriation and 2.3 percent increase to the school's total ongoing core budget. The proposed base increase is not restricted for any specific purpose. If the Legislature were to approve this base increase, Hastings would have flexibility to allocate the funds for employee compensation increases, operating expenses and equipment, employee benefit cost increases, and other operating costs, such as its transition into the UCPath system.

California State Library

- **Early Learning and After-School Library Program Grants.** The May Revision proposes \$5 million one-time General Fund to support grants for local library jurisdictions with the lowest per capita library spending to develop and implement early learning and after-school library programs.
- **Mobile Libraries.** The May Revision proposes \$3 million one-time General Fund for the California State Library to support grants for local library jurisdictions to purchase bookmobiles and community outreach vehicles that would be used to expand access to books and library materials in under-resourced neighborhoods.
- **Digitization and Cultural Preservation Activities.** The May Revision proposes \$1.7 million General Fund, approximately \$1 million of which is ongoing, for the California State Library to coordinate with state entities to identify items for digital preservation, contract for digital preservation services, and to begin conducting or commissioning a statewide survey to inventory cultural heritage assets.
- **Statewide Lesbian, Gay, Bisexual, and Transgender Historical Preservation.** The May Revision proposes \$500,000 one-time General Fund to support the preservation of historical Lesbian, Gay, Bisexual, and Transgender sites.

Staff Recommendation. Hold all items open.

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 2: May Revision –K-12 and Early Education Proposals

Panel

- Department of Finance
- Legislative Analyst's Office
- Department of Education
- California Community Colleges Chancellor's Office

Background:

Proposition 98 – K-14 Education

- **Changes to the Minimum Guarantee.** The May Revision provides increased Proposition 98 funding of \$746 million over the Governor's budget for the three-year period of 2017-18 to 2019-20. More specifically, the May Revision funds the Proposition 98 guarantee for the 2017-18 through 2019-20 fiscal years at \$75.6 billion, \$78.1 billion, and \$81.1 billion, respectively. Compared to January, this reflects the following yearly changes:
 - An increase of approximately \$78 million in 2017-18.
 - An increase of approximately \$279 million in 2018-19.
 - An increase of approximately \$389 million in 2019-20.

These levels reflect increases in General Fund revenues over the three year period in comparison with the Governor's Budget proposal.

- **Public School System Stabilization Account.** The factors used in the May Revision Proposition 98 guarantee calculation trigger a deposit into the Public School System Stabilization Account, known as the Proposition 98 Rainy Day Fund. The required deposit under the Governor's May Revision is \$389.3 million and counts towards the Proposition 98 guarantee in 2019-20. The deposit is triggered primarily as a result of higher capital gains revenue, and a Proposition 98 guarantee Test 1 calculation that is above the Test 2 level, reflecting lower per capita personal income growth. Funds from this reserve account may be expended in years when the Proposition 98 guarantee does not increase enough to over year-over-year growth and inflation.
- **Local Control Funding Formula.** The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and provided an additional cost-of-living adjustment (COLA). The May Revision provides a COLA of 3.26, approximately \$1.9 billion. This is a slight decrease from the Governor's Budget estimate of a 3.46 percent COLA, estimated at approximately \$2 billion.

- **Special Education Funding.** The May Revision includes \$696.2 million in ongoing Proposition 98 General Fund for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. This is an increase to the January proposal that included \$576 million in Proposition 98 General Fund (including \$187 million in one-time funding). The May Revision continues to direct the funds to provide more support for students with disabilities, provide services to preschool-aged children with disabilities, or expand early intervention programs.

Proposition 98 – Other Changes for K-12 Education

- **Local Property Taxes.** \$146.6 million Proposition 98 General Fund in 2018-19 and \$142.1 million in 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- **San Francisco Unified School District Excess Tax Correction.** An increase of \$149.1 million one-time Proposition 98 General Fund for a technical adjustment to excess property taxes related to a miscalculation of these funds in 2016-17.
- **LCFF Adjustments.** An increase of \$70 million Proposition 98 General Fund in 2018-19 and a net decrease of \$63.9 million in 2019-20 for school districts, charter schools, and county offices of education as a result of changes in projected attendance and COLA as noted in above bullets.
- **Classified School Employees Summer Assistance Program.** An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program which provides a state match for classified employee savings to provide income during summer months.
- **Cost-of-Living and Growth Adjustments.** A decrease of \$7.4 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 3.26 percent for 2019-20, decreased from the 3.46 percent estimated in January. In addition, an increase of \$7.6 million for selected categorical programs, based on updated estimates of ADA.
- **AB 1840 Adjustments.** An increase of \$3.6 million one-time Proposition 98 General Fund for Inglewood Unified School District and \$514,000 for Oakland Unified School District pursuant to AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018.
- **Charter School Policies.** Additional trailer bill language to ensure charter schools are not discouraging students from enrolling or screening students based on academic records. Language additional requires a process to report concerns to the relevant charter school authorizer.

Non Proposition 98 – Major Changes for K-12 Education

- **Full Day Kindergarten Facilities.** \$600 million (a reduction of \$150 million from the Governor's Budget proposal) one-time General Fund for full-day kindergarten facilities and adjustments to better target expansion of access to full-day kindergarten programs.

- **Teacher Loan Assumptions.** \$89.8 million one-time General Fund to provide approximately 4,500 loan assumptions of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years (see Issue 1).
- **Educator Training.** \$44.8 million in one-time General fund to provide training and resources for classroom teachers and paraprofessionals to build capacity around inclusive practices, social emotional learning, computer science, restorative practices, and subject matter competency.
- **Broadband Infrastructure.** \$15 million one-time General Fund to address gaps in school district broadband infrastructure.
- **Special Education.** \$500,000 one-time General Fund to increase local educational agencies ability to draw down federal funds for medically related special education services and to improve the transition of three-years olds with disabilities from regional centers to local educational agencies. Funds would allow for coordination and collaboration among related agencies.

Legislative Analyst's Office Comments on K-12 Education

Special Education. The LAO notes that the May Revision provides an increase of ongoing Proposition 98 funding for special education but retains the Governor's January distribution proposal to provide special education concentration grants to districts serving large numbers of low-income students, English learners, and students with disabilities. The LAO notes that the design of the proposal has an inherent contradiction by fiscally rewarding districts that maintain above-average special education identification rates. Districts that achieved the administration's goal and reduced the number of students identified for special education could lose substantial funding. Consequently, the roughly one-quarter of school districts that benefit from the administration's proposal would have a strong fiscal incentive to maintain high special education identification rates. The LAO recommends that the Legislature consider augmenting special education in another way such as equalization or providing support for preschool special education.

Full-Day Kindergarten Facility Grants. The LAO notes that in the May Revision, the Governor reduces funding for kindergarten facility grants from \$750 million to \$600 million (non-Proposition 98 General Fund). The LAO notes that the May Revision limits grants to districts interested in converting part-day programs to full-day programs, which is a more targeted approach to meeting the objective of creating more full-day programs. The LAO recommends that the Legislature further target the grants by earmarking them only for low-income districts and consider funding the program at a lower amount.

Educator Workforce Investment Grant. The LAO notes that first, professional development for teachers is commonly funded using Proposition 98 monies, but this proposal uses non-Proposition 98 monies. The Legislature may wish to consider whether teacher training is among its highest priorities for non-Proposition 98 funds. Second, the state funds most professional development indirectly through LCFE and the statewide system of school support. The administration has not made an explicit case that funding through these other means is insufficient. Third, the administration has not made a clear case that the proposed focus areas (such as social emotional learning and computer science) are the areas where teachers statewide have the greatest need for additional training. Computer science, for example, is already a required course for teachers prior to receiving their clear teaching credential. If the Legislature does want to provide professional development funding in specific classroom areas, the

LAO notes it may want to develop a clear methodology for selecting which areas are of highest statewide priority. For example, the Legislature may want to use the School Dashboard outcomes to identify areas where districts have poor outcomes. Lastly, the Legislature may want to consider giving priority for teacher professional development to districts receiving differentiated assistance under the statewide system of support.

School Technology. The LAO notes concerns with the May Revision proposal to provide broadband infrastructure grants. Specifically, the proposal does not clearly defining what it means to be a poorly connected school. The administration also has not provided a needs assessment examining which schools currently are poorly connected, where they are located, and the number of students they serve. The administration has not provided a fiscal analysis examining what connectivity options are available for these schools, the associated costs, and the potential fund sources. The proposal has no benchmark for what the grant funding is intended to achieve—that is, what level of connectivity improvement (or increase in Internet speeds) is sought. The proposal has no method for tracking progress towards the goal of increasing digital learning opportunities in schools. The LAO notes that if the Legislature wishes to consider the proposal, the Legislature may wish to define “poor connectivity” for schools, allow schools to use whichever method of connectivity is most cost-effective in their area for achieving the program’s goal, instead of limiting the grants only to fiber solutions, and add reporting language to enhance legislative oversight.

Child Care and Early Childhood Education

- **Child Care for School-Aged Children.** The May Revision includes \$80.5 million ongoing Proposition 64 Cannabis Funding to provide subsidized child care slots to low-income eligible families.
- **State Preschool Program Expansion.** The May Revision amends the Governor’s Budget proposal to increase state preschool by 10,000 slots per year for the next three years, by including only the first year investment of 10,000 slots in the budget. The addition of the remaining 20,000 slots would be determined based on the proposed Master Plan for Early Learning and Care.
- **CalWORKS Stage 1 Increase.** The May Revision includes \$40.7 million in 2019-20 (\$50.4 million in future years) in General Fund to provide 12 months of child care for CalWORKS recipients in Stage 1.
- **Emergency Child Care Vouchers.** The May Revision includes \$12.8 million in federal funds for a pilot program to allow alternative payment agencies to provide emergency child care vouchers to eligible families in need of temporary assistance.
- **Caseload Funding Adjustments.** The May revision increases funding for CalWORKS Stages 2 and 3 child care by \$38.2 million, reflecting changes in caseload adjustments, likely related to recent policy changes to increase income ceilings and allow for 12-month eligibility.

Legislative Analyst’s Office Comments on Early Education and Childcare

State Preschool Program. The LAO notes that the May Revision moves the start date for new State Preschool slots from July 2019 to April 2020. The LAO recommends adopting the later start date to give

the California Department of Education (CDE) time to review applications and make program awards. The LAO notes that with fewer expanded slots, the elimination of the work requirement for full-day preschool would result in fewer total children being served and fewer working families being served (as lower-income nonworking families would receive priority for full-day slots). The LAO continues to recommend the Legislature keep the work requirement to ensure the program supports working families with their child care needs. Finally, the LAO notes that removing the work requirement eliminates the ability of the state to use federal funds for full-day State Preschool and limits flexibility with the use of federal funds.

One-Time Facility, Workforce, and Planning Initiatives. The LAO notes that while the May Revision continues to include \$500 million (one-time non-Proposition 98 General Fund) for improvements to the state's child care system, the Administration makes some changes to the proposed trailer bill language. Specifically, the administration intends to allocate most of the one-time funds based on the recommendations of a master plan, without giving the Legislature any role in the development of the plan. The LAO notes that the Legislature may want to determine whether its priorities align with the recommendations of the master plan before allowing the administration to move ahead with allocating funds and notes that the Legislature could require the administration to submit expenditure proposals as part of the regular budget process. The LAO continues to recommend rejecting the \$10 million the Governor proposes to use to develop a master plan. If the Legislature wants to fund studies to inform future decisions, the LAO recommends the Legislature designate \$1 million each for two focused studies, one on childcare facilities, and one on accessibility.

Emergency Child Care Pilot Program. The LAO reviewed the emergency child care pilot program included in the May Revision and notes that the Legislature may wish to consider other uses for the funds. With the funds used for the pilot, the state could add 1,300 Alternative Payment slots. Alternatively, the state may want to implement the pilot program given the uncertainty regarding whether the federal augmentation will be ongoing. Conversely, if funds were available on an ongoing basis and the program was found to be effective in providing stability for families in emergency situations, the state could consider continuing the program. If the Legislature wishes to fund the program, it may wish to consider additional reporting requirements to better evaluate the program.

General Child Care Slots. The LAO notes that, the administration specifies its intent to use a portion of revenues from Proposition 64 (marijuana legalization) for General Child Care slots for school-aged children. The administration estimates \$80 million would be allocated to General Child Care slots in 2019-20. The amount is expected to fluctuate but generally grow over time. Revenue from Proposition 64 is continuously appropriated, so allocations will not be included in the *2019-20 Budget Act* or associated trailer bill. The LAO notes that given certain language in Proposition 64, the Legislature's role in directing the use of associated revenue is unclear. The LAO recommends that the Legislature seek additional information, including: (1) whether CDE plans to award these funds through a separate application process with potentially separate rules, effectively creating a detached General Child Care program; and (2) whether providers would be allowed to comingle Proposition 64 funding for General Child Care with other state and federal funding currently supporting the program.

California Community Colleges (CCC)

- **Student Centered Funding Formula.** The May Revision proposes to extend the existing hold harmless provision of the Student-Centered Funding Formula by an additional year from 2020-21 to 2021-22. Under this proposal no district will receive less funding than they received in 2017-18 with cost-of-living adjustments for each year until 2021-22.

The May Revision summary notes that the Administration plans to work with the Chancellor's Office and stakeholders to explore revisions and recommendations to the formula, with the intent that the revisions will be considered in the 2020-21 budget process.

- **Chancellor's Office State Operation.** The May Revision proposes an increase of \$381,000 ongoing non-Proposition 98 General Fund for three new positions at the Chancellor's Office. These positions will support the Chancellor's Office's accounting office, monitor districts' fiscal health and provide technical assistance to districts in need.
- **Cost-of-Living Adjustment.** The May Revision proposes decrease of \$18.3 million Proposition 98 General Fund to reflect a change in the cost-of-living adjustment (COLA) from 3.46 percent to 3.26 percent.

As a result of a smaller COLA, several program adjustments are made. Specifically, compared to the January budget, the Adult Education Program is proposed to decrease by \$1 million Proposition 98 General Fund. Additionally, funding for Disabled Student Programs and Services program, the Extended Opportunity Programs and Services program, the Apprenticeship program, the Student Services for CalWORKs Students program, the Mandate Block Grant program, and the Campus Child Care Tax Bailout program is proposed to decrease by \$860,000 Proposition 98 General Fund total.

- **California College Promise.** Compared to the January budget, which proposed \$40 million to expand the California Promise Program to a second year, the May Revision proposes an increase of \$5.2 million Proposition 98 General Fund to support the existing first year and proposed second year of the California College Promise due to updated estimates.
- **Student Success Completion Grant.** The May Revision proposes an increase of \$7.5 million Proposition 98 General Fund on top of the \$11 million increase proposed in January to reflect revised estimates of participation in the program.
- **Deferred Maintenance.** The May Revision proposes \$39.6 million one-time Proposition 98 General Fund for deferred maintenance, instructional equipment, and specified water conservation projects.
- **Foster Care Education Program.** The May Revision proposes \$400,000 ongoing Proposition 98 General Fund to backfill a projected loss in federal matching funds.
- **Technical Adjustments.** The May Revision proposes an increase of \$76.7 million Proposition 98 General Fund as a result of decreased offsetting local property tax revenues, and a decrease of \$15.7 million Proposition 98 General Fund as a result of increased offsetting student enrollment fees.

Legislative Analyst's Office Comments on California Community Colleges

State Operations. The LAO continues to have concerns with the lack of transparency regarding how the Chancellor's Office is using the \$2.6 million in General Fund staffing augmentations it received over the past two years. To date, the Chancellor's Office has not been able to report on the new positions hired with those funds (indicating that a recent reorganization has made tracking of positions more difficult). Given this information is not available, the LAO is concerned that any further augmentations for staffing might not be used for their intended purposes.

The Legislature could authorize the new positions proposed in the May Revision without adding funding, effectively encouraging the Chancellor's Office to fill the unspecified staff positions funded last year with the specific positions requested this year. Regardless of whether new funding is provided, we recommend the Legislature add provisional language to any new positions stating their specific purpose, thereby helping to ensure the Legislature's objectives are met. The Legislature also may want to consider requiring the Chancellor's Office to report on how it has spent recent budget augmentations and how it has reorganized its operations to better support community colleges. Better staffing information would help the Legislature in assessing future budget change proposals.

Extends A Hold Harmless Provision Through 2021-22. The LAO does not see a strong rationale for why the hold harmless provision needs to be extended for an additional year at this time. Moreover, colleges already have a hold harmless provision in place for 2019-20 and 2020-21 under existing law, such that no urgency exists for deciding now whether to keep the hold harmless provision in place for a fourth year. The LAO recommends the Legislature make no changes to the existing hold harmless provisions at this time. Extending the hold harmless provision will come at an added cost to the state in 2021-22 (likely increasing costs by tens of millions).

Staff Recommendation. Hold all items open.

SUBCOMMITTEE NO. 1

Agenda

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



Wednesday, May 15, 2019
10:00 a.m. or upon call of the chair
State Capitol - Room 3191
Consultant: Anita Lee

PART A

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
1	State Operations	<p>The Governor proposes \$435,000 General Fund one-time for the Chancellor's Office to support an external contract to staff the Student Centered Funding Formula Oversight Committee. This funding shall be available for encumbrance or expenditure until June 30, 2021.</p> <p>The Administration proposes an increase of \$135,000 ongoing General Fund and one new position for an Information Security Officer at the Chancellor's Office, to provide increased security capacity.</p> <p>The May Revision proposes an increase of \$381,000 General Fund to support three positions (two accounting positions, and one technical assistant position to monitor districts' fiscal health).</p>	<p>The oversight committee operations was heard on April 11th. The 2018-19 budget did not provide the Chancellor's Office with funds to support the external contract. The information technology security officer and office of facilities planning unit was heard on May 9th.</p>	BBL	<p>Approve as proposed. Additionally, adopt budget bill language to direct the Department of Finance to conduct a mission based budget study of the Chancellor's Office staffing and workload requirements. The Administration must report on the findings and outcomes of the study to the relevant policy and fiscal committees of the Legislature by February 1, 2020. Additionally, the Chancellor's Office must report on how it has spent recent budget augmentations (2017-18 and 2018-19) and how it has reorganized its operations to better support community colleges.</p>
2	Immigrant Legal Services	<p>The Governor's January budget proposes \$10 million Proposition 98 General Fund ongoing starting in 2019-20 to provide immigrant legal services through approved providers at the Department of Social Services (DSS).</p>	<p>This item was heard on May 9th. The 2018-19 budget provided \$10 million one-time Proposition 98 General Fund for this purpose, however DSS and CCC has not spent this funding.</p>	BBL	<p>Given that 2018-19 funding has not been spent, the subcommittee recommends to reject without prejudice.</p>
3	Cost-of-Living Adjustments	<p>The Governor's budget includes \$248 million Proposition 98 General Fund to cover a 3.46 percent COLA for apportionments. The May Revision includes an updated COLA estimate of 3.26 percent. This reduces the apportionment by \$18.28 million, for a total COLA of \$229.72 million.</p> <p>The May Revision also adjusts the COLAs for specific categorical programs: (1) Disabled Student Programs and Services: decrease of \$241,000, (2) Student Services for CalWORKS Recipients program: a decrease of \$91,000, (3) Extended Opportunity Programs and Services: a decrease of \$257,000, (4) Campus Childcare Tax Bailout program: a decrease of \$7,000, (5) adult education program: a decrease of \$1.04 million, (6) apprenticeship program: a decrease of \$200,000.</p>	<p>However, other categoricals such as the Fund for Student Success, and part-time faculty office hours.</p>	BBL	<p>Approve the Governor's proposal and also adopt cost-of-living adjustments for the Fund for Student Success (\$293,400) and part-time faculty office hours (\$391,200).</p>

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
4	Mandate Block Grant	The May Revision proposes a decrease of \$349,000 to reflect a decrease of \$283,000 to align block grant funding with the revised estimate of applicable full-time equivalent students and a decrease of \$66,000 for a 3.26-percent COLA for the Mandate Block Grant program.		BBL	Approve as proposed.
5	Financial Aid Administration	The May Revision proposes a decrease of \$490,000 for the Student Financial Aid Administration Program and a decrease of \$495,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived.		BBL	Approve as proposed.
6	Technical Adjustment for Realignment of Various Programs	The May Revision proposes to move the Next Up program and the Veterans Resource Center program from item 6870-101-0001 schedule 9 to schedule 19. Additionally, BBL proposes to rename schedule 9 from the "Student Success and Support Program" to "Institutional Effectiveness."		BBL	Approve the proposal to move the Next Up program to Schedule 19. Adopt a separate line item for the Veterans Resource Center program.
7	Enrollment Growth	The January budget provided \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional FTE students). The May Revision decreases this amount by \$1.25 million to reflected revised estimates to maintain a 0.55 percent enrollment growth.		BBL	Approve as proposed.
8	Student Success and Completion Grant Program	The budget provides \$11 million Proposition 98 General Fund to the Student Success and Completion Grant Program to reflect updated case load estimates. The May Revision proposes an increase of \$7.49 million above the Governor's budget to reflect updated estimates.		BBL	Approve as proposed.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
9	Strong Workforce Program	The Governor's budget continues to fund the Strong Workforce Program with \$248 million Proposition 98 General Fund. However, approximately \$77 million Proposition 98 is from one-time funds. The May Revision instead proposes to provide \$245.64 million Proposition 98 General Fund ongoing and \$2.36 million Proposition 98 General Fund one-time to support the SWP.		BBL	Modify the Governor's proposal to provide \$248 million ongoing Proposition 98 General Fund for the Strong Workforce Program.
10	Technical Adjustments	<p>The May Revision proposes a decrease of \$237.3 million to reflect an increase of net offsetting EPA revenue.</p> <p>The May Revision proposes an increase of \$76.67 million to reflect a decrease in estimated net offsetting property tax revenue.</p> <p>The May Revision proposes a decrease of \$15.67 million to reflect an associated increase in estimated offsetting fee revenue.</p>		BBL	Approve as proposed.
11	Current Year Technical Adjustments	<p>The May Revision proposes trailer bill for the following:</p> <p>(1) Increase Schedule (1) of Item 6870-101-0001, Budget Act of 2018 by \$63.22 million to reflect an associated decrease in revised offsetting local revenue estimates.</p> <p>(2) Decrease Schedule (1) of Item 6870-101-0001, Budget Act of 2018 by \$8.49 million to reflect an associated increase in net offsetting EPA revenue.</p> <p>(3) Allow flexibility for the use of 2018-19 funds for local district financial oversight and evaluation as it relates to the provision of technical assistance, training, and short-term institutional research necessary to address existing or potential accreditation deficiencies through the Fiscal Crisis and management Assistance Team (FCMAT).</p> <p>(4) 2017-18 and 2018-19 Informational Offsetting Revenue Update—It is requested that non-Budget Act items be adjusted to reflect 2017-18 and 2018-19 informational offsetting local revenue and student fee revenue.</p>		TBL	Approve as proposed.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
12	Community College Promise Program	<p>The January budget proposes an increase \$39.96 million Proposition 98 General Fund ongoing to expand the CCC Promise Program. The Governor proposes to augment funding for the program based on the estimated cost of waiving enrollment fees for first time, full time CCC students in their first two years of college who do not have financial need under the BOG fee waiver program.</p> <p>Under the Governor’s proposal, total ongoing funding for the program would be \$80 million Proposition 98 General Fund ongoing. Consistent with the existing design of the program, colleges could use their additional College Promise funds to waive enrollment fees for qualifying students or for other purposes, such as student support services. The proposal does not change the six requirements colleges must meet to receive funds under this program.</p> <p>The May Revision adjusts the costs estimates by \$5.22 million as follows: \$2.6 million for the first year costs of the program, and \$2.6 million to extend the the program to a second year. This brings the total cost for the program to \$85.14 million Proposition 98 General Fund.</p>	<p>The LAO recommends rejecting the proposal because: (1) it is too soon for the Legislature to evaluate the current College Promise program, (2) the program primarily benefits students without financial need, and (3) colleges now have stronger incentives to provide student support and improve student outcomes. Rejecting the proposal would free up a like amount of funding for other Proposition 98 priorities.</p>	TBL and BBL	Approve as proposed.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
13	Student Success Awareness Team	<p>The Administration also proposes \$5 million General Fund one-time for the Chancellor’s Office to create a Student Success Awareness Team to support colleges in communicating with students information about the California College Promise, college costs, and career and transfer pathways. The Student Success Awareness Team will be responsible for researching and identifying information needs, developing resources and content that can be used locally, providing professional development to practitioners, and fully integrating the separate CCC campaigns and websites. This funding shall be available for encumbrance or expenditure until June 30, 2022.</p> <p>The May Revision amends the trailer bill language to also include promotion of the Associate Degree for Transfer.</p>	<p>This was heard on April 11th. On April 25th, the LAO released its analysis of this proposal. The LAO recommends rejecting the proposal because the administration has not provided adequate information as to why additional resources are needed, and recommends directing the Chancellor's Office to use existing funds for this purpose. Specifically, the Chacnellor's Office already has three statewide marketing campaigns totalling \$10.3 million, and also provides provides technical assistance and training (\$28 million) through the Institutional Effectiveness Partnership.</p>	BBL	Reject.
14	Deferred maintenance	<p>The May Revision proposes \$3.925 million Proposition 98 General Fund to reflect reversion funds from the 2018-19 budget for deferred maintenance. Additionally, the May Revision also provide \$36.62 million Proposition 98 General Fund one-time from settle up funds for deferred maintenance.</p>		BBL	Adopt \$42.316 million one-time Proposition 98 General Fund (\$4.852 million from savings, and \$37.464 million from settle-up funds).

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
15	Facilities	<p>The Administration proposes \$18 million Proposition 51 funds to fund 12 of the 39 projects submitted by the Chancellor’s Office. Total state costs for all phases of the projects, including construction, are estimated to be \$254 million.</p> <p>The Governor’s budget also includes \$341 million in Proposition 51 funds for the construction phase of 15 projects that were initially approved in 2017-18 or 2018-19.</p> <p>The Governor also proposes an increase of \$132,000 Proposition 51 for the preliminary plans and working drawings phases of the Rio Hondo CCD, Rio Hondo College Music/Wray Theater Renovation project, which the Governor proposed to fund in January.</p> <p>The Administration submitted a spring finance letter requesting Proposition 51 reappropriation for working plans and drawings of (1) the San Francisco CCD, Ocean Campus: Utility Infrastructure Replacement Project (\$2.4 million); 2) Peralta Community College District, Laney College: Learning Resource Center (\$0.8 million), and (3) Peralta Community College District, Merritt College: Child Development Center (\$0.23 million).</p> <p>The Administration submitted a Spring Finance letter requesting a shift of \$2.19 million bond funds to support the Chancellor’s Office Facilities Planning Unit.</p>	This item was heard on April 11th.	BBL	Approve Governor's the proposed CCC capital outlay list, as well as all of the Chancellor's Office approved projects and construction phase of projects as found in Attachment 1.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
16	Basic Needs	<p>On April 11, the subcommittee heard an item relating to student hunger and basic needs.</p> <p>Staff recommends adopting placeholder TBL to require UC, CSU and CCC to work with the Department of Social Services to assess the effectiveness of CalFresh and other state agencies in addressing student food insecurity. Additionally, adopt placeholder TBL to require CCC to report to the Department of Finance and all relevant policy and fiscal committees of the Legislature regarding their findings and recommendations from their 2018-19 workgroup meetings pursuant to the Welfare and Institutions Code Section 18928 by November 1, 2019. Adopt TBL to require CCC to report by March 1, 2020 at a minimum on use of funds, including the amount distributed to campuses, amount of funds used to address food insecurity types of programs the campuses invested in, number of Cal Fresh referrals and other resources to address housing insecurity, other and outcomes related to use of funds, to be refined as necessary.</p>		TBL	Adopt staff recommendation to provide \$15 million one-time Proposition 98 General Fund to address student hunger and basic needs. Additionally, adopt placeholder trailer bill language as described in the description section of this issue.
17	Non-Resident Tuition Exemption	<p>The Administration proposes trailer bill language for CCC and CSU to align state law with recently enacted amendments to the federal Veterans Access, Choice, and Accountability Act of 2014 (VACA Act). In September 2018, the federal government amended the VACA Act (Section 301 of Public Law 115-251) to require institutions to exempt students accessing federal Vocational Rehabilitation and Employment benefits from paying nonresident tuition and fees. Beginning March 1, 2019, if higher education institutions continue to charge these individuals nonresident tuition, the US Department of Veterans Affairs can bar the institution from receiving any GI Bill benefits. The state has amended its associated law several times the past few years to be in compliance with various amendments to the VACA Act.</p>		TBL	Approve as proposed.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
18	Veterans Resource Centers	The state currently provides \$5 million Proposition 98 General Fund ongoing to support Veterans Resource Centers. The Legislature may wish to provide additional funding for this purpose.		BBL/TBL	Adopt \$15 million Proposition 98 General Fund one-time to support veterans resource centers, and adopt placeholder trailer bill language to require the Chancellor's Office to report, at a minimum, how much funding each college received, how colleges spent funds and for what purpose, and outcomes associated with the funding.
19	Foster Care Education Program Funding	The May Revision proposes an increase of \$400,000 to sustain program funding for the foster and relative or kinship care education at current funding levels due to project decrease in federal matching funds.		BBL	Approve as proposed.
20	Historically Black Colleges and Universities Transfer Pathway	The HBCU Transfer Pathway program is administered by the community college chancellor's office. The program helps develop transfer guarantee agreements that help facilitate a smooth transition for students from all of the California Community Colleges to partnered HBCUs. These agreements will simplify the transfer process and reduce students' need to take unnecessary courses, thereby shortening the time to degree completion with a cost savings. Currently, the program has partnerships with 37 HBCU's across the country.		TBL	Adopt \$81,000 Proposition 98 General Fund one-time to support the program.
21	Re-entry programs	The 2018-19 budget provided \$5 million one-time Proposition 98 General Fund for the Reentry Grant Program to support current and formerly incarcerated students.	On May 9th, the subcommittee heard a request to provide additional funds for reentry programs.	TBL	Adopt \$5 million one-time Proposition 98 General Fund to support another round of grants for formerly incarcerated students.

6870 California Community College (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
22	Mendocino College Construction Trades	On May 9th, the subcommittee heard a request to provide Mendocino College one-time start up funds to implement a construction trades program.		TBL	Adopt \$1 million one-time Proposition 98 General Fund for Mendocino Community College to implement a construction trades program in Lake and Mendocino counties.
23	CCC Teacher Credentialing Partnership Pilot Program	On May 9th, the subcommittee heard a request to provide \$1.5 million one-time Proposition 98 General Fund to implement the CCC Teacher Credentialing Pilot Program, pursuant to Senate Bill 577 (Dodd), Chapter 603, Statutes of 2018. This program will award grants to collaboratives of one or more teacher-credentialing higher education institutions partnering with one or more community colleges for the purpose of offering teacher credentialing programs at community colleges.		TBL	Adopt \$1.5 million one-time Proposition 98 General Fund to implement the CCC Teacher Credentialing Partnership Pilot Program, pursuant to SB 577 (Dodd), Chapter 603, Statutes of 2018.
24	Full-time Faculty	Full-time faculty benefit students and colleges by providing critical services such as academic advising during faculty office hours, ongoing curriculum development, and by participating in institutional planning and shared governance. According to the Chancellor's Office, hiring additional full-time faculty will help advance the goals in the Strategic Vision, and is a key component of academic and curricular redesign. Faculty are vital to meeting the goal of increasing transfer-intersegmental faculty partnerships can advance new transfer pathways and help ensure CCC students are well prepared for success at four-year universities. Education code section 87482.6 states a legislative goal that 75 percent of instruction should be delivered by full-time faculty, currently the percentage is closer to approximately 50 percent.		BBL	Appropriate \$23.07 million ongoing Proposition 98 General Fund to be used to hire new full-time faculty for community college districts to increase their percentage of full-time faculty, toward meeting the 75 percent full-time faculty target. This is could provide for an additional 200 to 300 full-time faculty.

6870 California Community College (Discussion/Vote)

Issue	Subject	Description	Comments	Language	Staff Recommendation
25	Student Centered Funding Formula (1)	<p>The Administration proposes to postpone, for one year, the scheduled changes in the share of apportionment funding linked with the base allocation and the student success allocation. Under the Governor’s proposal, the 2019-20 funding formula rates would be the same as in 2018-19, adjusted for COLA. The Administration indicates the proposal is intended to provide additional time for the Chancellor’s Office to assess the reliability and quality of the student outcome data used in determining districts’ funding allocations. In 2020-21, rates would change as currently scheduled, with base rates decreasing and student success rates doubling.</p> <p>The Governor also proposes to limit growth in a district’s student success allocation such that it can increase no more than 10 percent each year. This proposal helps to constrain the total costs of the formula and limits the fiscal effects of student outcome data that is of potentially poor quality.</p> <p>(continued on the following page).</p>	<p>The LAO sees no strong rationale for why the hold harmless provision needs to be extended for an additional year at this time. Colleges already have a hold harmless provision in place for 2019-20 and 2020-21 under existing law, such that no urgency exists for deciding now whether to keep the hold harmless provision in place for a fourth year. Extending the hold harmless provision will come at an added cost to the state in 2021-22 (likely increasing costs by tens of millions).</p>	BBL and TBL	<p>Approve the Governor's proposal to postpone, for one year, the scheduled changes in the share of apportionment funding linked with the base allocation and student success allocation. Additionally, approve the Governor's proposal to extend the hold harmless provision of the funding formula by one year. Additionally, adopt placeholder trailer bill language to modify the funding formula by (1) implementing a three-year rolling average of the student success allocation, and (2) only counting the highest award obtained, to be modified as necessary.</p>

6870 California Community College (Discussion/Vote)

Issue	Subject	Description	Comments	Language	Staff Recommendation
25	Student Centered Funding Formula Continued (2)	<p>The May Revision proposes a decrease of \$99.79 million to reflect various technical base adjustments. This total adjustment includes revised estimates of the three-year FTES rolling average, revised estimates of Pell/BOG counts, and revised estimated of success equity.</p> <p>The May Revision proposes trailer bill language to extend the hold harmless period by an additional year to 2021-22. The May Revision also includes an increase of \$50.63 million Proposition 98 General Fund to reflect updated estimates to the the 2019-20 hold harmless amounts.</p>			

6120 California State Library (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
26	Zip Books	<p>The Governor's January budget 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.</p> <p>According to the Administration, \$900,000 would be used to purchase approximately 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.</p>	This item was heard on May 2nd.	BBL	Approve as proposed.
27	Lunch at the Library	<p>The Governor's January budget proposed \$1 million one-time General Fund to support the Lunch at the Library program. This funding will be distributed as follows: \$675,000 for local library grants start up costs, \$210,000 for program staff, \$25,000 for conference travel and supplies, and \$90,000 for overhead.</p>	This item was heard on May 2nd.	BBL	Approve as proposed.

6120 California State Library (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
28	Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) Historical Preservation	The May Revision proposes \$500,000 one-time to provide support for the preservation of historical LGBTQ sites.		BBL	Approve as proposed.
29	Mobile Libraries	<p>The May Revision proposes \$3 million one-time General Fund to support grants to local library jurisdictions to acquire bookmobiles and vans. According to the State Library, on average book mobiles cost approximately \$250,000 each and community outreach vans cost \$33,000 each. Grants will be targeted toward local library jurisdictions with low per capita library spending, jurisdictions serving underserved and underrepresented communities, those with the most credible plans for ongoing sustainability of mobile library assets, and those with highest demonstrated need based on geographic and demographic factors.</p> <p>According to the federal Institute for Museum and Library Services, there are 53 bookmobiles in the state.</p>		BBL	Approve as proposed.

6120 California State Library (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
30	California State Law Library Account Sunset Extension	The May Revision proposes trailer bill language to extend the sunset date for the revenue transfer supporting the California State Law Library Special Account from January 1, 2020 to January 1, 2025		TBL	Approve as proposed.
31	Early Learning and After-School Program	The May Revision proposes \$5 million one-time General Funds provide grants for early learning and after school programs to library jurisdictions with low per capita library spending.		BBL	Approve as proposed.
32	AB 2252 (Limon), Chapter 318, Statutes of 2018	The Governor's budget proposes \$641,000 General Fund in 2019-20 and \$391,000 in 2020-21 and ongoing to implement AB 2252 (Limon), Chapter 318, Statutes of 2018. AB 2252 required the California State Library to create a funding opportunities Internet Web portal that provides a centralized location for grant seekers to find state grant opportunities, as specified.	This item was heard on May 2nd.	BBL	Approve as proposed.

6610 Hastings College of Law (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
33	Base Allocation	The Governor's Budget provided an increase of \$1.4 million ongoing General Fund for an unrestricted base increase in core funding. The Governor links the General Fund augmentation to an expectation that Hastings not increase tuition in 2019-20.	This item was heard on May 2.	BBL	Approve as proposed.
34	Deferred Maintenance	<p>The Governor's budget also provides \$1 million one-time General Fund for deferred maintenance.</p> <p>The May Revision amends the BBL specifying that in addition to deferred maintenance projects, this funding is also available for replacement of instructional equipment and technology. However, should Hastings use this funding for instructional equipment or technology it shall not be used for personal services costs or operating expenses.</p>	This item was heard on May 2.	BBL	<p>Approve and require the Department of Finance 30 days before release of the funds on to notify the JLBC with a list of projects that Hastings plans to support with these funds. Additionally, adopt supplemental reporting language directing Hastings to submit a report by January 1, 2021 to ensure its academic facilities are well maintained. The maintenance plan shall include estimates of annual spending, need, total amount of the backlog, and how much it would cost to eliminate the backlog.</p> <p>Additionally, the report shall provide an update regarding seismic safety issues across campuses, the cost to address it, and a timeline and plan on how to address it.</p>

6610 Hastings College of Law (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
35	UC PATH	<p>The May Revision provides an increase of \$594,000 to support the implementation of the UC Payroll, Accounting, Timekeeping, and Human Resources system (UC PATH). UC PATH is a UC program to implement a single payroll, benefits, human resources and academic personnel solution for all UC employees. The intent is to standardize and streamline payroll and human resources processes systemwide. The 2018-19 budget provided Hastings \$1.45 million to implement UC PATH, with an unexpended balance of \$429,634.</p> <p>As a result of project delays additional costs have occurred. Hastings was scheduled to deploy the program in January 2020, however, no UC has announced Hastings will deploy on March 1, 2020. The May Revision is requesting additional support because Hastings does not have the sufficient financial capacity to absorb this expense. The May Revision brings total funding in 2019-20 to \$1.02 million.</p>		BBL	Approve as proposed.

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
36	Reappropriation	<p>The 2018-19 budget provided \$2 million for faculty diversity efforts. These funds expire on June 30, 2019. However, UC cannot encumber these funds prior to June 30, 2018, because the faculty contracts don't start until July 1, 2019. Also, some of the funds are going towards start-up packages, which means laboratory renovation, equipment purchases, etc., all of which would be after the faculty member starts at the UC.</p> <p>UC received \$500,000 in the Budget Act of 2018 for the California Vector-Borne Disease Surveillance Gateway. These funds are intended to pay for one year of study and surveillance. UC provided these funds to UC Davis, where the faculty member working on this issue is housed. The funds expire on June 30, 2018.</p>		BBL	<p>Adopt BBL to extend the encumbrance or expenditure of the faculty diversity funds until June 30, 2022.</p> <p>Adopt BBL to extend the encumbrance or expenditure of the Vector-Borne Surveillance Gateway until June 30, 2020.</p>
37	Base Allocation	<p>The Governor proposes an increase of \$120 million General Fund ongoing to address UC's mandatory costs. Budget bill language does not specify the breakdown or specific use of the \$120 million increase. However, the UC indicates that it will use the increase as follows: (1) \$41 million for operating expenses and equipment, (2) \$30 million for salary increases for represented employees, (3) \$21 million for health benefit cost increases, (4) \$20 million for pension benefit cost increases, (5) \$7 million for retiree health cost increases.</p>		BBL	Approve as proposed.

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
38	Resident Undergraduate Enrollment	<p>Proposes \$10 Million Ongoing to Sustain a Portion of 2018-19 Enrollment Growth. According to the Department of Finance, the \$10 million General Fund ongoing would support 1,000 FTE students enrolled above the 2018-19 enrollment target. The \$10 million is based on a \$10,000 per-student state rate using the marginal cost of instruction. UC used \$10 million of the \$105 million one-time funds from the 2018-2019 budget to fund this enrollment. This proposal would provide ongoing funding to support for this purpose. The language does not specify if this funding is for undergraduate or graduate students.</p> <p>The Governor does not propose enrollment targets or enrollment growth funding for either 2019-20 or 2020-21.</p>	UC requests the state to support 2,500 more undergraduates in 2019-20, and 1,000 more graduate students. UC is seeking \$40.3 million in ongoing General Fund to support this growth.	BBL	Approve the Governor's budget proposal to provide \$10 million ongoing General Fund to sustain a portion of 2018-19 enrollment growth. Additionally, approve \$10 million ongoing General Fund to increase new undergraduate resident enrollment by 1,000 in 2019-20 compared to 2018-19.
39	Non Resident Enrollment	The 2018-19 budget required the UC to report to the Legislature various options to reduce nonresident enrollment at UC campuses to 10 percent over ten years. The UC estimates that in order to reduce nonresident enrollment of 10 percent by 2029-30, the initial state investment is \$18 million to increase resident slots and to backfill loss of NRST in 2020-21. The subcommittee will work with UC in the upcoming year to further evaluate estimates.		BBL	Increase base funding beginning in 2020-21 to begin backfilling the phasing down of nonresident enrollment to no more than 10 percent at any UC campus by 2029-30, and thereby replacing nonresident students with qualified California students, while holding UC campuses fiscally harmless.

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
40	UC 2030 Advancing the California Dream	The Governor's budget provides \$50 million General Fund ongoing to support "UC 2030 Advancing the California Dream." UC would have flexibility to use the funds, though the Administration suggests activities might include hiring additional faculty, increasing academic counseling services, and addressing facility needs. Specifically, budget bill language for 6440-001-0001 Provision 5.1 states: "\$49.9 million shall be available to support efforts to increase degree attainment and student success."	The LAO has concerns, specifically, the proposal lacks accountability regarding use of funds and performance expectations, and outcome measures.	BBL	Approve and adopt budget bill language requiring a report by February 1, 2020 on: (1) the amount each campus spent on the "UC 2030", (2) a description of activities and programs that campuses invested in, (3) how spending was linked to research on best practices, (4) campus data on whether activities achieved its desired effect, (5) each campus' efforts to close the achievement gap for low-income students, historically underrepresented students, and first generation students, and (6) growth in management, faculty and support staff.
41	Extended Education	The Governor's proposes \$15 million one-time General Fund for UC Extension. The Department of Finance has indicated the funds would support initial planning, curriculum development, outreach, and other start-up costs for the new programs. The Governor expects the new programs would be offered on a fee-basis and self-supporting after initial start-up. The only detail the Governor has on the proposal is a budget bill provision indicating that the funds are "to develop or expand degree and certificate completion programs."	The LAO recommends rejecting this proposal. The LAO notes that the proposal does not explain why existing re-entry options are inadequate, and why state funds are needed when these programs are self supporting enterprises. Staff also notes it is unclear what type of programs these would support.	BBL	Reject.

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
42	Hunger and Housing Insecurity	<p>The Governor's budget proposes \$15 million General Fund ongoing to address student hunger and homelessness. According to the Governor's budget summary document, this funding will augment the UC's existing efforts to address student hunger and housing needs.</p> <p>The May Revision proposes budget bill language to specify that funds shall be used to "support meal donation programs, food pantries serving students, CalFresh enrollment, and other means of directly providing nutrition assistance to students. The funds shall also be used to assist homeless and housing-insecure students secure stable housing"</p>		BBL	<p>Approve as proposed. In addition, adopt BBL to require UC, CSU, CCC to work with the Department of Social Services to assess the effectiveness of CalFresh and other state agencies in addressing student food and housing insecurity. Require UC to report to the Department of Finance and all relevant policy and fiscal committees of the Legislature regarding their findings and recommendations as well as information they learned from their workgroup meetings pursuant to the Welfare and Institutions Code Section 18928 by November 1, 2019. Adopt TBL to require UC to report by March 1, 2020 on use of funds, including the amount distributed to campuses, amount of funds used to address housing insecurity, amount of funds used to address food insecurity, types of programs the campuses invested in, number of Cal Fresh referrals and other resources to address housing insecurity, and outcomes.</p>

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
43	Rapid Rehousing	The May Revision proposes \$3.5 million General Fund ongoing to support rapid rehousing efforts to assist homeless and housing insecure students.		BBL	<p>Approve as proposed. Adopt BBL to clarify that funding be to address basic needs insecurities through various strategies, including, but not limited to:</p> <ol style="list-style-type: none"> 1. Establishing ongoing partnerships with community organizations that have a tradition of helping populations experiencing basic needs insecurity to provide wrap-around services for students. 2. Connecting students with community case managers who have knowledge and expertise in accessing safety net resources. 3. Establishing ongoing emergency housing procedures, including on-campus and off-campus resources. 4. Providing emergency grants for up to three months for students enrolled half-time, and up to six months for students enrolled full-time. Campuses may hire a coordinator to help provide or coordinate these services. <p>Additionally, require UC to report by March 1, 2020 regarding the use of these funds, including the number of coordinators hired, number of students served by campus, distribution of funds by campus, a description of types of programs invested in, and other relevant outcomes, such as the number of students that were able to secure permanent housing.</p>

6440 - University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
44	UC Riverside Medical School	Senate Bill 56 (Roth) would appropriate \$80 million General Fund in 2020-21 for the construction of a new UCR School of Medicine facility, and provide \$25 million ongoing General Fund starting in 2020-21 to support ongoing operational support for the expansion of the school.		BBL and TBL	Adopt \$80 million General Fund one-time in 2019-20 for the construction of a new UCR School of Medicine facility, and provide \$25 million ongoing General Fund starting in 2019-20 to support ongoing operational support for the expansion of the school. Additionally, require reporting pursuant to subdivision (d) of Section 16 of Chapter 50 of Statutes 2013, as well as reporting on the scope, funding and current status of the project to be submitted annually by February 1, starting in 2020 until the project is completed. This funding shall supplement and not supplant funds already dedicated for this purpose.
45	Mental Health Services	The Governor's budget provides \$5.3 million ongoing General Fund to increase mental health resources. The Governor's budget bill language does not provide further detail regarding use of funds. This amount is in-line with the UC's budget request. According to UC's budget documents, this funding will enable campuses to hire additional mental health advisors and other professionals to improve student access to counseling and related services. However, it is unclear the number of professions that will be hired at each campus.		BBL	Reject. See action regarding Mental Health Services for Students Program.
46	Outreach to low-income high school students	As a result of reducing non-resident enrollment slots at the UC, the Legislature may wish to provide additional funds for UC to conduct outreach to low-income high school students.		BBL	Adopt \$8 million one-time General Fund for outreach and student support services for low-income students and students from underrepresented minority groups, including students who were enrolled in high schools in which the enrollment of students who were unduplicated pupils as defined in Section 42238.02 of the Education Code is more than 75 percent of the total enrollment.

6440-University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
47	Deferred Maintenance	The Governor's budget proposes \$138 million one-time General Fund to address deferred maintenance at UC. The May Revision proposes budget bill language to authorize up to \$5 million of the \$138 million to be used to conduct an assessment of UC's facilities needs.	In addition to the \$35 million preliminary approval for deferred maintenance and condition assessment in the AB 94 process. The UC's adopted budget only included \$100 million to address deferred maintenance.	BBL	<p>Approve as proposed. Adopt BBL to require the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds.</p> <p>Additionally, adopt supplemental reporting language directing UC to submit a report by January 1, 2021 to ensure its academic facilities are well maintained. The maintenance plan shall include estimates of annual spending, need, total amount of the backlog, and how much it would cost to eliminate the backlog. Additionally, the report shall provide an update regarding seismic safety issues across campuses, the cost to address it, and a timeline and plan on how to address it.</p>

6440-University of California (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
48	UC Berkeley Labor Center	The Center for Labor Research and Education (Labor Center) is a public service and outreach program of the UC Berkeley Institute for Research on Labor and Employment. Founded in 1964, the Labor Center conducts research and education on issues related to labor and employment. The Labor Center's curricula and leadership trainings serve to educate a diverse new generation of labor leaders. The Labor Center carries out research on topics such as job quality and workforce development issues, and we work with unions, government, and employers to develop innovative policy perspectives and programs.			Adopt \$1.5 million one-time General Fund to support the UC Berkeley Labor Center's research efforts.
49	Tobacco-Related Disease Research - Technical Adjustment	The May Revision proposes an increase of \$1.27 million to align with revised estimates of available funding within the Research Account, Cigarette and Tobacco Products Surtax Fund. The funds in the account are only available for appropriation for tobacco-related disease research. The Governor's Budget included \$10.16 million for the program, based on revenue estimates for the May Revision, the appropriation should be \$11.44 million.		BBL	Approve as proposed.
50	Graduate Medical Education	The Administration proposes an increase of \$40 million General Fund to support graduate medical education, consisting with at \$3.5 million adjustment, and \$36.5 million end the General Fund shift of Proposition 56.		BBL	Approve as proposed.

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
51	Base Augmentation	<p>The Governor's budget proposes \$193 million ongoing for compensation and other operational costs. According to the Administration, this amount is intended to cover CSU's \$148 million in higher salary costs and \$45 million in mandatory costs.</p> <p>Of the \$148 million, \$29 million is to cover CFA's contract, \$30 million for CSUEU's contract, \$13 million to cover the 11 other bargaining units, and \$23 million for non-represented staff.</p> <p>Of the \$45 million: (1) \$26 million attributed to retirement costs above CSU's 2013-14 pensionable payroll level, (2) \$7.3 million resulting from a 1.3 percent increase in CalPERS negotiated employer health care premium costs, (3) \$6.8 million resulting from an increase in the state minimum wage from \$11 to \$12 per hour beginning January 2019, and (4) CSU is scheduled to open about 400,000 square feet of new facility space in 2019-20. CSU estimates that it will incur \$4.7 million in costs associated with operations in this new space in the budget year.</p>		BBL	<p>Approve as proposed. Additionally, adopt BBL that specifies of funding provided in 6610-001-0001, \$35 million shall be expended to increase the number of tenure-track faculty pursuant to the Graduation Initiative. Funds shall be used to hire full-time, tenure-track faculty above and beyond the CSU's 11,228 current tenure-track faculty. The CSU shall give consideration to qualified existing lecturers that apply for tenure-track faculty positions. The CSU shall report to the Legislature, no later than November 1, 2020, and then beginning November 2021 and every two years thereafter until funds are fully allocated, on how the funding allocated in this provision was spent to increase the number of tenure-track faculty. In addition, the CSU shall provide the Legislature a plan for allocating the new moneys to campuses and their expected hiring amounts by October 2019.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
52	Enrollment	The Governor's budget provides \$62 million General Fund ongoing for a two percent enrollment growth. This amount would fund about 7,300 resident FTE students in 2019-20. The Administration has indicated its intention that this funding be for resident undergraduate students.		BBL	Approve as proposed. In addition, adopt an additional \$23 million General Fund ongoing to support an additional 2,700 undergraduate FTES, including transfer students, for a total of \$85 million General Fund ongoing to support a total undergraduate enrollment growth of 10,000 FTES in 2019-20 above 2018-19.
53	Capital Fellows Program	The Center for California Studies administers the Capital Fellows Program, with four fellowship programs (Assembly, Senate, Executive and Judicial). Capital Fellows are placed at some of the highest levels of California state government and assist state legislators, senior-level executive staff, and court administrators with a broad range of public policy issues and projects. Fellows receive a monthly stipend of \$2,698.		BBL	Approve a cost of living adjustment for the Capital Fellows program (\$67,000).

6610-California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
54	First Star Foster Youth Cohort at CSU Sacramento	<p>The May Revision proposes an increase of \$740,000 General Fund one-time to support a First Star Foster Youth Program Cohort at CSU Sacramento. This program would enable a cohort of foster youth to engage in a variety of activities that support learning opportunities that may include academic courses for college credit, social and cultural activities, service learning, and other recreational activities.</p> <p>The First Star program is a non-profit organization that partners with child welfare agencies, universities and school districts to help foster youth transition into higher education and adulthood. Currently, First Star serves 350 youths total in 13 post-secondary institutions across the country, with two in California (CSU San Bernadino and UC Los Angeles). The Legislature does not fund the programs at UCLA and CSU San Bernardino.</p> <p>CSU Sacarmento currently does not operate a program, however it is the intent of this funding to serve roughly 30 students. This funding will support one cohort of students over four years at CSU Sacramento.</p>	<p>The LAO notes that this proposal creates equity issues for other foster youth located in other areas of the state as well as other foster youth located in Sacramento that do not make it into the one cohort of participants.</p>	BBL	Reject without prejudice.

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
55	Graduation Initiative	<p>The Governor's budget provides an additional \$45 million General Fund ongoing to support the Graduation Initiative. This would bring ongoing funding for the Graduation Initiative to \$243 million. Though CSU does not have a specific spending plan for the additional funds, the Chancellor's Office indicates campuses likely would use the bulk of the funds to hire additional faculty, offer more sections of high demand courses, and provide more academic advising and other support services, particularly to students at risk of not graduating. These activities are similar to CSU's current Graduation Initiative spending priorities. The Governor's budget also requires CSU to produce the same report to the Legislature as the 2018-19 budget regarding the amount of funds each campus spent, for what purpose, a description of each campuses efforts, among others.</p>		BBL	<p>Approve as proposed, and adopt an additional \$30 million General Fund ongoing above the Governor's budget for a total of \$75 million General Fund ongoing to support the Graduation Initiative. In addition, approve the proposed BBL reporting requirements.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
56	Project Rebound	<p>The Administration proposes \$250,000 General Fund ongoing to support the program. The Administration's intent is for CSU to maintain the program to new campuses or increase program enrollment among the nine campuses currently operating Project Rebound. the state funding.</p> <p>The May Revision proposes an increase of \$750,000 General Fund ongoing for a total of \$1 million General Fund ongoing to support Project Rebound at CSU.</p>	<p>This was heard on April 4. In 2018-19, Project Rebound operated on nine CSU campus with a total budget of \$1.7 million, and served 300 students.</p>	BBL	<p>Approve as proposed. Additionally adopt reporting language due April 1, 2020 on (1) the CSU's expenditure plan is for the Governor's proposal, (2) the amount of funds, funding sources, and types of programs that CSU campuses use to support formerly incarcerated students, (4) how the campus programs coordinate with other support services and the various statewide and local initiatives for formerly incarcerated people, (5) and the outcomes associated with this funding.</p>
57	Capital Outlay	<p>The Administration proposes trailer bill language to allow CSU to apply remaining proceeds, approximately \$11 million, from its share of four General Obligation bonds towards CSU Los Angeles- physical sciences building renovation project. The proceeds are from the 1996, 2002, 2004, and 2006 Higher Education Capital Outlay Bond Funds. This project was selected by the Administration to address fire life safety and code deficiencies at the facility, including outdated elevators and inadequate fire alarm and suppression systems.</p>	<p>This was a Spring Finance Letter</p>	TBL	<p>Approve as proposed.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
58	Deferred Maintenance	<p>The Governor's January budget proposed \$247 million one-time General Fund for deferred maintenance or child care facilities. Proposed provisional language also gives campuses the option to use these funds "to expand campus based child care facility infrastructure to support student parents," however it is unclear if CSU will utilize funds for this purpose.</p> <p>According to the Chancellor's Office, 18 campuses have child care facilities. Specifically, there are 29 individual centers, of which 17 are academic child care programs and 12 are self-supported and operated by an auxiliary. The Chancellor's Office estimates that academic childcare programs have approximately \$3 million in deferred maintenance needs; however this amount, is not finalized.</p>	This was heard on April 4.	BBL	<p>Approve as proposed and adopt BBL to require the Department of Finance to notify the JLBC 30 days prior to the release of funds with a list of projects to be supported by these funds.</p> <p>Additionally, adopt supplemental reporting language directing CSU to submit a report by January 1, 2021 to ensure its academic facilities are well maintained. The maintenance plan shall include estimates of annual spending, need, total amount of the backlog, and how much it would cost to eliminate the backlog. Additionally, the report shall provide an update regarding seismic safety issues across campuses, the cost to address it, and a timeline and plan on how to address it.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
59	New Campus Study	<p>The Governor's budget summary proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely Stockton.</p> <p>The May Revision proposes BBL which requires CSU to report by July 1, 2020 to the Department of Finance and the Joint Legislative Budget Committee on: (1) benefits that the campus would provide to the locals, regional economy and the state, (2) impact it would have on the long-term enrollment demand and other public post secondary institutions, (3) impact on the capital expenditure debt limitations, (4) possible sites, (5) timele for the development of the campus, including environmental impact sudy, curriculum, staff and faculty hiring, and when students will start enrolling, (6) description of its impact on CSU's redirection policy, (7) long-range enrollment projects, and (8) initial cost estimates for the campus.</p>	<p>This item was heard on April 4. The subcommittee has received requests to expand the scope of the study to include other regions in the state.</p>	BBL	<p>Modify the Governor's proposal. Adopt placeholder trailer bill language to provide \$4 million General Fund one-time to conduct a statewide study to review potential new CSU campuses. The review will look at all regions in the state, with a particular focus on the Central Valley and the San Diego border region.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
60	Basic Needs	The Governor's budget provides CSU with \$15 million one-time General Fund for basic needs partnerships. The Governor's budget proposal does not provide details about the proposal, such as what a basic needs partnership is, how much should be spent for hunger or homelessness, or update on how funding is spent or for what purpose.	This item was heard on April 4.	BBL/TBL	Approve as proposed. Adopt TBL to require UC, CSU and CCC to work with the Department of Social Services to assess the effectiveness of CalFresh and other state agencies in addressing student food and housing insecurity. Require CSU to report to the Department of Finance and all relevant policy and fiscal committees of the Legislature regarding their findings and recommendations pursuant to the Welfare and Institutions Code Section 18928 by November 1, 2019. Adopt TBL to require CSU to report by March 1, 2020 at a minimum on use of funds, including the amount distributed to campuses, amount of funds used to address housing insecurity, amount of funds used to address food insecurity, types of programs the campuses invested in, number of Cal Fresh referrals and other resources to address housing insecurity, number of basic needs partnerships established and outcomes related to use of funds.

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
61	Rapid Rehousing	The May Revision proposes \$6.5 million General Fund ongoing to support rapid rehousing of homeless and housing insecure students.		BBL	<p>Approve as proposed. Adopt BBL to clarify that funding be to address basic needs insecurities through various strategies, including but not limited to:</p> <ol style="list-style-type: none"> 1. Establish ongoing partnerships with community organizations that have a tradition of helping populations experiencing basic needs insecurity to provide wrap-around services for students. 2. Connect students with community case managers who have knowledge and expertise in accessing safety net resources. 3. Establish ongoing emergency housing procedures, including on-campus and off-campus resources. 4. Provide emergency grants for up to three months for students enrolled half-time, and up to six months for students enrolled full-time. <p>Campuses may hire a coordinator to help provide or coordinate these services. Additionally, require CSU to report by March 1, 2020 regarding the use of these funds, including the number of coordinators hired, number of students served by campus, distribution of funds by campus, a description of types of programs invested in, and other relevant outcomes, such as the number of students that were able to secure permanent housing.</p>

6610 - California State University (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
62	Special Education Specialist	Staff notes that in addition to the special education teacher shortage, LEAs are also experiencing shortages for specific special education specialists. Staff notes that in the prior budget cycle, the LAO recommended the Legislature fund targeted enrollment growth at the CSU for graduate specialist programs of occupational therapy and speech and language pathology. The LAO noted that the state could increase these programs by five percent per year (45 students and \$675,000 per year) until the critical shortage of these specialists is reduced.		BBL	Approve \$3 million General Fund one-time to increase enrollment for this program. Require CSU to report on outcomes and use of these funds.
63	Immigrant Legal Services	The Governor proposes \$7 million ongoing General Fund for the CSU starting in 2019-20.		BBL/TBL	Approve as proposed.
64	Vesting Schedule	The May Revision proposes trailer bill language to align the vesting period for the United Auto Workers (CSU bargaining unit 11) CSU employees' health and dental benefits with recently approved collective bargaining agreements with the employees. Specifically, the proposal increases the vesting period for retiree health and dental benefits for new employees hired after July 1, 2019 from five years to ten years.	This is consistent with the collective bargaining agreement.	TBL	Approve as proposed.
65	Retiree Census Data	The May Revision proposes trailer bill language to authorize the California Public Employees Retirement System to provide retiree census data to the CSU to enable CSU to contact the employees to inform them about benefits (dental, vision, and group legal services) available to them during the open enrollment period. This authority is currently available to the Department of Human Resources. Sensitive personal information will not be exchanged.		TBL	Approve as proposed.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
66	Nontuition Awards for Student Parents	<p>The Governor's January budget proposed \$122 million General Fund ongoing to provide additional nontuition aid for student parents. Due to updated estimates, the May Revision reduced the cost to the program by \$24.94 million. The total proposed funding for the program is \$97 million General Fund ongoing.</p> <p>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.</p>	<p>This item was heard on May 2nd.</p> <p>Based on recent caseload data, the Administration estimates that about 29,000 student parents would receive the proposed Cal Grant awards under the Governor's budget proposal. However, of about 62,000 student parents who were eligible for a new competitive award in 2017-18, about 44,000 (71 percent) did not receive one.</p>	BBL/TBL	<p>Reject the Governor's budget proposal. Redirect funds as follows (1) \$43.3 million to expand the Cal Grant B Access award by \$188, bringing the new amount to \$1,836, (2) \$43.3 million to increase the number of competitive Cal Grant Awards by 14,000 new awards, and (3) \$10 million to fund Summer Cal Grants. Adopt placeholder trailer bill language to implement these augmentations, to be revised as necessary.</p>
67	State Operations for the Nontuition Award for Student Parents	<p>The May Revision proposes an increase of \$414,000 and one position, of which \$304,000 is one-time, to support the implementation of the program. This increase will provide programmatic technical assistance, develop outreach and marketing materials, and adjust the GDS to support the new program.</p>		BBL	Reject.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
68	Competitive Awards	<p>The Governor's January budget proposed a \$9.6 million increase 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.</p> <p>The May Revision proposes an increase of \$2.0 million to reflect revised estimates of the cost to increase the number of competitive awards from 25,250 to 30,000.</p>	This item was heard on May 2nd.	TBL	Approve as proposed. In addition to the action taken in the previous issue, this represents a total increase of 18,250 additional awards. As a result of these actions, the total number of competitive awards is 44,000.
69	Caseload Estimates	<p>The Governor's January budget proposed an increase of 2018-19 Cal Grant spending by \$33 million General Fund above the 2018 budget level due to higher than expected caseload. The Governor's January budget provides a \$158 million General Fund increase for 2019-20.</p> <p>The May Revision updated Cal Grant Caseload estimates: (1) decrease 2019-20 by \$19.94 million General Fund to reflect a decrease in the number of new recipients in 2018-19, (2) an increase of \$5.92 million General Fund in 2019-20 to reflect expenditures that can be funded through the Temporary Assistance for Needy Families (TANF) resources.</p>		BBL	Approve as proposed.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
70	Grant Delivery System	The Governor's January budget proposed \$6.2 million one-time General Fund for the second year of the implementing the Grant Delivery System. 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.	This item was heard on May 2nd.	BBL	Approve as proposed.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
71	State Operations	<p>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:</p> <ul style="list-style-type: none"> • 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. 	This item was heard on May 2nd.	BBL	Approve as proposed.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
72	Child Savings Accounts Grant Program	The May Revision proposes trailer bill language to establish the Child Savings Accounts Grant Program for \$50 million one-time General Fund. This grant program will support the development or strengthening of cost-effective models that can be replicated or expanded to increase access to Child Savings Accounts among incoming kindergartners.	This item was heard on April 25. CSAC currently administers the Every Kid Counts College Savings Account. In 2017, the state provided \$2.9 million General Fund one-time for this program. It is unclear why another similar type of program is needed.	TBL	Reject the Governor's proposal, and redirect \$20 million one-time General Fund for the existing Every Kid Counts College Savings Account Program.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
73	Student Loan Awareness Initiative	<p>The January budget proposed \$5 million General Fund one-time to the Office of Planning and Research develop an outreach initiative to educate student loan borrowers about their loans, lending practices, and available repayment options.</p> <p>The May Revision proposes BBL to transfer the administration of the initiative to CSAC. The BBL states that the initiative must consist of at least: (1) updating CSAC's website regarding borrowing and repayment options, comparing financial aid packages and other resources, (2) updating training curriculum and materials for financial aid counselors, (3) developing materials for students, (4) developing a student loan awareness partnership network, (5) providing grants to nonprofit organizations to offer debt counseling, (6) developing materials and providing training to the California Student Opportunity and Access Program (Cal-SOAP), and (7) partnering with the State Treasurer's Office on state refinancing programs and public loan forgiveness.</p>	<p>The proposed BBL lacks key information, such as, how many grants will be distributed, the award amounts, and other specifics regarding how much funding is needed to create materials and updating the website. Additionally, the BBL does not specify what the purpose of the partnership between the State Treasurer's Office is with CSAC and what the funds would be used for.</p>	BBL	Reject.
74	Middle Class Scholarship Caseload Estimates	<p>The January budget revised the cost estimate for Middle Class Scholarships upward in 2018-19 by \$1.6 million (1.6 percent). Compared with the revised 2018-19 level, the administration projects a \$2.9 million (2.8 percent) increase in 2019-20. The May Revision proposes an increase of \$4.39 million to reflect revised estimates for the program. In addition, the May Revision proposes trailer bill language to adjust the statutory amount to align with program estimates.</p>		BBL/TBL	Approve as proposed.

6980 - California Student Aid Commission (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
75	Military Department GI Bill Award Program and the Law Enforcement Personnel Depedents Scholarship Program	<p>The May Revision requests an increase of \$118,000 in reimbursement authority to reflect an updated agreement between CSAC and the Military Department for the GI Bill Award Program.</p> <p>The May Revision requests an increase of \$26,000 for the Law Enforcement Personnel Dependents Scholarship Program to reflect updated estimates.</p>		BBL	Approve as proposed
76	Private Nonprofit Cal Grant Award	The May Revision proposes trailer bill language to extend the timeframes by one-year for private non-profit postsecondary institutions to meet associate degree for transfer (ADT) admissions to maintain the maximum Cal Grant award of \$9,084. Specifically, the sector must accept atleast 2,000 ADTs in 2019-20, 3,000 ADTs in 2020-21, and 3,500 ADTs in 2021-22. Additionally, the trailer bill also amends the deadline for specified reporting requirements by one-year each.		TBL	Approve as proposed.
77	Loan Assumption Programs	<p>Assumption Program of Loans for Education (APLE). The May Revision requests a decrease of \$265,000 to reflect revised cost estimates for the program.</p> <p>State Nursing Assumption Program of Loans for Education (SNAPLE). The May Revision requests a decrease of \$46,000 to reflect changes consistent with revised estimates of the cost of the program.</p>		BBL	Approve as proposed.

0650 - Office of Planning and Research (Vote Only)

Issue	Subject	Description	Comments	Language	Staff Recommendation
78	Innovation in the San Joaquin and Inland Empire regions	The Budget proposes \$10 million General Fund one-time to support grants to education institutions to implement innovative educational strategies in the San Joaquin and Inland Empire regions of the state. The May Revision includes BBL which states that the innovation should emphasize: (1) programs that align secondary and postsecondary programs, (2) programs that reduce achievement gaps, (3) programs capable of creating multi-generational culture of educational attainment by focusing on strategies to improve completion of a degree or certificate, increasing potential earnings and ending the cycle of poverty. Additionally requires that OPR report to the Legislature a summary of grant activities, and by January 1, 2022, OPR must report to DOF and JLBC on a summary of student outcomes.	The LAO notes that this appears to be similar to the innovation awards which the state provided funding for in 2014-15 which the state still has not received outcomes data on. Additionally, it is unclear if these awards are for programs that are currently in place or to create new programs. The state has made significant investments in this area, through the Graduation Initiative, Student Success and Completion Program, Student Equity and Achievement Program, Guided Pathways as well as the Local Control Funding Formula. It is unclear why education institutions are not using those funds to support similar type of activities, and why this is targeted only to one particular region in the state.	BBL	Approve as proposed.

6440 University of California (Discussion/Vote)

Issue	Subject	Description	Comments	Language	Staff Recommendation
79	UC Retirement Plan (UCRP)	<p>The May Revision proposes \$25 million one-time General Fund to support the UCRP. The proposed BBL specifies that the funds will be used to address UCRP's unfunded liability. This funding must be used to supplement and not supplant funds otherwise used to pay for the unfunded liabilities. Additionally, BBL specifies that this appropriation does not constitute an obligation on behalf of the state to appropriate subsequent funds to the UCRP.</p> <p>The 2016-17 budget provided \$171 million one-time Proposition 2 funds to pay down the unfunded liability of the UC Retirement Plan. This is the second of three proposed payments from Proposition 2 to UC for this purpose. The 2015-16 budget provided UC with \$96 million for its pension liabilities. As a condition of this funding, the UC Regents were to establish a retirement program that limits pensionable compensation consistent with the Public Employees' Pension Reform Act of 2014, no later than June 30, 2016. At the March 2016 UC Regents board meeting, the UC Regents adopted changes to its retirement plan for new employees hired on or after July 1, 2016.</p> <p>New employees can choose as their primary mandatory retirement benefit either a defined benefit plan (Pension Choice) or a defined contribution plan (Savings Choice), unless the employee is represented by a union with a contract specifying different benefits. Employees hired after July 1, 2016 can now choose as their primary mandatory retirement benefit either a defined benefit plan (Pension Choice) or a defined contribution plan (Savings Choice), unless the employee is represented by a union with a contract specifying different benefits.</p>	<p>As of July 1, 2018, the UCRP unfunded liability is approximately \$10 billion. Based on UCRP's current funding strategy, the unfunded liability will be eliminated by 2037.</p> <p>The LAO specifically recommends that the Legislature request two analyses—one assuming UCRP hits all of its investment assumptions (known as an “actuarial” analysis) and one that considers many possible investment and other future scenarios (known as a “stochastic” analysis).</p>	BBL	<p>Modify the Governor’s proposal to require that prior to the release of funds, the UC must (1) submit an actuarial analysis verifying that offering a defined contribution option does not have an adverse impact on the unfunded liability of the defined benefit plan, and (2) submit an analysis regarding the impact that the defined contribution option has on the retirement security of low-wage workers at UC, such as gardeners and janitors.</p>

6440 University of California (Discussion/Vote)

Issue	Subject	Description	Comments	Language	Staff Recommendation
80	UC San Francisco Dyslexia Early Intervention Pilot Program	<p>The May Revision proposes \$3.5 million General Fund one-time to provide support for a dyslexia screening and early intervention pilot program operated by the UC San Francisco Dyslexia Center.</p> <p>This funding will support deployment of the application, instructor training, curriculum support and integration, and reporting . This funding will serve 15-20 public elementary schools statewide, serving approximately 1,500 to 2,000 students. The pilot program will train instructors on how to use the application.</p>		BBL	<p>Approve as proposed. Additionally, adopt reporting language regarding: (1) The number of participating schools, school districts, and students, (2) the number and percent of participating students who were diagnosed with a learning disability before the pilot compared to during the pilot year, (3) How the one-time state General Fund was spent, as well as how any additional private or other nonstate funds were used to fund the pilot, (4) The developed interventions resulting from the pilot, and (5) To the extent the results of the pilot are promising, a plan to expand the interventions in schools throughout the state. The plan should include the estimated cost of scaling the program statewide and identify all possible fund sources to cover this cost.</p>

6980 California Student Aid Commission (Discussion / Vote)

Issue	Subject	Description	Comments	Language	Staff Recommendation
81	Teacher Service Credit Scholarship Program	<p>The May Revision proposes \$89.75 million one-time General Fund and trailer bill language to create the Teacher Service Credit Scholarship Program.</p> <p>The program would provide a \$5,000 scholarship award to specified applicants. The applicant must agree to obtain or have obtained a teaching credential in the subjects of science, technology, engineering, and mathematics (STEM), CTE in STEM areas, special education, bilingual education or a multiple subject credential. Priority is given to applicants who teach at a "priority school," which is a school that has a high percentage of teachers holding emergency type permits.</p>	<p>As currently proposed, applicants do not need to have any student loan debt to qualify for the program. Additionally, applicants are not required to teach at priority schools to receive the award. Lastly, there is no reporting requirements regarding the outcomes or impact of this program.</p>	TBL	<p>Modify trailer bill language to at a minimum to: (1) require applicants to have student loan debt, (2) require awardees to teach at specified priority schools, and (3) require reporting to appropriate policy and fiscal committees of the Legislature regarding outcomes of the program, such as the number of awards, the average student loan debt amount, the number of specified credentials obtained, information regarding priority schools and districts. Trailer bill language to be modified, as necessary.</p>

Attachment 1 – Community College Capital Outlay Projects

Chancellor’s Office Approved Capital Outlay Projects (dollars in millions)

College	Project	Priority Category ^a	2019-20 State Cost ^b	All Years	
				State Cost	Total Cost
Folsom Lake	Instructional buildings phase 2	2	\$1.3	\$31.4	\$58.5
Mount San Jacinto	Math and Sciences building	2	1.6	26.8	50.7
Clovis	Applied Technology building	2	1.8	26.1	49.9
Irvine Valley	Fine arts building	2	1.6	23.2	45.1
Long Beach City	Music/theatre complex	2	1.7	23.2	44.6
Mount San Jacinto	Science and Technology building	2	1.9	23.2	44.1
Santa Barbara City	Physical education replacement	1	3.2	41.1	41.9
West Valley	Learning resource center renovation	3	1.6	19.9	40.1
Los Rios (Natomas Education Center)	Natomas Center phases 2 and 3	2	0.9	27.8	39.4
Woodland	Performing arts facility	4	1.4	19.4	37.7
West Hills Lemoore	Instructional Center phase 1	2	1.6	23.4	31.7
Kern (Delano Center)	LRC multipurpose building	2	1.2	16.1	31.2
Laney	Theater buildings renovation	3	0.7	8.2	26.5
Chaffey	Instructional Building 1	2	1.0	13.0	26.1
Cerritos	Health Sciences Building 26 renovation	3	1.1	12.7	24.7
Merritt	Horticulture building replacement	3	0.8	10.1	24.5
Lake Tahoe	RFE and Science renovation	3	1.5	11.1	21.6
Porterville	Allied health building	2	0.8	10.9	20.8
Monterey Peninsula	Public safety center phase 1	4	0.7	9.2	19.1
Los Rios (Elk Grove Center)	Elk Grove Center phase 2	2	0.4	9.0	17.0
Reedley	New child development center	4	0.8	10.4	14.4
Cabrillo	Buildings 500, 600 and 1600 renovation	3	0.3	3.6	7.3
Monterey Peninsula	Music facilities phase 1 renovation	3	0.2	2.5	6.4
San Mateo	Water supply tank replacement	1	0.5	5.7	6.3
Totals			\$30.3	\$434.9	\$789.6

Attachment 1 – Community College Capital Outlay Projects

Five Capital Outlay Projects Construction Phase Funding in 2019-20 (In millions)

College	Project	Year Initially Approved	Estimated Construction Cost	
			State	Total
San Francisco (Ocean)	Utility infrastructure replacement ^a	2017-18	\$76.3	\$76.3
Pasadena City	Armen Sarafian building seismic replacement ^b	2017-18	53.5	55.5
Redwoods	Arts building replacement ^c	2018-19	22.2	22.2
Fullerton	Business 300 and Humanities 500 Renovation ^c	2017-18	15.7	30.1
San Francisco (Alemany Center)	Seismic and code renovations ^a	2017-18	14.4	14.4
^a Both project delays and insufficient local match. ^b Insufficient local match. ^c Project delays. For Redwoods project, district demonstrated financial hardship and no local match is expected.				

SUBCOMMITTEE NO. 1

Agenda

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



Wednesday, May 15, 2019
10:00 a.m. or upon call of the chair
State Capitol - Room 3191
Agenda Part B

Consultant: Elisa Wynne

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Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
Child Care and Early Education					
1	Child Care - Various 6100-194-0001/0890, 6100-196-0001 Various (Governor's Budget)	<p>State Preschool. The Governor's budget includes \$27 million in Proposition 98 General Fund to annualize the 2,959 full-day State Preschool Slots for LEAs included in last year's budget that commence in April 1, 2019.</p> <p>Non-CalWORKs Child Care – The Governor's Budget includes \$79 million for a 3.46 percent cost-of-living adjustment for non-CalWORKs child care and State Preschool programs and decreases slots by \$20 million to reflect a decrease in the birth to age four population.</p> <p>CalWORKs Child Care – The Governor's Budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net increase of \$103 million, reflecting a \$16 million decrease in Stage 1, a \$36 million increase in Stage 2, and a \$83 million increase in Stage 3.</p> <p>Other Adjustments – The Governor's budget also makes several other technical adjustments to annualize the costs of actions taken in prior years including \$40 million to annualize funding for the January 1, 2019 increase to adjustment factors for infants, toddlers, children with exceptional needs, and children with severe disabilities and \$3 million to annualize the 2,100 Alternative Payment slots for LEAs that began September 1, 2018.</p> <p>The Governor's Budget also included other technical and federal funds adjustments.</p>	Approve as proposed, align with May Revision updates to these items as noted in below items.	BBL/TBL	
2	Child Care CalWORKs Caseload Funding 6100-194-0001 (May Revision)	It is requested that Schedule (6) of this item be increased by \$17,524,000 non Proposition 98 General Fund, and Schedule (7) be increased by \$20,637,000 non Proposition 98 General Fund as a result of higher caseload associated with recent program eligibility changes included in the 2018 Budget Act.	Approve as proposed		

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
3	Child Care Cost of Living Adjustment 6110-194-0001 (May Revision)	The May Revision proposes to decrease Item 6100-194-0001 by \$2.15 million non-Proposition 98 General Fund to reflect the application of a COLA adjustment (COLA decreased from 3.46 to 3.26 percent at the May Revision).	Approve as proposed	BBL	
4	Federal Child Care and Development Fund Quality Increase and Carryover Adjustment 6100-194-0890 (May Revision)	It is requested that Schedule (6) of this item be increased by \$2,174,000 Federal Trust Fund to support Quality Counts California and to meet the minimum quality spending requirement mandated by the federal Child Care and Development Fund. It is further requested that Schedule (6) of this item be increased by \$8,071,000 Federal Trust Fund to reflect an increase in one-time federal Child Care and Development Fund quality carryover funds	Approve as proposed	BBL	
5	Federal Child Care and Development Fund One-time Carryover 6100-194-0001/ 6100-194-0890 (May Revision)	It is requested that Schedule (11) of Item 6100-194-0001 be decreased by \$102,295,000 and Schedule (6) of Item 6100-194-0890 be increased by \$102,295,000 to reflect the availability of one-time federal Child Care and Development Fund. The one-time federal funds will be used to offset non Proposition 98 General Fund costs.	Approve as proposed	BBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
6	Federal Child Care Development Block Grant One-Time Carryover 6100-194-0890 (May Revision)	Approve as proposed with the addition of an increase to Schedule (3) of Item 6100-194-0890 of \$102,295,000 federal Child Care Development Block Grant funds to reflect one-time federal reappropriation of the funds allocated in the 2018 Budget Act and to align the program with ongoing federal funding.	Approve as proposed.	BBL	
7	Federal Child Care and Development Fund One-time Carryover 6100-194-0001/ 6100-194-0890 (May Revision)	It is requested that Schedule (5) of Item 6100-194-0890 be increased by \$3,919,000 federal Child Care Development fund to reflect an increase in one-time federal carryover funds. It is also requested that Schedule (7) of Item 6100-194-0001 be decreased by \$3,919,000 non-Proposition 98 General Fund to reflect the decrease in federal funds. Federal funds offset non-Proposition 98 General Fund in the CalWORKs Stage 3 child care program. The Governor's Budget identified \$7,366,000 one-time Child Care and Development fund carryover available in 2019-20 and this adjustment will increase the total available carryover amount to \$11,285,000.	Approve as proposed.	BBL	
8	Federal Child Care and Development Fund 6100-194-0001/ 6100-194-0890 (May Revision)	It is requested that Schedule (5) of Item 6100-194-0890 be increased by \$54,217,000 Federal Trust Fund and Schedule (7) of Item 6100-194-0001 be decreased by \$54,217,000 non-Proposition 98 General Fund to align to the federal grant award and to reflect the use of federal funds for general child care programs to offset non-Proposition 98 General Fund in this program.	Approve as proposed	BBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
9	Child Care and Preschool Rate Adjustment Factor 6100-194-0001 (May Revision)	It is requested that Schedule (1) of item 6100-194-0001 be increased by \$10,520,000 non-Proposition 98 General Fund to reflect higher costs related to the increases provided for the adjustment factor to the Standard Reimbursement Rate (SRR) for infants, toddlers, and children with exceptional needs provided by the 2018 Budget Act.	Amend to increase adjustment by \$1.9 million for a total of \$12.42 million to apply the adjustment factor for the SRR for children with exceptional needs to part day preschool. Adopt placeholder trailer bill language.	TBL	
10	Child Care Programs Growth Adjustment 6100-194-0001 (May Revision)	It is requested that this item be increased by \$2,307,000 non-Proposition 98 General Fund to reflect a revised growth adjustment for the 0-4 population from -0.89 percent to -0.68 percent.	Approve as proposed	BBL	
11	Child Care - License Exempt Hourly Rate 6100-194-0001/ various	License-exempt child care providers receive roughly 30 percent of the licensed family child care hourly rate, while license-exempt child care providers receive 70 percent of the weekly and monthly rate.	Provide \$85 million in ongoing General Fund to increase the hourly rate of license-exempt providers to approximately 70 percent of the hourly rate for licensed providers. Adopt placeholder trailer bill language.	BBL/TBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
12	<p>Master Plan for Early Learning and Care Funding</p> <p>6100-009-0001 6100-194-0001</p> <p>(Governor's Budget and May Revision)</p>	<p>The Governor proposes to provide \$10 million for the State Board of Education to contract with a research organization for the development of a blueprint for the state's early care and education system. This plan would include recommendations for improving the system, including providing universal preschool or early education for all three and four years olds in the state, revenues, funding, reimbursement rates, systems alignment, quality standards, and system efficiencies for families and providers among other things. The work is intended to build upon existing reports and research studies.</p> <p>It is requested that Schedule (1) of 6100-001-0001 be increased by \$10 million non-Proposition 98 General Fund and Schedule (11) of Item 6100-194-0001 be decreased by \$10 million non-Proposition 98 General Fund to reflect a shift of \$10 million from the workforce development and infrastructure grants to the Department of Education for the Master Plan for Early Learning and Care. This is a technical adjustment to conform to the Governor's Budget proposal.</p>	<p>Adopt amended budget bill language and placeholder trailer bill language with the following amendments: 1) Reduce total funds to \$5 million; 2) Require the SBE to convene stakeholders (including designees from the Governor's Office, Senate, and Assembly) to recommend priority areas of study related to gaps in the current research; 3) Require reporting to Department of Finance with notification to JLBC on selected studies and costs before expenditure of funds for research studies; 4) Of the \$5 million total, provide \$1 million each for a study on facilities arrangements and a study on child care and accessibility per the Legislative Analyst's May Revision recommendations; 5) Extend the reports to include care for children ages 0-12, with a focus on those ages 0-5; 6) Remove the exemptions to the regular contracting process.</p>	BBL/TBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
13	<p>Early Learning and Care Infrastructure Proposal</p> <p>6100-194-0001</p> <p>(Governor's Budget and May Revision)</p>	<p>The Governor proposes to provide \$245 million to expand facilities for subsidized child care. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through grants to non-LEA child care and preschool providers. Funds may be used for the construction of new or renovation of existing child care and preschool facilities. Priority would be given to applicants with a demonstrated need for facilities, those serving low-income communities and those who plan to serve children that qualify for subsidies. The Governor provided updated trailer bill language at May Revision</p>	<p>Adopt placeholder trailer bill language with amendments as follows: 1) Specify that of the funds provided in the 2020-21 through 2023-24 fiscal years, up to 5 percent shall be set-aside for the purpose of assisting those who need to make facilities modifications to meet licensing requirements or who have been cited for health and safety violations that would lead to termination of their license; and 2) Require quarterly reporting to the appropriate policy and fiscal committees of the Legislature, the Department of Finance, and the Governor each fiscal year on activities and outcomes. In March 2021, the quarterly report shall include any recommendations from the Master Plan reports for consideration in future budgets.</p>	BBL/TBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
14	<p>Early Learning and Care Workforce Proposal</p> <p>6100-194-0001</p> <p>(Governor's Budget and May Revision)</p>	<p>The Governor proposes to provide \$245 million to increase the educational attainment of the child care workforce. The Superintendent of Public Instruction would distribute funds in equal amounts per year for five years through a competitive grant process administered through local partnerships in all 58 counties. The funding would be allocated based on the demonstrated need, cost-of-living, and number of children under age 13 that qualify for subsidized care in each county. The grants could be used for educational expenses, including tuition, supplies, transportation, child care, substitute teacher pay and other related expenses as determined by the Superintendent.</p>	<p>Adopt placeholder trailer bill language with amendments as follows: 1) Broaden educational activities to include trainings and support activities to increase a provider's ability to provide quality care and make funding available for a broader range of providers and learning needs, including for providers for whom, or who serve a population where, English is second language; 2) include educational opportunities for training and capacity building around operating a child care as a small business; and 3) Require quarterly reporting to the appropriate policy and fiscal committees of the Legislature, the Department of Finance each fiscal year on activities and outcomes. In March 2021, the quarterly report shall include any recommendations from the Master Plan reports for consideration in future budgets.</p>	BBL/TBL	
15	<p>Preschool Development Grant Birth through Five</p> <p>6100-001-0890 6100-194-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (2) of Item 6100-001-0890 be increased by \$300,000 Federal Trust Fund and Schedule (6) of Item 6100-194-0890 be increased by \$6.3 million Federal Trust Fund to reflect one-time carryover in the federal Preschool Development Grant Birth through Five.</p>	Approve as proposed	BBL	

**6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Comments
16	Preschool Adjustment Factor 6100-196-001	In the 2018-19 budget, adjustment rates were increased for infants, toddlers, children with exceptional needs, and children with severe disabilities. The adjustment factor for children with exceptional needs applies to all child care programs except for part day preschool, although part-day preschool serves a significant number of children.	Provide \$3.6 million in ongoing funding to apply the adjustment factor for the SRR for children with exceptional needs to part day preschool.	TBL	
17	State Preschool Expansion 6100-194-0001 6100-196-0001 (Governor's Budget and May Revision)	The Governor's budget includes \$125 million non-Proposition 98 General Fund for 10,000 additional full-day State Preschool slots for non-LEA providers in 2019-20. The Administration also proposes to increase slots in 2020-21 and 2021-22, bringing the total to 30,000 additional slots by the end of the three-year period and serving all low-income four year olds. Finally, the Governor's budget would also eliminate the requirement that families must be working or in school for their children to be eligible for full-day State Preschool. The May Revision adjust this proposal to provide 10,000 slots in 2019-20, starting on April 1, 2020. This reduces the cost to \$31.4 million ongoing non-Proposition General Fund in 2019-20. The May Revision does not include the additional 20,000 slots in future years.	Approve the proposal. Amend provisional language to reflect the available date of slots per the May Revision and to require additional reporting on slot utilization. Amend placeholder trailer bill language to give priority for slots to working families.	BBL/TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
18	<p>State Preschool Program Proposition 98 Changes</p> <p>6100-194-0001 6100-196-0001</p> <p>(Governor's Budget and May Revision)</p>	<p>The Governor's budget also shifts \$297 million for non-LEA provider State Preschool programs from Proposition 98 to non-Proposition 98 General Fund. The Administration notes that non-LEA providers already receive funding for the wraparound portion of full-day State Preschool through non-Proposition 98 General Fund, and this proposal would unify the funding source for the program for non-LEA providers.</p> <p>The May Revision includes the following technical adjustments related to this cost shift:</p> <p>It is requested that Schedule (2) of Item 6100-194-0001 be increased by \$12,179,000, and Schedule (1) of Item 6100-196-0001 be decreased by \$12,179,000 to reflect the updated cost shift for nonlocal educational agency State Preschool programs from Proposition 98 General Fund to non-Proposition 98 General Fund, as proposed in the Governor's Budget.</p> <p>It is requested that Schedule (1) of this item be decreased by \$126,508,000 and Schedule (2) of this item be increased by \$126,508,000 to align funding for the nonlocal educational agency State Preschool program to the new program created in the Governor's Budget for nonlocal educational agency State Preschool. This is a technical adjustment to conform to the Governor's Budget proposal.</p>	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
19	Shift Federal Funds Out of State Preschool 6100-194-0001 6100-194-0890 (Governor's Budget and May Revision)	It is requested that Schedule (1) of Item 6100-194-0890 be decreased by \$50,381,000 Federal Trust Fund, Schedule (5) of Item 6100-194-0890 be increased by \$50,381,000 Federal Trust Fund, Schedule (7) of Item 6100-194-0001 be decreased by \$50,381,000 Proposition 98 General Fund and Schedule (2) of Item 6100-194-0001 be increased by \$50,381,000 non-Proposition 98 General Fund to reflect the shift of federal Child Care and Development funds from the State Preschool program to non-Proposition 98 General Fund. As a result of the Governor's Budget proposal to eliminate the work requirement in the California State Preschool Program, the federal funds received for child care must be provided to programs that maintain the federally mandated work requirement.	Approve as proposed.		

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Item	Subject	Description	Staff Recommendation	Language	Comments
K-12 Local Assistance					
20	Local Control Funding Formula 6100-672-0001 (Governor's Budget and May Revision)	The Governor's Budget provides \$2.03 billion in ongoing Proposition 98 funding for applying COLA of 3.46 percent and ADA growth to the LCFF formula. The May Revision reduces this amount by \$68.1 million to reflect an updated COLA of 3.26 percent and updated ADA growth for a total adjustment of \$1.96 billion.	Approve as proposed.	TBL	
21	Proposition 98 Settle-Up Payments (Governor's Budget and May Revision)	The Administration proposes amendments to trailer bill language to redistribute the amount of settle-up paid toward outstanding Proposition 98 fiscal years. While the \$686.6 million of settle-up paid in the Governor's Budget remains unchanged, a change in distribution is proposed as follows: increase the amount of the one-time funding for the local control funding formula, provide an offset to cover the increased cost of the LCFF as a result of the San Francisco Unified School District 2016-17 property tax correction; provide deferred maintenance for the community colleges; and shift the proposed funding for special education and the Strong Workforce program to ongoing Proposition 98 General Fund. In addition, \$36 million in settle-up is provided in a separate section to the newly added Classified Employee Summer Assistance program.	Amend placeholder trailer bill language with changes to conform to Proposition 98 Package, including a reduction to the amount of the one-time funding for the local control funding formula and other additional one-time uses adopted in the Senate Plan.	TBL	Conforms to Proposition 98 package.

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Item	Subject	Description	Staff Recommendation	Language	Comments
22	<p>Longitudinal Database 6100-501-0001 (Governor's Budget and May Revision)</p>	<p>The Governor's Budget and May Revision included \$10 million for the planning and initial development of a Statewide Longitudinal Database. The Administration proposes to connect student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities and health and human service agencies. Of the total funding, the Administration proposes a portion is used for initial planning while the majority of the funds would support initial implementation. At May Revision the Administration amended trailer bill language to include reporting to the Joint Legislative Budget Committee for workgroup reports and made other technical changes.</p>	<p>Reject proposal and replace with placeholder trailer bill language to require the Governor's Office of Planning and Research to establish a Statewide Longitudinal Data System workgroup. Specified education agencies and segments, and workforce, health, and technology agencies shall each designate appropriate participants. An advisory group made up of stakeholders shall be established to provide additional feedback. Include regular progress reporting to the appropriate policy and fiscal committees of the Legislature, the Department of Finance, and the Governor. The implementation timeline shall prioritize completion of the data system in the following order: Phase 1: K-12 and higher education, Phase 2: Workforce, Phase 3: Early Care and Education and, Phase 4: Health, Human Services, and Other Data Connections. Require CCC, UC, and CSU to collect and integrate the Statewide Student Identifier into data systems by the 2020-21 school year. Provide a total of \$10 million: \$2.3 million in funding for initial activities, release the remaining funds for implementation upon completion of an expenditure report and notification to the JLBC.</p>	TBL	Conforming action in Item 105.
23	<p>Special Education 6100-161-0001 (Governor' s Budget and May Revision)</p>	<p>The Governor's Budget and the May Revision include adjustments to Special Education in 2019-20 for offsetting property taxes (net decrease of \$69.4 million) and base adjustments (net decrease of \$605,000). Is also requested that a reference to the State School Fund be removed from provisional language.</p>	<p>Approve as proposed. Conform to Proposition 98 Package.</p>	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
24	Growth 6100-161, 196, 203, 601, 608 - 0001 (Governor's Budget and May Revision)	The May Revision provides a net growth adjustment increase of 1.6 million for the Special Education, Preschool, and Child Nutrition programs, School District, and County Office of Education LCFF ADA growth.	Approve as proposed.	BBL	
25	Cost of Living Adjustment (COLA) 6100-119, 150, 151, 158, 161, 196, 203, 296 - 0001 (Governor's Budget and May Revision)	The May Revision provides a COLA decrease of \$7.4 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, Adults in Correctional Facilities, and K-12 Mandate Block Grant programs. This adjustment reflects a decrease in COLA to 3.26 percent from the 3.46 percent proposed in the January Budget bringing the total COLA cost to \$179.6 million for 2019-20.	Approve as proposed, and adopt implementing placeholder trailer bill language.	TBL/BBL	
26	Adult Education Program 6100-156-0001 and Reimbursements (May Revision)	It is requested that Schedule (3) of this item be increased by \$1,242,000 reimbursements to reflect an increase in the estimated amount of Adult Education Program funding that will be received through an interagency agreement with the Chancellor's Office of the California Community Colleges.	Approve as proposed		
27	Mandates Block Grant 6100-296-0001 (Governor's Budget and May Revision)	The Governor's Budget and May Revision combined propose a base reduction in this item of \$1.1 million to align mandate block grant funding with revised average daily attendance estimates.	Approve as proposed, and conform to Proposition 98 package	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
28	<p>California Collaborative for Educational Excellence (CCEE)</p> <p>6100-106-0001</p> <p>(Governor's Budget and May Revision)</p>	<p>The Governor's Budget and the May Revision include a total of \$11.8 million in ongoing Proposition 98 funds for the operations of the CCEE. This is an increase of \$232,000 for CCEE operations. In addition, proposed trailer bill language that would require the CCEE, and the CDE, in consultation with the SBE, to establish a formal process for coordinate the work of the Departments and agencies (including geographic, expert, and special education resource lead agencies) in supporting LEAs.</p>	<p>Adopt as proposed with placeholder trailer bill language.</p>	<p>BBL/TBL</p>	
29	<p>After School Education and Safety Program.</p> <p>6100-149-0001</p>	<p>The After School Education and Safety (ASES) Program is the result of the 2002 voter-approved initiative, Proposition 49. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and the local community to provide resources to support literacy, academic enrichment and activities for students in kindergarten through ninth grade. The ASES program supports over 4,000 elementary and middle schools offering after-school and summer programs to more than 400,000 students daily. These programs operate at the highest poverty schools—those with an average of over 80% of students participating in the free and reduced-price meals program.</p> <p>The ASES program has a guaranteed funding level of \$550 million annually through Proposition 49. The 2017-18 budget included an additional \$50 million in ongoing funding for the ASES program. Additionally, the 2018-19 budget provided \$15 million in one-time Proposition 98 funding for the After School Kids Code Grant Program.</p>	<p>Provide \$100 million in additional ongoing Proposition 98 funding to increase the daily per pupil rate for the ASES Program.</p>	<p>TBL</p>	

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Item	Subject	Description	Staff Recommendation	Language	Comments
30	<p>Project Advancing Wellness and Resilience in Education (AWARE)</p> <p>6100-001-0890 6100-104-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$612,000 Federal Trust Fund to reflect a new federal grant for training, technical assistance, and oversight of mental health programs at selected local educational agencies. Project AWARE is a five-year grant program that provides funding for the SDE and local educational agencies to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services. It is also requested that this item be increased by \$540,000 Federal Trust Fund to reflect the availability of federal Project AWARE carryover funds to provide state-level support on school safety and violence prevention. It is also requested that Item 6100-104-0890 be increased by \$1,188,000 Federal Trust Fund to reflect the availability of a new federal Project AWARE grant for allocation to selected local educational agency for programs and activities that increase access to mental health services for students and families.</p>	Approve as proposed.	BBL	
31	<p>McKinney- Vento Homeless Assistance Carryover</p> <p>6100-001-0890 6100-136-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (1) of Item 6100-001-0890 be decreased by \$177,000 Federal Trust Fund and that Schedule (1) of Item 6100-136-0890 be increased by \$177,000 Federal Trust Fund to reflect the redirection of one-time federal McKinney-Vento Homeless Assistance funds from state operations to local assistance. The redirection of carryover funds will allow the CDE to allocate the funding to county offices education that provide services to California’s homeless children, youths, and families. It is further requested that Schedule (1) of Item 6100-136-0890 be increased by \$712,000 Federal Trust Fund to reflect an \$88,000 increase in one-time carryover funds and a \$624,000 increase to align to the federal grant award.</p>	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
32	Special Education - Office of Administrative Hearings 6100-161-0890 6100-001-0890 (May Revision)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$3,184,000 federal Individuals with Disabilities Education Act (IDEA) funds and Item 6100-161-0890 be decreased by \$3,184,000 federal IDEA funds to reflect a one-time redirection of federal funds to support increased costs associated with special education dispute resolution services. The SDE contracts with the Office of Administrative Hearings to provide special education services, which include hearings, mediations, and related due process activities required by both state and federal law. The number of claims filed and the cost per case have increased over the past few years.	Approve as proposed.	BBL	
33	Equitable Services for Private School Educators 6100-001-0890 6100-195-0890 (May Revision)	It is requested that Schedule (1) of Item 6100-001-0890 be increased by \$479,000 Federal Trust Fund and Schedule (3) of Item 6100-195-0890 be decreased by \$479,000 Federal Trust Fund to shift funding for federally-required professional development of private school teachers and administrators from local assistance to state operations. This shift will permit the SDE greater flexibility in providing the required professional development. It is also requested that Schedule (1) of Item 6100-001-0890 be increased by \$2,584,000 Federal Trust Fund for federally-required professional development of private school teachers and administrators. Specifically, this amount reflects the availability of \$701,000 federal Title II funds, \$430,000 federal Title IV funds, and \$1,453,000 one-time federal carryover funds for educators in private schools.	Approve as proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
34	<p>Migrant Education / English Language Acquisition Program</p> <p>6100-125-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (1) of this item be increased by \$21,278,000 federal Title I, Part C funds to reflect \$17 million in one-time carryover funds and a \$4,278,000 increase to align to the federal grant award. This program provides educational support services to meet the needs of highly-mobile children.</p> <p>It is also requested that Schedule (2) of this item be increased by \$3,788,000 federal Title I, Part C funds to reflect \$3 million in one-time carryover funds and a \$788,000 increase to align to the federal grant award. The state-administered Migrant Education programs include the Binational Migrant Education Program, Mini-Corps Program, and the Migrant Student Information Network.</p> <p>It is also requested that Schedule (3) of this item be increased by \$276,000 federal Title III funds to reflect \$1 million in one-time carryover funds and a \$724,000 decrease to align to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards.</p> <p>It is also requested that Provision 1 of this item be amended to increase the funding limit for the Mini Corps program from \$7.1 million federal Title I funds to \$8 million federal Title I funds and to require CDE to report specified data to the Department of Finance related to the program. The Mini-Corps program recruits college students to become tutors for migrant students.</p>	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
35	<p>Elementary and Secondary Education Act Program, School Improvement Act Program and Title I State Grant</p> <p>6100-134-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (2) of this item be decreased by \$43,469,000 federal Title I funds to reflect a decrease in the federal grant award. In accordance with California’s Every Student Succeeds Act State Plan, Title I funds support eligible local educational agencies and schools that serve high numbers of low-income students. It is further requested that Provision 6 of this item be amended to decrease the amount of federal Title I funds allocated for school support to \$127 million in proportion to the state’s decreased Title I Basic Grant award. (The Governor's Budget had included \$130 million)</p> <p>It is further requested that provisional language be added to specify that funds in Schedules (1) and (6) combined are used to calculate that 95 percent of state's reserve is allocated as grants to LEAs.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$8,055,000 federal Title IV funds to reflect a \$2,320,000 decrease in the federal grant award and a \$5,735,000 shift of funding to Item 6100-195-0890 pursuant to the state plan for the federal Every Student Succeeds Act to support professional development for school administrators and other school leaders.</p>	Approve as proposed.	BBL	
36	<p>Rural and Low-Income Schools Program</p> <p>6100-137-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (1) of this item be increased \$314,000 Federal Trust Fund to align to the federal grant award. This program provides financial assistance to rural school districts for initiatives aimed and improving student achievement.</p>	Approve as proposed.		

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Item	Subject	Description	Staff Recommendation	Language	Comments
37	Adult Education Program 6100-156-0890 (May Revision)	It is requested that Schedule (1) of this item be increased by \$3,415,000 federal Workforce Innovation and Opportunity Act Title II funds to reflect an increase in the federal grant award. The federal Adult Education Program supports adult basic education, English as a second language, and adult secondary education programs.	Approve as proposed.		
38	Special Education 6100-161-0890 (May Revision)	It is requested that Schedule (1) of this item be increased by \$8,131,000 federal IDEA funds to reflect an increase to the federal grant award, and increased by \$1,815,000 to reflect the availability of one-time carryover funds. It is also requested that Schedule (3) of this item be increased by \$1,627,000 federal IDEA funds to reflect a \$905,000 increase to the federal grant award, a \$1,316,000 increase in one time carryover funds and a \$594,000 decrease to reflect increased state operations cost. This program provides special education and related services for children aged three, four, and five, who are not in kindergarten. It is also requested that Schedule (4) of this item be increased by \$50,000 federal IDEA funds to reflect a \$100,000 decrease to the federal grant award and a \$150,000 increase in one-time carryover funds. This program, also known as Project Read, funds efforts to increase reading and English Learning Arts outcomes for students with disabilities at a selected group of low performing California middle schools. It is also requested that Schedule (6) of this item be increased by \$50,000 federal Public Health Services Act funds to reflect a one-time increase in the federal grant award. SDE uses these funds to provide outreach to families about newborn screening counseling, testing, follow up, treatment, and educational services that are available to families of newborns with hearing disabilities	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
39	Vocational Education 6100-166-0890 (May Revision)	It is requested that Schedule (1) of this item be increased by \$16,893,000 Federal Trust Fund, to reflect an increase in the federal grant award. It is further requested that provisional language be added to specify that CDE shall use its share of funds provided through this item to, among other things, support no fewer than 6.0 full-time regional program consultants in agricultural career technical education within the State Department of Education, pursuant to Education Code Section 52452. If the State Department of Education determines that it is unable to support at least 6.0 full-time regional agricultural supervisor positions with its share of federal Perkins V Act funding, the State Department of Education shall redirect \$142,000 and 1.0 position provided in Provision 32 of Item 6100-001-0001 for this purpose.	Approve as proposed.	BBL	
40	Project School Emergency Response to Violence 6100-101-0890 (May Revision)	The May Revision adds Item 6100-101-0890 to reflect the availability of \$2 million in one-time federal Project School Emergency Response to Violence funds to reflect the availability of a one-time grant award for allocation to applicant local educational agencies impacted by the Northern California wildfires of 2018. The program supports local educational agency efforts to reopen schools quickly by reimbursing local educational agencies for education-related services such as staff overtime and mental health counselling services	Approve as proposed.	BBL	
41	Immediate Aid to Restart School Operations program 6100-102-0890 (May Revision)	The May Revision adds Item 6100-102-0890 to reflect the availability of \$13,792,000 in one-time carryover federal funds for the Immediate Aid to Restart School Operations grant. This federal program provides funds to assist local educational agencies and non-public schools with expenses related to re-opening schools impacted by the Northern and Southern California wildfires of October and December 2017.	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
42	Supporting Effective Instruction 6100-195-0890 (May Revision)	It is requested that Schedule (1) of this item be decreased by \$825,000 federal Title II, Part A funds, to reflect a decrease in the federal grant. The federal Supporting Effective Instruction Local Grants Program provides funds to local educational agencies on a formula basis for professional development activities focused on preparing, training, and recruiting high quality teachers, principals, or other school leaders.	Approve as proposed.	BBL	
43	21st Century Community Learning Federal Adjustment 6110-197-0890 (May Revision)	It is requested that Schedule (1) of this item be increased by \$17,697,000 Federal Trust Fund to reflect a \$12,697,000 increase to align to the federal grant award and a \$5 million increase in one-time carryover funds.	Approve as proposed	BBL	
44	Student Assessments 6100-113-0890 and 6100-113-0001 (Governor's Budget and May Revision)	In the May Revision, the Administration requests an adjustment of \$12.398 million in Proposition 98 General Fund for students assessments (adjusted from a decrease of \$12.4 million in the Governor's Budget) to reflect alignment to anticipated contract costs in 2019-20 and available federal funds, including carryover. Federal funds are increased by a net \$325,000 at Governor's Budget and May Revision) Federal funds and Proposition 98 General Fund for state assessments are provided for costs associated with the administration of statewide K-12 student testing. It is also requested that Provision 3 of this item be amended as follows to reference the new state test for English language proficiency in California, the English Language Proficiency Assessments for California (ELPAC).	Approve as proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
45	Program for Neglected and Delinquent Children 6100-119-0890 (May Revision)	It is requested that Schedule (1) of this item be decreased by \$742,000 federal Title I, Part D funds for align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.	Approve as proposed		
46	Tobacco Use Prevention Education Program 6100-101/102-0231 (May Revision)	It is requested that Item 6100-101-0231 be increased by \$124,000 Health Education Account, Cigarette and Tobacco Products Surtax Fund and Item 6100-102-0231 be increased by \$399,000 Health Education Account, Cigarette and Tobacco Products Surtax Fund to reflect revised revenue estimates for the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are allocated to local educational agencies for health education efforts aimed at preventing and reducing tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.	Approve as proposed.		
47	County Office of Education (COE) Statewide System of Support - Technical Assistance 6100-608-0001 (Governor's Budget and May Revision)	The May Revision includes an increase of \$20.2 million (across 2018-19 and 2019-20) in Proposition 98 funding for COEs to support districts that are in need of improvement as identified under the dashboard system. COEs receive funds pursuant to a formula established in statute. This increase is \$1.8 million higher than was included in Governor's Budget and reflects the identification of additional school districts in need of technical assistance.	Approve as proposed.		

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Item	Subject	Description	Staff Recommendation	Language	Comments
48	Online Accountability Systems Alignment 6100-660-0001 (Governor's Budget and May Revision)	The Governor's budget proposes to provide \$350,000 in one-time Proposition 98 funding to San Joaquin County Office of Education to support the alignment and integration of online platforms supporting the California School Dashboard, the Local Control and Accountability Plan, and the School Accountability Report Card. The May Revision further provides \$178,000 in 2019-20 and \$154,000 ongoing Proposition 98 funding for maintenance and support of the California School Dashboard and the School Accountability Report Card. <input type="checkbox"/>	Approve as proposed with implementing placeholder trailer bill language.	BBL/TBL	
49	Southern California Regional Occupational Center 6100-669-0001 (May Revision)	The Governor's Budget includes \$2 million in one-time Proposition 98 funds for the second year of transition funding for the Southern California Regional Occupational Center, pursuant to 2017-18 Budget Act agreement.	Approve as proposed, with implementing placeholder trailer bill language.	TBL	
50	California School Information Services (CSIS) 6100-140-0001 (Governor's Budget)	The Governor's Budget includes \$6,508,000 in one-time Proposition 98 funding to the Fiscal Crisis and Management Assistance Team for California School Information Services (CSIS) operations to support the California Longitudinal Pupil Achievement Data System. (CALPADS)	Approve as proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
51	K-12 Mandated Cost Reimbursement Program 6100-295-0001 (May Revision)	It is requested that this item be increased by \$1,000 Proposition 98 General Fund to reflect the addition of the Cal Grant: Opt-Out Notice and Grade Point Average Submission mandated program to the K-12 Mandated Cost Reimbursement Program. This mandate requires local educational agencies to: (1) notify grade 11 pupils that they will be a Cal Grant applicant unless the pupil opts out within a time period specified in the notice, and (2) electronically submit the grade point averages of all grade 12 pupils each academic year to the California Student Aid Commission, except for pupils who have opted out.	Approve as proposed with placeholder trailer bill language.	BBL/ TBL	
52	K-12 Mandate Block Grant Funding 6100-296-0001 (May Revision)	It is requested that this item be increased by \$208,000 Proposition 98 General Fund to align mandate block grant funding with revised average daily attendance estimates. Mandate block grant funding is allocated to participating local educational agencies based on specified reimbursement rates per unit of average daily attendance. It is also requested that this item be increased by \$300,000 Proposition 98 General Fund to reflect the addition of the Cal Grant: Opt-Out Notice and Grade Point Average Submission mandated program. This mandate requires local educational agencies to: (1) notify grade 11 pupils that they will be a Cal Grant applicant unless the pupil opts out within a time period specified in the notice, and (2) electronically submit the grade point averages of all grade 12 pupils each academic year to the California Student Aid Commission, except for pupils who have opted out.	Approve as proposed with placeholder trailer bill language.	BBL/ TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
53	Proposition 98 Reappropriation 6100-485/605-0001 (May Revision)	It is requested that Items 6100-485 and 6100-605-0001 be amended to reflect a fund swap of \$6.62 million between ongoing and one-time Proposition 98 resources for the Local Control Funding Formula (LCFF).	Approve as proposed.	BBL	
54	Proposition 98 Reappropriation 6100-488/602-0001 (May Revision)	It is requested that Item 6100-488 be amended, as specified in Attachment 1, and non-Budget Act Item 6100-602-0001 be increased by \$150 million one-time Proposition 98 General Fund savings to reflect a fund swap between ongoing and one-time Proposition 98 General Fund for the LCFF (\$145.5 million), a backfill of property tax losses from wildfires for basic aid school districts (\$2 million), Child Nutrition Program reimbursement claims (\$727,000), and support for Oakland (\$514,000) and Inglewood (\$3.6 million) Unified School Districts' operating budget deficits.	Amend proposal to reduce the amount of one-time reappropriation for LCFF from reappropriated funds to \$7.1 million. Adopt remaining reappropriations as proposed.	BBL	Conforms to Proposition 98 package and Items 109 and 110
55	Standardized Account Code Structure (SACS) System Replacement Project 6100-609-0001 (Governor's Budget)	The May Revision proposes trailer bill legislation to appropriate \$3 million in one-time Proposition 98 funding in 2019-20 for the SACS system replacement project. The SACS system technology is outdated, lacks adequate support, is incompatible with modern systems, and does not meet current security standards. FCMAT and the California School Information Services program are currently developing the new SACS system at a total cost of \$11.5 million. This funding is in addition to the \$3.7 million provided to date.	Approve as proposed.		

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Item	Subject	Description	Staff Recommendation	Language	Comments
56	Fremont School for the Deaf Middle School Activity Center 6100-301-001 and 6100-498 (April Letter)	The Governor's Budget proposes to provide \$2.177 million in new authority for the construction phase of the Fremont School for the Deaf Middle School Activity Center. Of this total \$1.483 million is reappropriated unspent project funds and the remaining \$694,000 reflects additional one-time non- Proposition 98 General Fund. The project experienced planning and construction delays and costs increased during the planning process.	Approve as proposed	BBL	
57	Glendale Unified School District - Youth Mentoring 6100-488/602-0001	Provide \$500,000 in one-time Proposition 98 funds to the California Department of Education to allocate to the Glendale Unified School District (GUSD) to contract for mentoring services for students who face risk factors such as gang involvement, mental health, drug abuse, and poverty. Funds may be used to expand existing mentoring programs or establish new programs that meet needs in the community in areas of family involvement, self-esteem, mental health and suicide prevention, foster youth, and homeless aid.	Approve Proposal	BBL	
58	CARSNet 6100-488/602-0001	Appropriate \$18 million over three-years to support CARSNet which provides support guidance, and training for school districts and county offices of education in their oversight of charter schools. CARSNet was established through a five-year federal grant program (through Spring of 2018) and during this time established and funded regional leads that developed best practices and templates for statewide adoption and provided in-depth training on best practices in charter oversight and accountability to authorizers. The funds would increase the number of CARSNet regional leads to 11 and increase the technical assistance provided across the state.	Approve proposal, adopt placeholder trailer bill language.	BBL/TBL	
59	California-Grown for Healthy Kids Program 6100-XXX-0001 New Item	Appropriate \$15.3 million in ongoing Proposition 98 funding to establish a non-competitive grant to provide a 10 cent per breakfast reimbursement for California. Eligible school food authorities must serve school breakfast universally free or serve breakfast and lunch free at any very high poverty school.	Approve Proposal	BBL/TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
60	LGBTQ Professional Development 6100-488/602-0001	Appropriate \$6.5 million in one-time Proposition 98 funding to support raining for public school teachers, staff, and community resources for the health and well-being of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) students. This training would create a more supportive and safe learning environment for LGBTQ students by requiring high quality and comprehensive LGBTQ cultural competency training and professional development, including the adoption and implementation of anti-bullying policies, student privacy protections, creation of a welcoming environment, and awareness of mental health issues	Approve Proposal	BBL	
61	College Readiness Block Grant 6100-488/602-0001	Appropriate \$110 million in one-time Proposition 98 funds for the College Readiness Block Grant funds to school districts and charter schools to prepare high school students, particularly unduplicated students as defined in Education Code Section 42238.02, (low-income, English learner and foster youth), to be eligible for admission into a postsecondary institution, and increase the 4-year-college-going rates of these pupils	Approve proposal with placeholder trailer bill language.	BBL/TBL	
62	San Diego Unified School District Homeless Youth Support 6100-488/602-0001	Provide \$500,000 in one-time Proposition 98 funds to the California Department of Education to allocate to the San Diego Unified School District. The San Diego Unified School District shall use the funds to support the education of homeless youth consistent with the requirements of the McKinney-Vento Homeless Assistance Act. The funds shall be available for the 2019-20 and 2020-21 fiscal years.	Approve Proposal	BBL	
63	Classified School Employees Summer Furlough Fund Proposition 98 Settle-up	The Administration proposes trailer bill language that appropriates \$36 million one-time Proposition 98 General Fund to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.	Approve with placeholder trailer bill language amended to allow additional funds to be available over three years, increase the minimum salary requirements, and make other technical changes.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
State Operations					
64	Behavioral Restraints 6100-001-0890 (Governor's Budget)	The Governor's Budget provides \$138,000 in ongoing federal funds and one position to review, approve, and provide technical assistance regarding district plans for providing behavioral restraints to students in danger of harming themselves or others. (pursuant to AB 2657 (Weber), Chapter 998, Statutes of 2018)	Approve as proposed	BBL	
65	CTE Incentive Grant and K-12 Strong Workforce Support 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$275,000 in ongoing General Fund for two positions to support implementation of the Career Technical Education Incentive Grant Program and the K-12 Strong Workforce Program. In addition, provisional language is proposed that specifies that this funding is contingent upon the CDE supporting six full-time regional agricultural supervisor positions in the Agricultural Education Unit of the Career and College Transition with federal Perkins V Act funding. If CDE is unable to support this position, one of the proposed new CTE positions would be redirected to support the Agricultural Education Unit. Proposed trailer bill language further codifies the responsibilities of the Agricultural Education Unit.	Approve as Proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
66	Accountability 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$271,000 in ongoing General Fund to make two temporary positions permanent to support the development and implementation of state and federal accountability systems.	Approve as Proposed	BBL	
67	Early Learning and Care Division Workload Support 6100-001-001 (Governor's Budget and May Revision)	The Governor's Budget and May Revision provided a total of 13.0 positions and \$1.8 million in ongoing non-Proposition 98 General Fund for increased workload associated with the expansion of the new early education programs and policies within the Early Learning and Care Division.	Approve as Proposed	BBL	
68	Foster Youth 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$142,000 in ongoing General Fund for one position to provide technical assistance to county offices of education in developing and implementing local inter-agency plans for the care of foster youth, pursuant to AB 2083 (Cooley), Chapter 815, Statutes of 2018.	Approve as Proposed	BBL	
69	School District Emergency Waivers 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$105,000 in ongoing General Fund for one position to provide review the waivers districts submit when they experience a reduction in student attendance or loss of instructional days due to natural disasters or other emergencies.	Approve as Proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
70	School Safety Plans 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$53,000 in one-time General Fund to develop best practices for reviewing and approving school safety plans and post these on CDE's website, pursuant to AB 1747 (Rodriguez), Chapter 806, Statutes of 2018.	Approve as proposed	BBL	
71	Dashboard Technical Assistance 6100-001-0001 (Governor's Budget)	The Governor's Budget provides \$452,000 in ongoing General Fund for three positions to provide technical assistance to districts identified as having poor outcomes for students with disabilities on either the new School Dashboard or under a revised federal formula for monitoring district compliance with special education law.	Approve as proposed	BBL	
72	Oversight of State Board of Education Authorized Charter Schools 6100-001-0001 (May Revision)	It is requested that Schedule (1) of this item be increased by \$284,000 non-Proposition 98 General Fund and 2 positions to monitor SBE authorized charter schools in 2019-20 and 2020-21.	Approve as proposed with placeholder trailer bill language.	BBL/TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
73	<p>State Special Schools- Microsoft Ed Tech Voucher Program</p> <p>6100-001-0001 (May Revision)</p>	<p>It is requested that Schedule (5) of this item be increased by \$798,000 reimbursements on a one-time basis for the SDE to execute projects for the three state special schools and the Diagnostic Centers, which received additional funding for the Education Technology K-12 (Ed Tech) Voucher Program. The Ed Tech Voucher Program is a grant program established with funds from a settlement agreement between California consumers and the Microsoft Corporation. Through this agreement, K-12 schools were awarded grants to purchase specified information technology products and services. The Voucher program ended on November 30, 2018 and as of that date, the state special schools had spent \$3,920,611 of the \$4,717,939 program funding, leaving the remaining balance of \$797,328. Microsoft has agreed to transfer the remaining balance directly to the SDE to execute contracts on behalf of the schools to update the Microsoft Active Directory used by the schools, implement Microsoft 365, cloud based infrastructure and evaluate the IT security of all campuses.</p>	Approve as proposed	BBL	
74	<p>Nonpublic Schools And Agencies Certification Program</p> <p>6100-001-0001 (May Revision)</p>	<p>It is also requested that Schedule (5) of this item be increased by \$244,000 reimbursements and 2 positions to reflect an increase to the certification fees charged to nonpublic schools and agencies by the Nonpublic Schools and Agencies (NPS/A) certifications program. The NPS/A certification program is fully supported by certification application fees collected from applicants. To support the increased workload in the NPS/A program, the SDE will increase fees in the 2019-20 fiscal year commensurate with the statewide average percentage inflation adjustment for the first time since 2004-05; the adjustment to the item is necessary to align the program with the fee increase.</p>	Approve as proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
75	California High School Proficiency Exam 6110-001-0001 (May Revision)	It is requested that Schedule (5) of this item be increased by \$207,000 reimbursements to reflect increased student fees that will support the administration of the California High School Proficiency Examination. Any person at least 16 years of age, or who will be enrolled in grade 10 for at least one academic year, is allowed to take the High School Proficiency Exam, which tests proficiency in basic reading, writing, and mathematics skills taught in public high schools.	Approve as proposed	BBL	
76	Instructional Quality Commission 6100-004-0001 (Governor's Budget and May Revision)	The Governor's Budget provides \$279,000 in one-time General Fund for the Instructional Quality Commission to update content standards and curriculum frameworks for visual and performing arts and world languages. Also, to fund the development of a model curriculum in ethnic studies. (Pursuant to AB 2862, [O'Donnell], Chapter 647, Statutes of 2016, AB 2290, [Santiago] Chapter 643, Statutes of 2016), and AB 2016 [Alejo], Chapter 327 Statutes of 2016). The May Revision further increases this item by \$213,000 in one-time General Fund for the Instructional Quality Commission to begin a revision of the math curriculum framework.	Approve as proposed.	BBL	
77	State Special Schools 6100-005-0001 (May Revision)	It is requested that Schedule (1) of this item be decreased by \$711,000 non-Proposition 98 General Fund and Schedule (3) of this item be increased by \$711,000 non-Proposition 98 General Fund to accurately reflect annual employee compensation and retirement cost adjustments included in the Governor's Budget. This request reflects a technical adjustment and does not change the amount budgeted for this item.	Approve as proposed.		
78	Reappropriation for Legal Costs 6100-491 (May Revision)	It is requested that Item 6100 491 be added to reappropriate one-time General Fund savings for legal costs associated with specified lawsuits for the purposes provided for in the original appropriation (employment lawsuit and Ella T. v. State of California lawsuit).	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
Additional Trailer Bill Language					
79	Special Education Redevelopment Agency Revenue Backfill	The Administration proposes trailer bill language to backfill Special Education programs for 2018-19 and 2019-20 to the extent that property tax revenues from Redevelopment Agency dissolution is not sufficient to cover the appropriation in the 2018 and 2019 Budget Acts for Special Education.	Approve placeholder trailer bill language as proposed.	TBL	
80	Wildfire-related Property Tax Backfill (Governor's Budget and May Revision)	The Governor's Budget and May Revision propose trailer bill language to ensure a backfill of property tax losses, including for special education property taxes and basic aid district property taxes in 2018-19 and 2019-20 as a result of the 2018 wildfires.	Approve placeholder trailer bill language as proposed.	TBL	
81	Disaster Relief Provisions for Wildfire affected Districts (May Revision)	The Administration proposes trailer bill language to extend the hold-harmless funding provisions to school districts and charter schools that experienced average daily attendance losses as a result of the 2018 wildfires through 2020-21. Additionally, Paradise Unified School District may request that the Fiscal Crisis & Management Assistance Team conduct a review of the need for additional funding for the district post 2020-21.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
82	Waiver of Administrator to Teacher Ratio.	Add trailer bill to exempt a school district with average daily attendance of more than 400,000 from penalties calculated pursuant to Education Code Section 41404 in the 2019-20 and 2020-21 fiscal years. Add language requiring annual reporting on the administrator to teacher ratio calculation for each year a school district receives a waiver under this provision, including historical information for past years and the school district's plan to meet the ratio requirements over time.	Approve placeholder trailer bill language as proposed.	TBL	
83	Funding Out of Home Care for Special Education (May Revision)	The Governor's Budget requests trailer bill language to be adopted to reflect changes in funding for the Out-of-Home Care program for foster students with exceptional needs receiving special education services, pursuant to Chapter 773, Statutes of 2015. The May Revision proposes amendments to trailer bill legislation to clarify the out-of-home care funding rates for 2017-18. The trailer bill legislation proposed at the Governor's Budget incorrectly removed the reference to the 2017-18 funding rates.	Approve placeholder trailer bill language as proposed.	TBL	
84	CTE Incentive Grant and K-12 Strong Workforce	The Governor's proposed trailer bill language includes technical changes related to the CTE Incentive Grant program and the K-12 component of the Strong Workforce Program. These changes include updating references to the federal Carl D. Perkins Career Technical Education Improvement Act with the Strengthening Career and Technical Education for the 21st Century Act, clarifying that regional occupational centers operated by a county office of education are eligible to apply for funding and other technical changes.	Approve placeholder trailer bill language as proposed.	TBL	Technical

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Item	Subject	Description	Staff Recommendation	Language	Comments
85	Charter School LCAP Transparency	The Administration proposes trailer bill language to specify that charter schools must comply with LCAP requirements, including holding a public hearing and specifies that charter schools must address state priorities 2-8 in their LCAP. The language would also require charter school LCAPs or links to the plans to be posted on the school district, COE, and CDE websites. Finally, the language would require charter schools to provide translation services if 15 percent or more of their students speak a primary language other than English, consistent with school district requirements.	Approve placeholder trailer bill language as proposed.	TBL	
86	Charter School Enrollment (May Revision)	The Administration proposes trailer bill language to prohibit charter schools from discouraging students from enrolling in a charter school or encouraging students to disenroll from a charter school on the basis of academic performance or student characteristic, or from obtaining specified student information prior to enrollment. The Administration also proposes trailer bill language to require the SDE to conduct a study on the feasibility of using student enrollment data from the California Longitudinal Pupil Assessment Data System to identify potential instances of practices that discourage students from enrolling in charter schools.	Approve placeholder trailer bill language as proposed.	TBL	
87	Teacher Assignment Monitoring (May Revision)	The Administration proposes amendments to trailer bill language to: (1) designate county offices of education to oversee the review of teacher misassignments at districts, (2) designate authorizing entities to oversee the review of teacher misassignments at charter schools, and (3) declare the first year of the new teacher assignment monitoring process to be a nonconsequential trial run for local educational agencies.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
88	Local Indicators for Conditions of Learning (May Revision)	The Administration proposes trailer bill language to improve transparency and comparability by requiring that local indicators reflect school site-level data, if it is currently collected statewide by the SDE.	Approve placeholder trailer bill language as proposed.	TBL	
89	Special Education Local Plan Area (SELPA) Assurances Plan (May Revision)	The Administration proposes trailer bill language to extend the deadline for the development of the SELPA assurances support template by one year, to give the Department of Education additional time to consider stakeholder input. Moreover, this change requires adjusting the deadline by which SELPA's must submit the assurances support plan to align it with the development of the template.	Approve placeholder trailer bill language as proposed.	TBL	
90	Postretirement Limitation Exemption for Districts Subject to Emergency Apportionments (May Revision)	The Administration proposes trailer bill language to provide an exemption to the postretirement compensation limitations for school districts that have received an emergency appropriation. This exemption would only apply to vacant positions at the school principal level or higher and when the applicant had previously served in an equivalent position.	Approve placeholder trailer bill language amended to specify that this exemption shall sunset on July 1, 2022.	TBL	
91	Non-waivable Local Control Funding Formula Sections (May Revision)	The Administration proposes trailer bill language to expand the list of non-waivable sections of law to include all Education Code sections that pertain to the LCFF apportionment calculations. Apportionment statutes are not subject to waiver by the State Board of Education.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
92	Schoolsite Council Meeting Requirements (May Revision)	The Administration proposes trailer bill language to make technical amendments to clarify the schoolsite council requirements for schools and local educational agencies, in line with the provisions of Chapter 471, Statutes of 2018 (AB 716)	Approve placeholder trailer bill language as proposed.	TBL	
93	Uniform Complaint Procedures for Grade 9 to 12 Physical Education Minutes (May Revision)	The Administration proposes trailer bill language that expands the Uniform Complaint Procedures to include complaints of non-compliance with required minimum instructional minutes for physical education grades 9-12 (existing statute only covers grades 1-8).	Approve placeholder trailer bill language as proposed.	TBL	
94	Accountability Systems Key Agency Coordination	The Administration proposes trailer bill language that would require the CCEE, and the CDE, in consultation with the SBE, to establish a formal process for coordinate the work of the Departments and agencies (including geographic, expert, and special education resource lead agencies) in supporting LEAs.	Approve placeholder trailer bill language as proposed.	TBL	
95	Charter School In-Lieu Property Tax Transfer Calculation	Aligns the Statewide charter school in-lieu of property tax transfer calculation with the calculation used for countywide benefit charters.	Approve placeholder trailer bill language as proposed.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
96	Proposition 98 Certification (Governor's Budget and May Revision)	The process adopted in the 2018-19 budget act to certify the Proposition 98 guarantee and use a separate account to help smooth increases and decreases in the guarantee level was intended to create stability for LEAs. The Governor's budget proposes to instead eliminate the separate account and no longer adjust the guarantee level down if the prior year calculation changes after the fiscal year is over. The Governor proposes to still make adjustments to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year.	Approve as proposed with placeholder trailer bill language.	TBL	
97	Local Control Funding Formula Continuous Appropriation (Governor's Budget and May Revision)	The Administration also proposes to cap the continuous appropriation of COLA for LCFF, existing in current law, during future years if the COLA for LCFF and other K-14 programs would exceed growth in the minimum guarantee and adjust COLA for specified programs by a like amount.	Approve as proposed with placeholder trailer bill language.	TBL	
98	Other Technical trailer bill changes (Governor's Budget)	The Governor's Budget included trailer bill to restrict state school fund to principal apportionment programs and add technical references to offset state aid to meet the minimum state aid guarantee.	Approve as proposed with placeholder trailer bill language.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
99	Deem 2018-19 budget appropriations as Proposition 98 (Governor's Budget)	The Governor's Budget includes trailer bill language specifying that various appropriations made as part of the 2018-19 budget agreement for San Francisco Unified School District, Sweetwater Unified High School District, and a suicide prevention program are Proposition 98 General Fund appropriations.	Approve as proposed with placeholder trailer bill language.	TBL	
100	Suspend K-12/CCC P98 Split Education Code 41203.1 (January Proposal)	The Administration proposes trailer bill language to suspend the split between K-12 and Community Colleges for purposes of Proposition 98 expenditures.	Approve placeholder trailer bill language as proposed.	TBL	

6360 - Commission on Teacher Credentialing

Item	Subject	Description	Staff Recommendation	Language	Comments
Vote Only					
101	California Administrator Performance Assessment Field Test 6360-001-0408 (Governor's Budget)	The Governor proposed \$2 million in one-time funding (\$1.2 million in 2019-20 and \$800,000) from the Test Development and Administration Account (TDAA) and an ongoing allocation of \$136,402 from the TDAA for one permanent full-time education consultant to expand California's educator performance assessment system into special education. The funds would be used to develop, validate, and ensure consistency in the implementation and scoring of a Special Educator Teaching Performance Assessment (CalSTPA) for candidates completing a Commission-approved preparation program for the Preliminary Special Education Credential.	Approve as proposed.	BBL	
102	State Assignment Accountability System Trailer Bill (Governor's Budget)	The Governor proposed trailer bill language that would require the CTC to develop and implement a statewide automated State Assignment Accountability System (CalSAAS), for annual monitoring of teacher missassignments in schools.	Approve as proposed with placeholder trailer bill language.	TBL	
103	Teacher Misconduct Staff 6360-001-0407 (May Revision)	The May Revision proposes \$52,000 in ongoing Teacher Credential Fund and three permanent positions for the CTC to conduct teacher discipline investigations. The CTC currently has \$285,000 in limited term funding through June 30, 2021 to support 2.5 temporary positions for this purpose.	Approve as proposed.	BBL	

6350 - Office of Public School Construction					
Item	Subject	Description	Staff Recommendation	Language	Comments
Vote Only					
104	OPSC Positions (Governor's Budget)	The Office of Public School Construction requests \$1.2 million and 10 positions. These positions will support workload at the Office of Public School Construction related to processing applications for funding in the School Facilities Grant Program made available through Proposition 51 bond funding.	Approve as proposed, add provisional language to require reporting on applications processed during the 2019-20 year.	BBL	Conforms to action in Subcommittee #4.
0650- Office of Planning and Research					
Item	Subject	Description	Staff Recommendation	Language	Comments
Vote Only					
105	Statewide Longitudinal Data System 0650-001-0001	The Office of Planning and Research (OPR), created by statute in 1970, is part of the Office of the Governor. OPR serves the Governor and his Cabinet as staff for long-range planning and research, and constitutes the comprehensive state planning agency.	Shift \$10 million in funding from the Department of Education to OPR for oversight of the planning for the Statewide Longitudinal Database.	BBL/TBL	This is a corresponding action to Item 22.

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Item	Subject	Description	Staff Recommendation	Language	Comments
Child Care and Early Education					
106	Child Care Slots 6100-194-0001	According to the LAO, only a fraction of families who need and qualify for subsidized care are served through the state's system.	Provide \$90 million in 2019-20 and \$150 million ongoing General Fund to provide additional Alternative Payment and General Child Care infant and toddler slots.	BBL	This action provides approximately 12,250 Alternative Payment slots and 1,800 General Child Care slots.
107	Emergency Child Care Diversion Voucher Pilot Program. 6100-194-0890 May Revision	The May Revision includes \$12.8 million in ongoing federal Child Care Development Block Grant funding for an Emergency Childcare Diversion Voucher Pilot Program to provide immediate assistance to families in need of one-time emergency child care. Funds would be used to provide emergency child care vouchers for eligible families. The program would be administered by CDE through contracts with Alternative Payment Programs.	Reject this proposal, redirect the funds to provide ongoing Alternative Payment slots to provide access to stable long-term care for families.	BBL	This action provides approximately 1,298 Alternative Payment slots.

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Item	Subject	Description	Staff Recommendation	Language	Comments
K-12 Local Assistance					
108	Special Education Funding 6100-161-0001 (Governor's Budget and May Revision)	<p>The Governor's Budget proposed \$390 million in ongoing Proposition 98 funding and \$187 in one-time funds for special education-related services for LEAs with significant numbers of students with disabilities and low-income, foster youth, and English language learner students. The May Revision increases the total additional Proposition 98 funding for special education to \$695.6 million and makes all of the funds ongoing. The funds are distributed based on the formula proposed in the Governor's Budget and eligible school districts would receive grants of approximately \$15,000 per student under the May Revision proposal.</p> <p>The LAO raises significant concerns about the Governor's proposal including that those LEAs that reduce numbers of special education students over time through early intervention or other strategies would receive less funding for those services on an ongoing basis. In addition, the LAO notes that the amount per student is significant and may create incentives toward identification of students with disabilities that are not intended.</p>	Reject Proposal.	BBL/TBL	Funds are redirected for other priorities.

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Item	Subject	Description	Staff Recommendation	Language	Comments
109	Special Education Early Intervention 6100-XXX-0001 New Item	Special Education Local Plan Areas (SELPA) are required to serve children with disabilities from age 3 or older. The AB 602 formula for Special Education funding provides SELPAs with funding based on a census model and uses the count of K-12 attendance (including Transitional Kindergarten (TK)). Children not included in TK (other 3 and 4 year olds receiving IEP services) are not included in the attendance count for purposes of generating funding. Research supports the importance of quality early education programs for children with disabilities both for the potential to improve outcomes for children at earlier ages and to result in financial savings to school districts over the long-term	Provide \$200 million ongoing Proposition 98 funding to 1) Provide an Special Education Early Intervention Grant of \$4,000 per student to the school district of residence for each child receiving Individualized Education Program (IEP) services that is also enrolled in a mainstream early education setting pursuant to their IEP. This grant is intended to cover costs associated with providing IEP services within the district. 2) Expand TK eligibility to include 4 year old children with IEPs who turn 5 years old after December 2 but within the same school year. 3) Require districts to provide annual reporting on services provided and the mainstreaming of children with IEPs. Adopt placeholder trailer bill language.	BBL/TBL	
110	Public School System Stabilization Account 9889-611-0001 (May Revision)	The May Revision includes a deposit into the Public School System Stabilization Account (PSSSA) of \$389.3 million and counts towards the Proposition 98 guarantee in 2019-20. The deposit is triggered primarily as a result of higher capital gains revenue, and a Proposition 98 guarantee Test 1 calculation that is above the Test 2 level, reflecting lower per capita personal income growth.	Reduce the amount deposited in the PSSSA to \$241.9 million to reflect changes to the calculation of the deposit related to an anticipated increase in Transitional Kindergarten average daily attendance as a result of the Special Education Early Intervention Grant proposal.		Conform Action to Item 109.

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Item	Subject	Description	Staff Recommendation	Language	Comments
111	Special Education Equalization 6100-161-0001	State special education funding is distributed regionally through Special Education Local Plan Areas (SELPA) to school districts and charter schools in the state. California relies primarily on a “census-based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability status. This funding model, often referred to as the AB 602 (Davis and Poochigian), Chapter 854, Statutes of 1997, formula after the implementing legislation, implicitly assumes that students with disabilities—and associated special education costs—are relatively equally distributed among the general student population and across the state. The amount of per-pupil funding each SELPA receives from AB 602 varies based on historical factors.	Provide \$333 million in ongoing Proposition 98 funding to equalize AB 602 per-student funding rates to the 90th percentile of existing rates. Adopt placeholder trailer bill language.	BBL/TBL	
112	Full-Day Kindergarten Facilities 6350-402-0001 (Governor's Budget and May Revision)	The May Revision provides \$600 million in one-time General Fund for the Full-Day Kindergarten Facilities Grant Program, a reduction of \$750 million from the Governor's Budget Proposal. Additional changes to the program at the May Revision include: 1) allow expenditure of grant funds over a three-year period, 2) limit grants during the first two years to schools that would use the grant funding exclusively to convert from part-day to full-day kindergarten programs, and 3) increase the state share of the facility grant from 50 percent to 75 percent for schools converting from part-day to full-day kindergarten programs.	Provide a total of \$150 million one-time General Fund for the Full-Day Kindergarten Facilities Grant Program, allow expenditure of grant funds over a two-year period, limit grants to schools serving low-income students that would use the grant funding exclusively to convert from part-day to full-day kindergarten programs, and increase the state share of the facility grant from 50 percent to 75 percent for schools converting from part-day to full-day kindergarten programs. Adopt placeholder trailer bill language.	TBL	Funds are redirected to the Mental Health Student Services Act.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
113	<p>Mental Health Student Services Act</p> <p>4560-XXX-0001 4560-XXX-3085</p> <p>New Non-Budget Act Items</p>	<p>Mental health services in schools include a broad range of services, settings, and strategies. Providing mental health services in a school based setting helps address barriers to learning and provide supports so that all students can achieve in school and ultimately in life. Schools are also places where prevention and early intervention activities can occur in a non-stigmatizing environment. Data show that mental health issues can lead to school failure and dropping out as early as middle school. Students who are exposed to violence have higher suspension and expulsion rates and lower school attendance and grades.</p> <p>The Mental Health Services Act (MHSA), also known as Proposition 63, was enacted by voters in November 2004. Under the MHSA, the California Department of Mental Health (DMH) provides increased funding, personnel and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults and families. Recently, the Mental Health Services Oversight and Accountability Commission funded County-School mental health partnerships with triage funding for crisis services dedicated to services for youth. The program supports four partnerships.</p>	<p>Provide \$550 million in one-time funding (\$510 General Fund and \$40 million Special Fund) to the Mental Health Services Oversight and Accountability Commission for the Mental Health Student Services Act for the purpose of establishing mental health partnerships between County Mental Health or Behavioral Health Departments and K-12 school districts, charter schools, county offices of education, California Community Colleges, California State Universities, and Universities of California within a county region. The Commission shall determine funding awards based on the level of need and number of students in participating educational entities when determining one-time grant amounts. Funding shall be available to support services that at a minimum include: services provided on K-12 and (if applicable) higher education campuses, suicide prevention services, drop-out prevention services, outreach to high-risk youth, and other strategies that respond to the mental health needs of children and youth, as determined by the commission. Grants shall not supplant current services or funds provided. Adopt placeholder trailer bill language.</p>	TBL	<p>Conforms to Item 112.</p> <p>Conforming action will be taken in Subcommittee #3.</p>

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
114	Broadband Infrastructure Grant Program 6100-504-0001 (May Revision)	The May Revision proposes to provide \$15 million in one-time non-Proposition 98 General Fund for the Broadband Infrastructure Grant Program. Funds will be allocated to the California Department of Education to contract with the Corporation for Education Network Initiatives in California to identify broadband connectivity solutions for school sites that currently have poor connectivity to increase digital learning opportunities for students. E-rate subsidies generated as a result of these broadband grants shall be used for additional broadband connectivity solutions.	Reject proposal without prejudice.	TBL	Funds are redirected for other priorities.
115	K-12 High Speed Network 6100-182-0001 (Governor's Budget and May Revision)	The May Revision proposes that this item be provided a total of \$16.7 million in total expenditure authority. This includes \$7.7 million available from E-rate and California Teleconnect Funds, \$8.65 million in E-rate subsidies received as a result of network connectivity infrastructure grants, and \$350,000 from operational reserves. Of this total, \$150,000 is available to support the Broadband Infrastructure Grant Program.	Amend proposal to reduce the total expenditure authority by \$150,000 for the support of the Broadband Infrastructure Grant Program. Reduce the amount available for expenditure from E-rate subsidies received as a result of network connectivity infrastructure grants by a like amount.	BBL	This action conforms to Item 114.

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
116	<p>21st Century California School Leadership Academy</p> <p>6100-195-0890</p> <p>(May Revision)</p>	<p>It is requested that Schedule (1) of this item be decreased by \$6,452,000 consistent with the State Plan adopted by the State Board of Education and pursuant to the Every Student Succeeds Act to set-aside 3 percent of the federal Supporting Effective Instruction local assistance funds to augment funds available for professional development for principals and other school leaders. It is further requested that Schedule (3) of this item be increased by \$13,779,000 Federal Trust Fund, which includes the 3-percent allowable set-aside of \$6,452,000 from the federal Title II local assistance funds, to establish the 21st Century California School Leadership Academy to provide high-quality professional development for administrators and other school leaders pursuant to the federal Every Student Succeeds Act and consistent with the statewide system of support. Specifically, this amount reflects \$8,474,000 ongoing federal Title II funds, and \$5,305,000 ongoing federal Title IV funds. It is also requested that \$200,000 be made available for an interagency agreement with the California Collaborative for Educational Excellence. Of this, \$25,000 will be for the Marin County Office of Education and \$175,000 will be for the California Collaborative for Educational Excellence to assist the Department in administering the program.</p>	<p>Adopt placeholder trailer bill language with amendments to specify that professional learning opportunities include integrating support for English Language learner students and incorporating the principles and policies described in the California English Learner Roadmap State Board of Education Policy: Educational Programs and Services for English Learners as passed by the State Board of Education in July, 2017 and professional development related to special education.</p>	BBL/TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
117	<p>California Subject Matter Projects</p> <p>6100-202-0001</p> <p>(May Revision)</p>	<p>It is requested that Item 6100-202-0001 be added in the amount of \$10 million one-time non-Proposition 98 General Fund to support the California Subject Matter Projects (CSMP). The CSMP provides content-focused professional development and creates collaborative networks of K-12 teachers and university faculty. There are nine projects encompassing all of the academic disciplines and K-12 academic content standards. Funds would be transferred to the University of California, which shall use the funds for the subject matter projects pursuant to Article 1 (commencing with Section 99200) of Chapter 5 of Part 65 of Division 14 of Title 3 of the Education Code. Funding shall be allocated to the nine projects as follows: \$1,750,000 each for Writing, Reading and Literature, Mathematics, and Science, with the balance split equally among the remaining five projects.</p>	<p>Amend proposal to provide \$2 million each to Writing, Reading and Literature, Mathematics, and Science and to split the balance equally among the remaining five projects. Add provisional language to specify that the Writing, Reading and Literature, Mathematics, and Science projects shall include an increased focus on meeting the needs of English Language learners, including through integration of the California English Learner Roadmap State Board of Education Policy: Educational Programs and Services for English Learners as passed by the State Board of Education in July, 2017.</p>	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
118	<p>Local Control Funding Formula</p> <p>6100-601-0001 6100-488/602 6100-485/605</p> <p>(May Revision)</p>	<p>The May Revision provides \$250.5 million in one-time Proposition 98 funds (\$98.5 million Settle-up funds, \$145.5 million in Reappropriated funding, and \$6.6 million in Reverted funding) for LCFF in 2019-20. The proposal to use one-time funds for LCFF, an ongoing program, is related to the 2019-20 deposit into the PSSSA. The Administration's multi-year projections assume that there is no deposit required for the PSSSA in 2020-21, which leaves room in the 2020-21 guarantee to resume funding LCFF in total with ongoing funds. This funding mechanism structure in 2019-20 frees up additional ongoing funding that the Governor designated for other K-12 priorities, such as special education.</p>	<p>Amend to conform to Proposition 98 package, which reduces the amount of one-time Proposition 98 funds used for LCFF to a total of \$71.9 million.</p>	BBL/TBL	This action conforms to Items 109 and 110.
119	<p>Educator Workforce Investment Grant</p> <p>6100-XXX-0001</p> <p>(May Revision)</p>	<p>The May Revision appropriates \$34.8 million non-Proposition 98 General Fund for expenditure through 2022-23 to provide statewide training and resources for teachers and paraprofessionals, to build capacity around inclusive practices, social emotional learning, and restorative practices as well as subject matter competency, including STEM, and to establish the California Computer Science Coordinator to provide statewide coordination in implementing the Computer Science Content Standards, support statewide professional development, and lead the implementation of the computer science strategic implementation plan. Of the total, \$250,000 and one position is available each fiscal year though 2022-23 to the State Department of Education to support grant activities.</p>	<p>Amend proposal to specify that professional development shall focus on: 1) Integrating support for English Language learner students and incorporating the principles and policies described in the California English Learner Roadmap State Board of Education Policy: Educational Programs and Services for English Learners as passed by the State Board of Education in July, 2017; 2) Inclusive practices for general education and special education settings, including universal design for learning to help educators teach all students regardless of ability and 3) other special education -related professional development. Amend the duties of the coordinator position at the State Department of Education to reflect supporting EL and special education-related professional development.</p> <p>Adopt placeholder trailer bill language.</p>	TBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
120	Health Curriculum 6100-488/602-0001	The Health curriculum frameworks were adopted the State Board of Education in May 2019 and include several new components, including recommendations for teaching sex education that align with the California Healthy Youth Act. The 2017-18 budget act included \$10 million for allocation by the Superintendent of Public Instruction to a county office of education or consortium of county offices of education to support professional development and resources for the History Social Science curriculum framework and the upcoming Health curriculum. Funds are available for expenditure in the 2017–18, 2018–19, and 2019–20 fiscal years.	Provide \$4.197 million in one-time Proposition 98 funds for allocation by the Superintendent of Public Instruction to a county office of education or consortium of county offices and adopt budget bill language to specify that funds are available over three years to support the Health curriculum framework. Activities may include regional trainings and professional development available for teachers, administrators and paraprofessionals. Activities and resources shall focus on new components of the frameworks. These funds shall supplement existing funds made available for support of the Health frameworks.	BBL	

**CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments
State Operations					
121	Special Education Interagency Collaboration 6100-001-0001 (May Revision)	It is requested that Schedule (2) of this item be increased by \$500,000 one-time non-Proposition 98 General Fund to support the convening of staff from the Department of Education, the Department of Health Care Services, the Department of Developmental Services, local educational agencies, regional centers, and other stakeholder groups to improve the transition of three-year olds with disabilities from regional centers to school districts and improve coordination and expand access to available federal funds for medically-related special education services.	Approve with placeholder trailer bill language with amendments to require workgroup to expand focus to also include non-special education services related to accessing federal funds and the use of the Medi-Cal Billing Option Program and the School-based Medi-Cal Administrative Activities Program. In addition, require workgroup to provide specific recommendations for changes to regulations, statute, policy, and practice and related workload and funding requirements. Require to workgroups include legislative staff.	BBL/TBL	
122	21st Century California School Leadership Academy 6100-001-0890 (May Revision)	It is requested that Schedule (1) of this item be increased by \$150,000 federal Title II funds and 1 position for the State Department of Education (SDE) to administer the 21st Century California School Leadership Academy. This program will provide high quality professional development for administrators and other school leaders pursuant to the federal Every Student Succeeds Act and consistent with the statewide system of support.	Approve as proposed.	BBL	This action conforms to Item 116
Proposition 98 Package					
123	Proposition 98	The Proposition 98 package includes total Proposition 98 ongoing and one-time expenditures for K-14 education.	Approve Proposition 98 Package as noted in Attachment A.		Conforms to actions in Senate Sub #1, Agendas A and B, May 15, 2019.

Attachment A: Proposition 98 Changes - Ongoing Funds
(In Millions)

	May Revision	Senate
2017-18 Budget Act	75,459.310	75,459.310
2018-19 Budget Act	78,392.921	78,392.921
Technical Adjustments	113.712	113.712
K-12 Education (one time)		
Pay some LCFF costs with one-time funds	-368.355	-368.355
Shift three one-time initiatives into Proposition 98	7.700	7.700
2018-19 Revised Spending	78,145.978	78,145.978
2018-19 Guarantee	78,145.978	78,145.978
Technical Adjustments		
Backfill for prior year LCFF costs covered with one-time funds	368.355	368.355
Provide 3.26 percent COLA for select K-12 categorical programs and COEs	179.644	179.644
Provide 3.26 percent COLA for CCC apportionment, student programs	259.698	259.698
Other technical adjustments	-495.958	-495.958
State School Reserve		
Deposit into State School Reserve	389.331	241.931
K-12 Education		
Fund LCFF increase for school districts and charter schools (Includes COLA of 3.26%)	1,959.348	1,959.348
Pay some LCFF costs with one-time funds	-250.530	-71.944
Special Education Concentration Grants	695.597	0.000
Fund standardized school district accounting system replacement (one time)	3.009	3.009
Support Southern California Regional Occupational Center (one time)	2.000	2.000
Add Cal Grant reporting requirements to mandates block grant	0.301	0.301
Ongoing maintenance for SARC and School Dashboard	0.154	0.154
Translate school accountability reports into non-English languages (one time)	0.024	0.024
Special Education Equalization to the 90th percentile		333.000
Special Education Early Intervention Grants		200.000
After School Education and Safety		100.000
Nutrition		15.300
Preschool		
Shift some non-LEA State Preschool costs out of Proposition 98	-309.283	-309.283
Annualize cost of 2,959 full-day slots added April 1, 2019	26.786	26.786
California Community Colleges		
Pay some CCC Strong Workforce costs with one-time funds	-1.432	0.000
Extend College Promise fee waiver program to sophomores	42.569	42.569
Fund 0.55 percent enrollment growth	24.727	24.727
Adjust caseload for Student Success Completion Grant	18.437	18.437
Provide legal services for undocumented students	10.000	0.000
Backfill Foster Care Education Program	0.400	0.400
Full-time Faculty Hiring		23.068
Fund for Student Success COLA		0.293
Part-time Faculty Office Hours COLA		0.391
CCC Mandate Block Grant Adjustment		0.927
2019-20 Spending	81,069.155	81,069.155

Attachment A: One-time Proposition 98 Funds
(In Millions)

Available Proposition 98 one-time funds	Governor	Senate
Reversion Account Balance	12.904	12.904
Additional unspent funds identified in January	2.357	2.357
Additional unspent funds identified in May	150.000	150.000
Total Proposition 98 one-time funds	165.261	165.261

Use of Proposition 98 one-time funds	Governor	Senate
Cover some 2019-20 LCFF costs with one-time funds	152.076	13.811
Cover some CCC Strong Workforce costs with one-time funds	1.432	0.000
Disaster reimbursement for Child Nutrition Program	0.727	0.727
Grant to Oakland Unified	0.514	0.514
Grant to Inglewood Unified	3.633	3.633
CCC Deferred Maintenance	4.852	4.852
Backfill basic aid districts for wildfire losses	2.027	2.027
LGBTQ Professional Development		6.500
CARSNET		18.000
San Diego USD Homeless Student Support		0.500
Glendale USD Youth Mentoring		0.500
Health Frameworks Training		4.197
College Readiness		110.000
Total Proposition 98 one-time funds used	165.261	165.261

Settle-Up Funds	Governor	Senate
Available Settle-Up	686.592	686.592
Cover some 2019-20 LCFF costs with one-time funds	98.454	58.133
Cover some 2018-19 LCFF costs with one-time funds	368.355	368.355
CCC Deferred maintenance	34.724	37.464
Classified Employee Assistance Program	36.000	36.000
Backfill San Francisco Unified for previous misallocation of property tax revenue	149.059	149.059
Mendocino College Construction CTE Start-Up Costs		1.000
CCC HBCU Transfer Program		0.081
CCC Hunger and Basic Needs		15.000
CCC Re-entry programs		5.000
Community College Teacher Credentialing Partnership Pilot Program		1.500
Veterans Resource Centers		15.000
Total Settle-Up Funds	686.592	686.592