

*Senate Budget and Fiscal Review—Nancy Skinner, Chair*

# SUBCOMMITTEE NO. 1

# Agenda

**Senator John Laird, Chair**  
**Senator Dave Min**  
**Senator Rosilicie Ochoa Bogh**



**Tuesday, May 10, 2022**  
**9:00 a.m.**  
**1021 O Street - Room 2100**

Consultant: Christopher Francis, Ph.D.

**OUTCOMES**

<i>Items</i>	<i>Motion</i>	<i>Subcommittee Vote</i>
2-11, 13-14, and 16-21	Motion to adopt staff recommendation	AYES: 3 NOES: 0
1,12, and 15	Motion to adopt staff recommendation	AYES: 2 NOES: 0 ABSTAIN: 1 (Sen. Ochoa Bogh)

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**Public Comment**

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## VOTE-ONLY ITEMS

### 6440 UNIVERSITY OF CALIFORNIA

#### Issues 1-3: UC Vote Only Items

1. **Firearm Research.** The Governor’s budget proposes an increase of \$2 million ongoing General Fund to support research conducted by the California Firearm Violence Research Center at UC Davis.

**Staff Recommendation.** Approve as budgeted.

2. **Graduate Medical Education.** The Governor’s budget proposes a decrease of \$582,000 ongoing General Fund to adjust the Proposition 56 revenue offset amount for a statewide grant program and maintain \$40 million ongoing for medical residency slots.

**Staff Recommendation.** Approve as budgeted.

3. **Dyslexia Research.** The Governor’s budget proposes an increase of \$10 million one-time General Fund to support the University of California San Francisco Dyslexia Center.

***LAO Recommendation: Establish Goals and Reporting.*** Were the Legislature interested in continuing to support this project, the LAO recommends it provide clear statutory direction. At a minimum, the LAO recommends statute define the scope of the project and specify project outcomes (such as having an increasing number of students use the screening tools each year through 2024-25, improving reading test scores in the early grades, and reducing special education referrals). Additionally, the LAO recommends that the Legislature require the program to report by November 1 of each year from 2022 through 2025 on the initiative's activities, outcomes, and long-term plans. This report could help inform future budget decisions.

**Staff Recommendation.** Approve as budgeted and adopt LAO’s recommendation on reporting.

### 6610 CALIFORNIA STATE UNIVERSITY

#### Issue 4: CSU Vote Only Item

4. **Construct Energy Innovation Center at CSU Bakersfield.** The Governor’s budget provides \$83 million one-time General Fund for the proposed building. The *Governor’s Budget Summary* indicates that this proposal supports climate change research. The Administration has further specified that the building would allow for research and development on carbon management and clean energy issues, in collaboration with the Kern County energy sector, among other potential collaborators.

**Staff Recommendation.** Approve as budgeted.

**6870 CALIFORNIA COMMUNITY COLLEGES**

**Issues 5-12: CCC Vote Only Items**

- 5. CCC Facilities.** The Governor’s budget proposes General Obligation bond funding of \$373 million one-time for the construction phase of 17 projects.
- 6. Emergency Financial Assistance Grants for AB 540 Students.** The Governor’s budget proposes an increase of \$20 million one-time Proposition 98 General Fund to support emergency student financial assistance grants to eligible AB 540 students.
- 7. African American Male Education Network and Development (A<sup>2</sup>MEND) Student Charters.** The Governor’s budget proposes an increase of \$1.1 million ongoing Proposition 98 General Fund to support the expansion of A<sup>2</sup>MEND student charters to an increased number of community college districts.
- 8. Common Course Numbering.** The Governor’s budget proposes an increase of \$105 million one-time Proposition 98 General Fund to support the systemwide implementation of a common course numbering system pursuant to the provisions of AB 1111 (Berman), Chapter 568, Statutes of 2021.
- 9. Program Pathways Mapping Technology.** The Governor’s budget proposes an increase of \$25 million one-time Proposition 98 General Fund to assist community colleges with the procurement and implementation of software that clearly maps out intersegmental curricular pathways to help students choose their pathway, facilitate streamlined transfer between segments, and reduce excess units taken on the path to degree or program completion.
- 10. Implementation of Transfer Reforms.** The Governor’s budget proposes an increase of \$65 million one-time Proposition 98 General Fund for community colleges to implement the transfer reform provisions required by AB 928 (Berman), Chapter 566, Statutes of 2021.
- 11. Financial Aid Administration.** The Governor’s budget proposes an increase of \$10 million Proposition 98 General Fund to augment resources provided to community college financial aid offices.
- 12. Equal Employment Opportunity (EEO) Programs.** The Governor’s budget proposes an increase of \$10 million Proposition 98 General Fund to support the sustainable implementation of EEO best practices to diversify community college faculty, staff, and administrators.

**Staff Recommendation.** Approve items 5-12 as budgeted.

**6600 HASTINGS COLLEGE OF THE LAW**

**Issues 13: College of the Law Vote Only Item**

**13. Base Adjustment.** The Governor’s budget proposes an increase of \$2 million ongoing General Fund to support operating costs. The budget also assumes Hastings increases resident tuition by three percent in 2022-23, representing the first increase since 2011-12. Consistent with previous years, the Governor’s budget does not set an enrollment target for Hastings or designate funding for enrollment growth.

**Staff Recommendation.** Approve as budgeted.

**6120 CALIFORNIA STATE LIBRARY**

**Issues 14-17: State Library Vote Only Items**

**14. Digitization of Significant Materials.** The Governor’s budget includes a total of \$14 million General Fund support and nine additional permanent State Library positions for enhanced digitization activities. The Department of Finance (DOF) indicates that \$11 million of the one-time funding would be available over five years (through 2026-27) and the remaining \$1.7 million in one-time funding supporting cataloging activities and equipment purchases would be available through the budget year. (DOF indicates it will add this expenditure period to provisional budget language at May Revision.)

***LAO Recommendation: If More Digitization Is a High Priority, Adopt Reporting Requirement.*** If the Legislature would like to support more digitization at the State Library, the LAO recommends it require the State Library to report on its digitization activities as a condition of receiving an associated augmentation. Specifically, the LAO recommends that the State Library be required to submit a first report by November 1, 2023 (around halfway through the initiative) and a second report by November 1, 2026 (toward the end of the initiative). The recommended reports would include the amount spent, specific activities undertaken, and the number of resources digitized each year. The LAO recommends the reports to also include an assessment as to the remaining number of State Library items to be digitized and the associated cost.

**Staff Recommendation.** Approve as budgeted and adopt LAO’s recommendation on reporting.

**15. Online Job Training and Workforce Development.** Governor Proposes \$8.8 Million General Fund Over Two Years to Continue Recent Initiative. Proposed budget bill language states that the funds would support library-based online job training and educational upskilling programs over two years. Though not specified in the proposed language, the State Library indicates the funds would continue supporting the six platforms listed above that were originally supported with one-time federal relief funds. The State

Library indicates its intention to spread the funds evenly over the next two years (with \$4.4 million spent each year).

***LAO Recommendation: Reject Proposal.*** Given the risks and uncertainties around program cost, participation, and outcomes, the LAO recommends that the Legislature reject the proposal. Even if this proposal were rejected, the State Library would continue implementing its current federally funded initiative. The State Library indicates that it plans to collect better data on that initiative. Were this forthcoming data to adequately address the concerns raised earlier and demonstrate the initiative's added benefit to the state's existing workforce programs, the Legislature could consider supporting the initiative in future years. (If the Governor's proposal were approved for 2022-23, the LAO recommends adding an evaluation to ensure the cost-effectiveness of the state.

**Staff Recommendation.** Approve as budgeted

**16. Lunch at the Library.** The Governor's budget proposes an increase of \$5 million ongoing General Fund and two positions to expand the number of library jurisdictions providing summer meal programs for students in low-income communities. Of this amount is: 1) a General Fund state operations appropriation of \$314,000, including two positions (two Library Programs Consultants) in fiscal year 2022-23 and ongoing; and 2) a General Fund local assistance appropriation of \$4.7 million in fiscal year 2022-23 and ongoing to expand the number of library jurisdictions providing summer meal programs for students in low-income communities through the Lunch at the Library program. According to the State Library, the proposal would result in local libraries increasing the number of summer meals they serve by about 10 percent each year for the next five years, with the library summer meal count reaching approximately 500,000 by 2026.

***LAO Recommendation: Modify Proposal to Be Limited Term.*** Given the proposal's uncertain impact on summer food insecurity and the notable expansion in summer attendance underway at schools, the LAO recommends that the Legislature modify the proposal by making it limited term. For example, the Legislature could provide the program \$5 million one-time General Fund over three years. At the end of this period, the Legislature would have better information on the Lunch at the Library's impact, as well as ELOP's impact, on summer meal participation. The Legislature could then better assess whether an ongoing augmentation for the Lunch at the Library program is warranted.

***LAO Recommendation: Adopt Statutory Parameters, Reporting, and Evaluation.*** To assist legislative oversight over the proposed augmentation and inform future budget decisions in this area, the LAO recommend establishing parameters over the grants. Helpful parameters would include designating amounts for each grant purpose (such as start-up grants and grants to pilot new meal delivery approaches), prioritization criteria (such as prioritizing grants to libraries in counties with high rates of food insecurity), and performance milestones (such as achieving a 10 percent annual increase in the number of library sites and summer meals). Additionally, the LAO recommends requiring the State Library to collect and report certain data each November 1 over the initiative's funding period. At a minimum, the LAO recommends the report include the number of library jurisdictions and sites providing summer meals, the number of summer meals provided

at library sites, the number of non-library meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites. The LAO recommends that the report also include an evaluation component that would seek to assess the cost-effectiveness of the additional library summer meal sites relative to schools and other community-based sites.

**Staff Recommendation.** Approve as budgeted and adopt LAO’s specific recommendation on reporting.

**17. Re-benching State Library’s Rental Budget.** The proposed amount—\$2.2 million ongoing General Fund—would close the shortfall between actual rental costs and the State Library’s base rental budget beginning in 2022-23. The amount is tied to the estimated funding shortfall in 2021-22.

**Staff Recommendation.** Approve as budgeted

## 6980 CALIFORNIA STUDENT AID COMMISSION

### Issues 18-21: Student Aid Commission Vote Only Items

**18. Cash for College Program.** The Governor’s budget includes an increase of \$500,000 one-time General Fund to expand and supplement existing Cash for College Regional Coordinating Organizations that offer technical assistance to help complete college financial aid applications.

***LAO Recommendation: Recommend Approving Proposal and Adding Reporting Requirement.*** As part of the requirement to verify that high school seniors complete financial aid applications, districts are to direct students to relevant support services, including but not limited to CSAC’s outreach programs. Because this is likely to increase demand for Cash for College workshops, the LAO recommends adopting the Governor’s proposal to provide additional one-time funding for this program in 2022-23 (the first year of the requirement). Given that the new requirement is ongoing, there could be continued demand for student support beyond 2022-23. At this stage, however, many questions remain open about the implementation of the requirement—including what types of student support districts will provide, whether those activities will constitute a state-reimbursable mandate, which other entities will provide support, and what gaps in support will remain. The Legislature may wish to monitor these issues in the coming years to help inform its future decisions about the appropriate ongoing funding level for the Cash for College program. To that end, the LAO recommends the Legislature require CSAC to report on the Cash for College program’s activities in 2022-23, including the areas of the state covered, the number of workshops hosted, the number of students participating, and the number of applications completed.

**Staff Recommendation.** Approve as budgeted and adopt LAO’s recommendation on reporting.

**19. Learning-Aligned Employment Program.** The Governor’s budget proposes an increase of \$300 million one-time General Fund for the Learning-Aligned Employment program, which provides a two-year total of \$500 million when combined with funds provided to establish the program in the 2021 Budget Act. This augmentation was included in the 2021-22 budget agreement.

**20. Financial Aid Programs.** The Governor’s budget proposes an increase of \$479,000 ongoing General Fund for five positions at the California Student Aid Commission to support financial aid programs.

**Staff Recommendation.** Approve items 19-20 as budgeted

**21. Increase Dreamer Service Incentive Grant Award Amount and Redirect Unspent Funds to Dream Loan Program.** The proposed trailer bill language would increase the maximum DSIG award amount from \$1,500 to \$2,250 per semester (or from \$1,000 to \$1,500 per quarter). Under this proposal, full time students would in effect earn \$15 per hour of service—equivalent to the state minimum wage for larger employers. Part time students would continue to receive prorated awards. In addition, the proposed language would lower the limit on program participants from 2,500 students to 1,667 students at any one time to keep program costs within the current funding level.

The proposed trailer bill language would also allow the Director of Finance to transfer any unspent funds for the DSIG program beginning in 2021-22 to UC and CSU to support the Dream Loan program. These funds would be allocated to UC and CSU based on each segment’s share of Dream Loan recipients in the most recent year for which this data is available. Based on 2020- 21 data, about two thirds of the redirected funds would go to UC.

***LAO Recommendations: Modify Proposed Increase in DSIG Award Amounts.*** The LAO thinks that the Governor’s proposed increase to the maximum award amount is a reasonable way to increase participation in an undersubscribed program. However, the LAO recommends amending the language to remove the proration of awards for part-time students, as this would address an additional disincentive for these students to participate. With this amendment, the program would compensate both part- and full-time students at an hourly rate equivalent to the state minimum wage.

***Reject Redirection of Unspent Funds to Dream Loans.*** Given that current funding for the Dream Loan program is sufficient to meet demand, the LAO recommends rejecting the redirection of unspent DSIG funds to Dream Loans. Instead, the Legislature could allow unspent DSIG funds to revert to the General Fund. In future years, as more data becomes available on DSIG participation, the Legislature could revisit the ongoing funding level to align it better with demand, thus minimizing the amount of unspent DSIG funds.

***Add Reporting Requirement for DSIG Program.*** To inform future funding decisions, the LAO recommends further amending the proposed trailer bill language to require CSAC to submit a



report annually starting November 1, 2022 on the DSIG program. At a minimum, the LAO recommends this report include the number of program recipients and the total amount of aid provided in the previous award year, by segment. The Legislature may also wish for the report to include a list of organizations providing service opportunities under the program and the number of hours served at each organization.

**Staff Recommendation.** Adopt placeholder trailer bill language that includes, but is not limited to, the LAO recommendations to add a reporting requirement for DSIG, a modification of the proposed increase in DSIG award amounts to cover part-time students, and language that authorizes re-direction of unspent funds to Dream Loans.

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## DISCUSSION ITEMS

6440 UNIVERSITY OF CALIFORNIA  
6610 CALIFORNIA STATE UNIVERSITY  
6870 CALIFORNIA COMMUNITY COLLEGES

### Issue 22: Higher Education Student Housing Grant Program

#### Panel

- Jennifer Kaku, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California
- Lizette Navarette, Community College Chancellor's Office
- Vi San Juan, California State University

#### Background

California's housing crisis threatens the state's higher education goals of increasing access and improving affordability. For most students, housing costs are higher than tuition. Despite a significant recent student housing building boom at both the University of California (UC) and California State University (CSU), many campuses report waiting lists for on-campus housing, and students struggle to find affordable and safe off-campus options. Campus housing programs, which suffered losses during the COVID-19 pandemic, are struggling to fund new construction or renovation projects that keep student costs down and address local government and neighborhood concerns.

Historically, student housing has rarely been a discussion point for the education subcommittee, as the state does not traditionally support housing costs and has left campuses and the systems to develop and support their own housing programs, supported by student rent. Given the state's housing crisis, however, that is changing. In urban areas, local market rental rates – among the highest in the country - are forcing students to pack into apartments or homes, and in rural areas, many campuses do not have enough local housing to accommodate current or future enrollment levels.

***On-Campus Housing Is Most Common at UC.*** All UC and CSU campuses have on-campus housing programs, whereas only 12 (of 115) community colleges have student housing programs. Systemwide, UC houses the greatest share of its undergraduate students—37 percent in 2021-22. Among UC campuses, the share of undergraduate students housed ranges from 22 percent (Irvine) to 51 percent (Los Angeles). Based on the number of on-campus beds at each segment, we estimate approximately 15 percent of all CSU students systemwide and less than one percent of CCC students systemwide live in on-campus housing.

***CCC Housing Is Mostly at Rural Colleges and Decades Old.*** Prior to 2019, 11 community colleges had student housing programs. Almost all of these colleges were located in rural areas and had longstanding housing programs. In 2019, Orange Coast College opened a student housing facility with 800 beds. This student housing facility is the largest among the community colleges (more than four times larger than at any other, accounting for about one-third of all community college beds in the system). Santa Rosa Junior College recently secured financing for a 352-bed project through the California School Finance Authority. The authority completed a \$68.3 million revenue bond sale in summer 2021 for the project, which is intended to address severe housing shortages and high rental costs in the area due in part to recent wildfires. Community college districts also have the ability to utilize local general obligation bonds, which could be used to support housing projects if local voters approve. Data compiled by the Chancellor’s Office indicates that students pay on average about \$5,800 per year in a two-person room. These costs do not include food.

***Higher Education Student Housing Grant Program, and Capacity Expansion Grant Program created in 2021 Budget Act.*** SB 169 (Committee on Budget and Fiscal Review), Chapter 262, Statutes of 2021 created two new programs to support affordable student housing at the UC, CSU and CCC, and campus expansion projects at UC and CSU. SB 169 appropriates \$500 million one-time General Fund in 2021-22 for student housing projects and includes legislative intent to provide \$750 million in 2022-23 and \$750 million in 2023-24 for this purpose. This appropriation and proposed funding will be divided as follows: 50 percent to CCC, 30 percent to CSU, and 20 percent to UC. The law created a process for campuses to propose housing projects by October 2021 for inclusion in the subsequent budget act. The law also created the campus expansion program with legislative intent language to provide funding for this program in the future. Of the total \$2 billion one-time General Fund for the Higher Education Student Housing Grant program in 2021-22, \$25 million is available for CCC planning grants for student housing. The funds available in 2021-22 will be appropriated for specific projects and planning grants to be identified in subsequent legislation.

***State Funds Must Be Used to Add Affordable Student Housing Units.*** Statute sets forth a number of requirements for projects to qualify for grant funding. Most notably, rents for the state-funded on-campus housing units cannot exceed 30 percent of 50 percent of a campus’s area median income. This is a measure used in various federal and state affordable housing programs to gauge housing affordability for low-income residents. (Prior to the state adopting the new student housing grant program, campuses did not use this measure to set on-campus housing rental rates.) Campuses can co-locate units with rents above the statutory limit in the new buildings, so long as these standard-rent units are supported with nonstate funds. Other grant requirements include prioritizing affordable beds for low-income students and requiring students renting the affordable beds to enroll full time.

***Statute Suggests Several Factors to Consider When Prioritizing Projects.*** Statutory intent language indicates that the grants are to be allocated “to increase the current stock of affordable student housing, for purposes of supporting low-income students and facilitating low-income

student access to higher education.” Beyond this basic direction, statute suggests seven additional factors to prioritize projects, such as unmet student housing demand for a campus or service area and whether the projects are intersegmental. These seven criteria are outlined below.

*Higher Priority May Be Given to the Following Types of Projects*

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1. **Commercial Space Renovations.** Projects that convert commercial space into student housing.
2. **Share of Low-Income Students.** Projects serving higher shares of a campus’s low-income student population.
3. **Housing Demand.** Projects at campuses with relatively higher unmet demand for student housing.
4. **Construction Time Line.** Projects with earlier construction start dates.
5. **Geographical Coverage.** Projects that ensure representation of the state’s various regions and campuses.
6. **Intersegmental Housing.** Projects affecting at least two campuses from different segments.
7. **Enrollment Capacity.** Projects that expand enrollment capacity at the universities.

**Legislature and Governor Determine Grant Awards.** In contrast to most other grant programs, the Legislature and Governor, rather than a state agency, are tasked with administering the program and awarding grants. As specified in statute, this process begins with campuses submitting their applications to the Department of Finance (DOF). DOF then reviews the applications and submits its proposed list of projects to the Legislature. For the first round, statute required campuses to submit their applications to DOF by October 31, 2021, and DOF to submit its proposed list of projects to the Legislature by March 1, 2022. Due dates for subsequent rounds are not specified in statute. Ultimately, both the Governor and Legislature must agree to the final list of projects and appropriate funds for each project in the annual budget act. Thereafter, the segments must report annually on the status of their approved projects. For completed projects, the segments must also report annually for a five-year period on each project’s “public benefit” as related to the selection criteria described earlier.

**Administration Proposed List for 2021-22.** On March 1, 2022 DOF provided the Joint Legislative Budget Committee a list of projects proposed to be funded with the 2021-22 appropriation. The DOF’s proposed list of projects totalled \$488 million for the first round of funding.

**State Received More Applications Than Available Funding.** DOF received 115 applications for the first round of funding, consisting of 73 planning grant applications and 42 construction grant

applications. As the figure from the LAO below shows, the applications in total requested \$3 billion in grant funding, surpassing both the \$500 million designated for the first round and the \$2 billion designated for all three funding rounds combined.

### Figure 1: Housing Applications Exceeded Program Funding

*First Round of Applications (Dollars in Millions)*

	Number of Applications	State Funding Requested	Total Statutory Allotment
<b>Planning Grants</b>			
CCC	71	\$187	\$25
Intersegmental <sup>a</sup>	2	4	—
<b>Subtotals</b>	<b>(73)</b>	<b>(\$191)</b>	<b>(\$25)</b>
<b>Construction Grants</b>			
CCC	22	\$1,382	\$975 <sup>c</sup>
CSU	9	526	600
UC <sup>b</sup>	9	816	400
Intersegmental <sup>a</sup>	2	108	—
<b>Subtotals</b>	<b>(42)</b>	<b>(\$2,832)</b>	<b>(\$1,975)</b>
<b>Totals</b>	<b>115</b>	<b>\$3,023</b>	<b>\$2,000</b>

<sup>a</sup>Funding for intersegmental projects are split evenly between the participating segments' statutory allotments.

<sup>b</sup>Includes one application from Hastings College of the Law (\$219 million state funding).

<sup>c</sup>Assumes planning grant allotment comes out of the CCC total program allotment.

**State Share of Cost Varies Across Projects.** Of the 42 applications submitted for construction grants, 23 proposed covering all project costs using state funding and constructing only units that met the statutory affordability requirement. The remaining 19 projects proposed covering a portion of project costs with non-state funds (generally housing reserves or, for some CCC projects, local revenues), with 12 proposing to construct affordable beds only and 7 proposing to construct a mix of affordable and standard-rent beds. The share of project costs covered by non-state funds varied considerably by segment. For example, all ten CSU applicants (including one intersegmental project between Imperial Valley College and CSU San Diego) proposed covering 65 percent of

project costs from state funding and 35 percent from non-state funding, regardless of whether the project consisted of 100 percent affordable beds or a mix of affordable and standard-rent beds. The share of cost covered by non-state funds at UC and CCC varied by campus, with the share generally greater for projects with a mix of affordable and standard-rent beds.

***Administration Proposes Allocating \$488 Million for First Round.*** This amount consists of \$18 million for initial planning at CCC and \$470 million for construction projects. According to DOF, it selected construction projects based on three factors: (1) whether the project was intersegmental (with all eligible intersegmental projects automatically receiving top rank), (2) state funding per bed (with a lower amount yielding a higher rank), and (3) proposed rents of the new housing facilities relative to the statutory limit (with a lower share yielding a higher rank). The administration used this approach to sort projects into three groups: (1) projects proposed for first-round funding, (2) projects that were eligible for first-round funding but lower priority, and (3) projects that were ineligible for funding.

***Many Construction Projects Deemed Lower Priority.*** Of the remaining 34 construction project applications, 17 were considered eligible for a grant but deemed lower priority. That is, they met the statutory requirements of the program but were not intersegmental and had higher combined costs per affordable bed and rents than the proposed first-round projects. DOF plans to consider these projects for future funding rounds without the requirement that campuses resubmit their applications (though applicants can choose voluntarily to change and resubmit their proposals).

***Remaining Construction Projects Deemed Ineligible.*** DOF deemed the remaining 17 projects ineligible and excluded them from the project ranking process. Reasons why these projects were deemed ineligible include: (1) the campus applied for both planning and construction grants (thus signaling the project was not yet ready for construction), (2) the campus did not demonstrate the project would be financially feasible, (3) the project did not meet required parameters (such as by proposing rents above the statutory maximum), or (4) the application was submitted to DOF past the October 31 deadline. Projects initially deemed ineligible may address any identified shortcomings and resubmit their applications for future rounds of funding.

### **Governor's Budget Proposal for 2022-23**

In accordance with the 2021 Budget Act agreement, the 2022-23 proposed budget provides \$750 million one-time General Fund for the second installment of a planned \$2 billion one-time General Fund appropriation over a three-year period. This augmentation was included in the 2021-22 budget agreement.

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

The LAO believes that the new grant program and the Administration's recommended list of projects raise three main areas of consideration for the Legislature. The first area revolves around

the approach the Legislature could take to prioritize among projects. The second area involves project risks. Many proposed projects could face higher-than-expected costs, potentially undermining their impact, affordability, and even feasibility. The third area involves the many substantial issues that remain unresolved around student affordability and higher education facilities. In the following sections, the LAO discusses each of these areas and offers associated recommendations.

### **Alternative Approaches to Selecting Projects Exist**

***Administration’s Approach to Selecting Projects Is Reasonable.*** The LAO thinks that the Administration’s approach to selecting first-round projects generally is reasonable. The factors DOF uses to rank projects (primarily state funding per bed and the proposed rents) align with the program’s intent. The LAO further thinks the Administration’s approach of funding only the initial planning activities of the planning grant applications is reasonable, as most college applicants are in the very early stages of developing their projects. Moreover, the LAO thinks the Administration’s approach appropriately excludes projects from the first round that do not meet the statutory requirements or are not yet at the construction stage.

***Recommend Legislature Weigh Governor’s Approach Against Alternative Approaches.*** Although the LAO thinks that the Administration’s approach is reasonable, it is only one of many approaches the Legislature could take to select projects. Given the broad and varied guidance offered in statute, the Legislature could take many other approaches to selecting projects that still meet the program’s objectives. Ultimately, the Legislature’s goals and priorities will determine whether modifications to the Governor’s prioritization approach are warranted. Below, the LAO offer four ways the Legislature could consider modifying the Governor’s approach.

***Legislature Could Consider Other Approaches to Measure Project Affordability.*** Because 13 (of the 25) eligible projects proposed charging rents at 100 percent of the statutory limit, they all ranked equally affordable under the administration’s approach. One alternative that would yield more nuanced rankings would be to compare a project’s proposed on-campus rent to off-campus housing costs in the nearby community. Based on an initial review of data on off-campus rental rates submitted by the universities, the LAO found that this alternative approach could boost the rankings of a few projects at campuses in particularly expensive housing markets, such as those at UC Berkeley and UC Santa Cruz. It also lowers the rankings of several projects in lower-cost areas of the state. (As of the timing of the LAO’s brief, only a few community colleges had submitted to the LAO data on off-campus housing costs.)

***Legislature Could Consider Other Factors Too.*** DOF only directly considered one of the seven additional prioritization factors specified in statute—whether the project is intersegmental. (As DOF’s approach yields projects located throughout the state, it also aligns with the statutory factor of ensuring geographic coverage.) The Legislature might wish to incorporate other factors in lieu of or in addition to the factors used by the Administration. For example, the Legislature might wish to prioritize projects in areas with particularly constrained housing markets and high unmet demand for student housing. If so, the Legislature could use measures of unmet housing demand to rank projects, such as waitlists for on-campus housing or off-campus housing vacancy rates in

the surrounding area. The Legislature might also prefer prioritizing projects with relatively early construction start dates. For example, the joint Imperial Valley College-CSU San Diego project, which DOF ranks first in its list, is not scheduled to begin construction until early 2024, whereas other lower-ranked projects are scheduled to begin construction as early as 2022.

***Legislature Could Prioritize Projects That Leverage Non-state Funds.*** Though several applicants proposed covering a portion of their project costs with non-state funds, more than half of applicants did not do so. Encouraging more non-state funding contributions could permit some projects to construct additional affordable beds. It also might encourage some projects to construct more standard-rent beds. In either case, the overall stock of on-campus housing could be increased. Were the Legislature interested in encouraging more non-state funding, it could provide higher ranking for projects with non-state funding. Alternatively, it could direct first-round grantees to submit an adjusted proposal that meets some minimum threshold (for example, 10 percent of project costs covered with non-state funds). Given the end of this year's budget cycle is just a few months away, the Legislature would want initiate this request soon if it were interested in pursuing it. The Legislature also could influence applications in future rounds by amending statute to include specific expectations regarding non-state funding contributions.

***Legislature Could Award More Grant Funding This Budget Cycle.*** The Legislature could alter statute to support more than \$500 million in projects this year. On the one hand, approving more projects this year would enable campuses to commence with projects sooner, thereby increasing housing stock more quickly and avoiding higher construction costs in future years. The Legislature might find this approach particularly appealing given the relatively high inflation the state currently is experiencing. On the other hand, the Legislature might prefer to hold off on approving more projects and instead allow campuses more time to submit better applications in future rounds. According to the segments, some campuses already have expressed interest in revising their projects to make them more competitive and correct for any deficiencies.

### **Proposed Housing Projects Come With Risks**

***Cost Overruns Could Undermine Objectives of Grant Program.*** Though all capital projects are susceptible to cost overruns, the LAO views this risk as particularly salient for the proposed student housing projects. These risks are highest for CCC, as most community colleges have no experience constructing and operating any on-campus housing facilities. Given this lack of experience, campuses might be more likely to misjudge their projects' financial feasibility, construction costs, or student demand. Cost overruns could put campuses and the state in a difficult situation. Campuses might face pressure to cover the higher costs by raising rents or constructing fewer affordable beds, thereby undermining the program's intent. Alternatively, the state could face pressure to cover cost overruns to preserve a project's feasibility and affordability, thereby potentially increasing program costs significantly.

***Recommend Requiring Projects to Have Contingency Plans.*** Given the risks present with these projects, the LAO thinks the Administration's approach of ensuring minimum funding amounts for contingency is warranted. To further protect the state, we recommend requiring first-round award recipients to submit plans documenting non-state fund sources they would use to cover any



further cost overruns. This action would better signal legislative intent that campuses, rather than the state, bear the risks of their projects. (The LAO also note sthat UC, CSU, and CCC campuses already tend to cover cost overruns from non-state sources for their state-funded academic facility projects.) Looking ahead to the remaining grant rounds, the LAO recommends the Legislature adopt in statute minimum project contingency expectations (for example, five percent for UC and CSU and 10 percent for CCC) and intent language specifying that campuses cover any further cost overruns from nonstate sources.

***Recommend Adopting Notification Process.*** The LAO further recommends that the Legislature take measures to improve its oversight of project cost and scope changes. Specifically, the LAO recommends granting the Administration the ability to authorize changes to a project’s cost or scope, but only with 30-days advance notification to the Legislature. To ensure campuses have adequate flexibility to manage their projects, the LAO recommends only triggering this notification process when the change is greater than 10 percent over what was projected in the original application (that is, if costs are more than 10 percent higher than expected and/or affordable beds are 10 percent lower than expected). This process would allow both the Legislature and the administration to be active participants in the project implementation process, ensuring that the selected projects continue to align with program goals. The LAO also notes that other state capital outlay programs have similar notification processes for cost and scope changes.

***Recommend Strengthening Reporting Requirements.*** Finally, the LAO recommend the Legislature strengthen the program’s existing statutory reporting requirements in two ways. First, the LAO recommend specifying what the segments must include in their annual program reports. Currently, statute offers little guidance on the content of the reports, instead giving the segments flexibility to determine the content and thus potentially undermining the Legislature’s ability to compare progress across segments and projects. At a minimum, the Legislature could require these annual reports to include updated project construction costs, updated project time lines, projected or actual rents of the new housing facilities, the projected or actual number of affordable beds, and occupancy rates for completed projects. In addition to providing consistent project-level information, this information would provide the Legislature better data moving forward on the kinds of projects that are particularly susceptible to cost and scope changes. Second, the LAO recommends requiring the segments to submit their reports each November, ahead of the upcoming legislative session.

### **Many Notable Issues Remain Unresolved**

***State Lacks Integrated Framework for Assessing Housing Affordability in College Context.*** The new student housing grant program is modeled off of programs generally intended to gauge housing affordability for low-income families living in the community. College students, however, can be dependents of their parents. In these cases, households already must cover housing costs for their primary residences and thus likely cannot afford to allocate an additional 30 percent of their income to house their respective college students on campus. Moreover, housing is only one of the costs that traditionally have been embedded within the concept of college affordability. In the college context, policymakers have long focused on students’ total cost of attendance (tuition

and living costs). Moving forward, the Legislature may wish to work with the segments, student groups, policy experts, and other stakeholders to develop a more integrated framework that considers student housing affordability within the broader context of overall college affordability and student financial aid programs.

***Difficult to Assess Initiative’s Impact on College Affordability.*** Many UC, CSU, and CCC campuses are located in areas with particularly constrained housing markets and relatively high housing costs. Efforts to construct housing in these areas—whether on-campus student housing or off-campus housing—will help mitigate these constraints. Based on the low thousands of affordable beds to be constructed in the first round, relatively few of the millions of students across the three systems, however, are likely to benefit directly from the program. That said, as the cost and scope of many projects likely will change, it is too early to assess how many students ultimately will benefit from the program or measure the overall reduction in living costs for low-income students.

***Low-Income Students Likely Will Continue to Have Substantial Unmet Financial Need.*** Even if the new affordable housing units successfully offer some students lower-cost housing options, many low-income students at CSU and CCC likely will continue to face affordability challenges. This is because financial aid at these segments primarily focuses on covering the cost of tuition, providing substantially less coverage for living costs. (In contrast to CSU and CCC, UC fully covers financial need for its students, after assuming students cover a portion of total attendance costs from parent contributions, working part time, and borrowing.) Previous analyses have estimated the cost to cover remaining financial need to be in the low billions of dollars. Though the state recently revamped the Middle Class Scholarship program to substantially increase living cost aid for low- and middle-income students at UC and CSU, the revamped program has no set time line for reaching full implementation.

***Legislature Also Faces Substantial Academic Facility Issues.*** Traditionally, the state has focused its higher education capital funding on academic facilities (such as classrooms, lecture halls, and laboratories), which are not self-funded from student charges but rely primarily on state funding. The state continues to face many substantial academic facility budget priorities. For example, all three segments report substantial academic facility maintenance backlogs (UC with \$7.3 billion, CSU with \$5.8 billion, and CCC with \$1.2 billion). Moreover, the segments have billions of dollars in seismic safety upgrades they could make. As we have noted previously, campuses at all three segments also do not spend enough money to keep their facilities in good condition and prevent their backlogs from growing. Addressing these existing critical capital issues is important—potentially mitigating life-safety hazards, avoiding disruptions to state programs, and minimizing future escalation in repair costs. Funding student housing projects leaves less budget capacity to support these and other high-priority academic facility issues.

***Recommend Legislature Keep Key Trade-Offs in Mind Moving Forward.*** The Legislature likely does not have enough budget capacity to fully address all of the above issues over the coming years. The LAO therefore recommends the Legislature to begin thinking about which of its higher education objectives are of highest priority relative to other areas of the state budget, then pursue

the most cost-effective, efficient, and equitable activities to accomplish these objectives. For example, should the Legislature spend its next dollar to support more affordable housing projects, expand need-based financial aid, or address the segments' substantial maintenance backlogs? The LAO thinks that reflecting now on the difficult trade-offs raised by these choices will help focus the Legislature's higher education budget decisions in the coming years.

### **Senate "Putting California's Wealth to Work for a More Equitable Economy" Proposal**

In recognition that the housing applications exceeded program funding, and the need to avoid cost overruns by not funding shovel ready projects, the Senate's spending plan proposes to include an additional \$1.5 Billion one-time non-Proposition 98 General Fund in 2022-23 to increase the available funding in the Higher Education Student Housing Grant Program. This would increase the total amount available for grants from \$2 billion to \$3.5 billion. The Senate also expresses the intent to appropriate the 2021-22 and 2022-23 funding to cover all eligible projects from the initial round of applications and have remaining funds cover the next round of applications.

The Senate proposes adoption of trailer bill to make refinements to subsequent rounds of the program's application process, including but not limited to, the LAO's recommendations to address cost overruns, project requirements to have contingency plans, a notification process, and reporting requirements for all projects funded in the first application round and any submitted project proposals in subsequent rounds.

### **Suggested Questions:**

- We ask CSU, CCC, UC, and Administration to comment on the LAO recommendations and analysis.
- What was DOF's rationale for selecting projects?
- CCC, CSU, and UC: What challenges, if any, did you observe during this application process? In addition to LAO's suggested refinements, do you have any suggestions for improving this process going forward?
- DOF and LAO: Do you have any analysis or comments on the effectiveness of another state agency for this implementing this program?

**Staff Recommendation.** Hold Open.

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**Issue 23: Higher Education Compacts with UC & CSU and Roadmap with CCC****Panel**

- Rebecca Kirk, Department of Finance
- Jennifer Pacella, Legislative Analyst’s Office
- Seija Virtanen, University of California
- Lizette Navarette, Community College Chancellor’s Office
- Ryan Storm, California State University

**Background**

The Governor’s budget includes multi-year compacts with the University of California (UC) and California State University (CSU) and a multi-year roadmap with the California Community Colleges (CCC) that focus on shared priorities benefitting students.

Under these compacts, the Governor proposes to provide CSU and UC with five percent annual base increases over each of the next five years. Whereas the Governor proposes enrollment growth funding on top of the base increases in 2022-23, the universities would be required to accommodate one percent annual resident undergraduate enrollment growth within their base increases over the remainder of the compact period (2023-24 through 2026-27).

The roadmap for CCC is somewhat different than the compacts for CSU and UC. For CCC, the Governor announced his interest in establishing a multiyear “roadmap,” but this roadmap does not commit to future base increases for the colleges. Instead, it leaves these base increases to be determined depending upon available Proposition 98 funds in future years.

***Governor Sets Many Expectations for the Segments.*** The *Governor’s 2022-23 Budget Summary* specifies a total of 55 expectations for the segments (15 for CCC, 22 for CSU, and 18 for UC). As part of his multiyear CCC roadmap and university compacts, the segments would have up to five years to meet most of the expectations. As Figure 3 shows, these expectations focus on student access, student success and equity, college affordability, intersegmental collaboration, workforce alignment, and online education. Some of the expectations build off existing initiatives developed by the segments. For example, all the segments have initiatives with graduation and equity goals that are the same or similar to those in the Governor’s compact. Other expectations, however, are driven primarily by the administration. For example, the Governor would like the universities to use a common integrated admissions platform, a common learning management system, and a common tool for measuring equity gaps. Though the Governor lists his expectations in his budget summary, he does not intend to have them codified. Moreover, to date, the Administration has set forth no specific repercussions were a segment to miss one or more of the expectations. The Department of Finance (DOF) indicates that the Administration reserves discretion to propose smaller future base increases were a segment not to demonstrate progress in meeting its expectations.

**Figure 3: Expectations Specified in Governor’s 2022-23 Budget Summary**

	CCC	CSU	UC
<b>Access</b>			
Increase resident undergraduate enrollment annually		X	X
Maintain minimum proportion of new transfer students		X	X
Increase graduate enrollment			X
<b>Student Success and Equity</b>			
Increase student completions rates by specified amounts	X	X	X
Decrease average units to completion and time to completion	X		
Increase number of students transferring to CSU and UC	X		
Annually publish specified student completion rates	X		
Advance re-enrollment campaigns and establish retention goals		X	
Expand credit opportunities in intersessions and summer sessions		X	
Provide every student access to digital degree planner		X	
Close specified achievement gaps for underrepresented and Pell Grant students	X	X	X
Close equity gaps in dual enrollment programs	X		
<b>Affordability</b>			
Create debt-free pathway for every undergraduate student			X
Reduce textbook and instructional material costs		X	X
Increase proportion of new tuition revenue set aside for financial aid			X
Include student housing projects in capital campaigns		X	X
<b>Intersegmental Collaboration</b>			
Fully participate in implementation of the Cradle-to-Career data system	X	X	X
Support campuses in adopting a common learning management system	X	X	X
Develop common tool to identify trends to address equity gaps	X	X	X
Support efforts to establish common integrated admissions platform	X	X	X
<b>Workforce Alignment</b>			
Increase percentage of high school students completing a semester of college credit through dual admission	X		
Establish baseline for prior-learning credit and launch new direct-assessment competency-based education programs	X		
Increase percentage of completing students earning a living wage	X		
Establish/expand programs in early education, education, health care, and climate action fields	X		
Establish coordinated educational pathways for high school students in education, health care, technology, and climate action fields	X	X	X
Develop new transfer pathways in education, health care, technology, and climate action fields		X	X
Increase number of early education degree pathways available to students		X	

Increase number of students enrolling in early education, education, STEM, and social work fields		X	
Increase number of students graduating with early education, education, STEM, and academic doctoral degrees			X
Establish goal to enable all students to participate in at least one semester of undergraduate research, internships, or service learning		X	X
Double opportunities for students who want research assistantships or internships		X	
<b>Online Education</b>			
Increase online course offerings above pre-pandemic levels		X	X
Increase concurrent online enrollment		X	
Expand digital tools for students to access online learning materials		X	
<b>STEM = science, technology, engineering, and mathematics.</b>			

### Legislative Analyst’s Office Assessment and Recommendations

**Legislature Has Various Budget Options.** The Legislature may want to consider some different budget options than those proposed by the Governor. Overall, the LAO continues to recommend the Legislature take a more transparent budget approach—one that links state funding increases with clear spending priorities. For the community colleges, the Legislature could consider redirecting some of the funds the Governor proposes for new activities, including new one-time activities, toward addressing colleges’ core underlying cost drivers, including rising pension costs and unfunded pension liabilities. For CSU, the Legislature could consider a somewhat higher base increase for 2022-23 among its spending priorities, if revenues allow. In the outyears, the Legislature could consider the potential benefits of tuition increases in helping all the segments cover core cost drivers.

**Compacts Historically Have Not Been Accurate Guide for the Future.** The LAO cautions the Legislature against putting too much stake in the Governor’s outyear commitments to the universities. Former governors rarely been able to sustain their compacts over time. In some cases, changing economic and fiscal conditions in the state have led governors to suspend their compacts. For example, in 2009-10, Governor Schwarzenegger proposed eliminating all of his higher education compact funding “as part of solutions to address the fiscal crisis.” Though compacts sometimes are thrown off course by adverse state fiscal conditions, they also can be altered due to improved state fiscal conditions. For example, in 2015-16—a year of notable state revenue growth—the Legislature approved ongoing funding increases beyond those proposed under Governor Brown’s compact.

**Odd Inconsistencies in Expectations Across Segments.** As described by DOF, the Administration established expectations in coordination with each of the three segments individually. This segment-specific development of the expectations might account for the odd inconsistencies evident in the list. One of the major oddities is that some expectations apply to only one rather than all of the segments. For example, the Governor expects only UC to offer its undergraduates a

debt-free college pathway by 2030. Only CSU is expected to establish retention goals for continuing students, and only CCC is expected to increase the percentage of completing students who go on to earn a living wage. Another oddity is that some of the expectations are much more ambitious for some segments. For example, the Governor has no expectation that community colleges reduce their textbook and instructional material costs, whereas he expects CSU “to reduce the cost of instructional materials by 50 percent by 2025” and UC “to eliminate textbook costs for all lower-division undergraduate courses.”

***Key Cost Data Is Missing.*** Typically, when the state wants to accomplish a policy objective, it specifies the objective in statute, estimates the cost of achieving the objective, and provides funding to meet the objective. In contrast, the Governor’s 55 expectations are not linked directly with cost estimates. For example, the Governor provides no estimate of the amount it would cost UC to provide every undergraduate a debt-free education pathway or the amount it would cost CSU to ensure “every student has access to appropriate technology for online learning.” Especially given some of the expectations likely have high costs, the segments could face difficult fiscal choices in meeting expectations within their base funding allotments. These choices could become even more difficult were a segment to have its base funding reduced unexpectedly due to not meeting one or more of its goals. Moreover, some of the choices the segments ultimately might make could run counter to legislative priorities.

***Compact Undermines Legislative Authority.*** Though the inconsistencies in the expectations and lack of cost data are troubling, more troubling is the Governor’s overall approach of building a compact. The Governor’s approach of working directly with each of the segments to build multiyear budget agreements and establish performance expectations has the fundamental problem of sidestepping the legislative branch of government. The Legislature is responsible both for enacting annual state budgets and crafting policy aligned with those budgets. Throughout the upcoming 2022-23 budget process (as with any annual budget process), the Legislature will set the segments’ funding levels and decide what conditions to attach to that funding. Moreover, the Legislature can identify areas of common interest with the Governor and segments and then work with them collaboratively over the coming months to make progress in these areas.

***Linking Expectations to Appropriate Repercussions Requires More Deliberation.*** If the Legislature is interested in creating additional ways to improve the segments’ performance through stronger fiscal hooks, then it likely would need to dedicate substantial time and deliberation to the endeavor. Over the years, the Legislature has considered many ways of incentivizing the segments to improve their outcomes, ranging from requiring performance reporting to creating categorical programs linked to specific improvement objectives to developing new funding formulas with performance components. One of the more notable and recent of these efforts occurred in 2018-19 when the Legislature adopted a new budget formula that linked a portion of apportionment funding to community colleges’ performance. As with this new budget formula, past legislative efforts have entailed complex deliberations about what performance to measure, how to measure it, what benchmarks to set, and what enforcement mechanisms to institute. The Governor’s CCC roadmap and university compacts foray into some of these areas (such as what to measure), but other areas (such as enforcement and fiscal repercussions) remain unaddressed.

## **Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposals**

Over the course of this agenda, the Senate’s spending plan includes additional proposes that strengthen the higher education compacts and roadmap with segments to advance student outcomes, reduce time to degree, continue enrollment of CA students, and recruitment and retention of low-income and first-generation students.

### **Suggested Questions for the Administration:**

- Walk us through how this compact will work? How are the segments overseen for non-compliance to the compacts?
- What updates and refinements should the Legislature expect to see at the May Revision?
- What are the Administration’s goals and expectations for intersegmental collaboration?
  
- On UC and CSU related to enrollment growth, what percentage of their base allocation does DOF expect either UC or CSU to use to pay for more students? How does this affect its ability to hire staff to offer more course offerings to meet the needs of additional students – particularly reducing time to degree?
- We would like more specifics on out-year growth anticipated as part of this compact. How many students account for one percent growth as part of the expected CSU and UC enrollment increases? How was this expected growth determined?
- Can you provide us with an update on the CCC enrollment trends, proposed enrollment growth, and the retention strategies that the CCC expects to take in addition to those proposed in the Governor’s budget? How are these factors in the CCC roadmap?

**Staff Recommendation.** Hold Open until after May Revision

6440 UNIVERSITY OF CALIFORNIA  
 6610 CALIFORNIA STATE UNIVERSITY  
 6870 CALIFORNIA COMMUNITY COLLEGES  
 6980 CALIFORNIA STUDENT AID COMMISSION

## **Issue 24: Senate “Putting Wealth to Work” Proposals for Financial Aid Reform**

### **Panel**

- Lisa Qing, Legislative Analyst’s Office

### **Background**



On February 1, 2022 Subcommittee No. 1 began its higher education slate of discussions with robust conversation on the state of financial aid. In that hearing, the subcommittee discussed multiple outstanding remaining barriers to financial aid.

***Student Debt in CA as of 2020.*** Students that attend California public colleges and universities have some of the lowest debt in the nation upon graduation. According to the Project on Student Debt, by The Institute on College Access and Success (TICAS), average student debt at graduation in 2020 ranged from \$18,350 in Utah to \$39,950 in New Hampshire, and new graduates' likelihood of having debt varied from 39 percent in Utah to 73 percent in South Dakota. In nineteen states, average debt was more than \$30,000, and it was over \$35,000 in six states.

In 2019-20, 46 percent of California college graduates had student loan debt. The average debt load of a California college graduate in 2019-20 was \$21,125, placing the state third lowest in the nation on this measure. In 2019-20, 44 percent of students graduating from UC had some form of student loan debt, with an average amount of \$18,101. At CSU, 49.8 percent of students who graduated in 2016-17 had some form of student loan debt, with an average amount of \$17,346.

***Middle Class Scholarship Program (MCS) 1.0 and 2.0.*** MCS started in 2014, and is only available to eligible students attending UC or CSU. Under the first iteration of the program, MCS 1.0, students with household incomes and assets each under a certain ceiling (currently \$191,000 in 2021-22) may qualify for an award that covered a portion of their tuition and systemwide fees (when combined with all other public financial aid). CSAC provided these scholarships to eligible students who fill out the FAFSA. This program significantly changed as part of the 2021 Budget Act in the following ways:

- AB 132 specifies that starting with the 2022-23 academic year; an eligible student shall receive aid that helps cover *the total cost of attendance* at UC and CSU. The award amount for each student is now based on the difference between the cost of attendance and other financial aid and family and student contributions.
- The budget agreement noted that funding for MCS program will increase by \$515 million in 2022-23, bring total funding to \$632 million. SB 169 requires UC and CSU to provide at least the same level of institutional financial aid for students as provided in 2021-22.

The law also requires UC and CSU to report on information regarding program participation, student loan amounts, and cost-of-attendance, among others, as specified. The law also clarifies the award amount for students enrolled part-time.

Another key difference from the original MCS program is that UC and CSU students receiving tuition coverage through Cal Grants or other financial aid programs (who typically are lower-income students) will be newly eligible for MCS awards under the revamped program. Middle- and higher-income UC and CSU students generally will remain eligible for MCS awards. The revamped program generally maintains the income and asset ceilings in the original program, adjusted for inflation. For 2022-23, the maximum annual household income to qualify for an MCS

award will be \$201,000 for dependent students. (For context, about 90 percent of tax filers in California are beneath this cap.)

***Revamped MCS Program Is Much Costlier Than Original Program.*** In fall 2021, CSAC prepared a cost estimate for the revamped MCS program using more detailed student-level data than was available when the 2021-22 budget was enacted. Based on CSAC’s estimate, it would cost \$2.6 billion to cover 100 percent of each student’s remaining costs after accounting for the students’ available resources (other gift aid, a student work contribution, and any applicable parent contribution). This is about \$300 million more than the initial cost estimate at the time of budget enactment. At full implementation, the MCS revamped program would cost about 20 times more than the original program and only slightly less than the Cal Grant program.

***Cal Grant Expansion in 2021 Budget Act.*** AB 132 (Committee on Budget) Chapter 144, Statutes of 2021 established the California Community College Expanded Entitlement Awards, which eliminates the age and time out of high school Cal Grant eligibility requirements for CCC students. The bill specified that CCC Expanded Entitlement Awards may retain their Cal Grant Award when they transfer to a UC or CSU. The budget provided \$152.8 million for this purpose.

***Cal Grant Equity Framework, AB 1456 Veto, and AB 1746 (2022).*** In the fall of 2019, CSAC – pursuant to a request from state legislative leaders who focus on higher education access and affordability issues – convened a Cal Grant Reform Work Group (Work Group) to make policy and fiscal recommendations for modernizing state financial aid. On March 6, 2020, CSAC released a follow-up publication entitled “Cal Grant Modernization: A Vision for the Future” that incorporated the recommendations of the Work Group. The new Cal Grant Equity Framework proposed by the Student Aid Commission would establish a “Cal Grant 2” for to provide a non-tuition award for CCC students and a “Cal Grant 4” to provide a tuition award for students at public universities or defined award amounts for students at private institutions.

- Cal Grant/2 was proposed to expand grant aid for low-income CCC students who meet specified requirements by starting at the 2020-21 level (\$1,648) and adjusting the level annually with a COLA. Access grants were proposed to help defray non-tuition costs, such as housing, food, transportation and other educational expenses. The proposed Cal Grant/2 also included access for returning adults and students with dependents.
- Cal Grant/4 was proposed to guarantee financial aid to cover tuition and fees for low to middle-income students who meet specified requirements and attend a qualifying four-year college or university (UC, CSU, or Cal Grant eligible private institution). Cal Grant/4 was proposed to increase access to baccalaureate pathways for returning adults. Cal Grant/4 provides awards regardless of year in school and urges colleges and universities to target institutional financial aid resources to fund non-tuition access awards for the highest need students.

AB 1456 (Medina, McCarty, and Leyva) would have enacted the Cal Grant Equity Framework for financial aid awarded during the 2022-23 academic year. However, citing “significant cost

pressures to the state, likely in the hundreds of millions of dollars annually,” as well as the investments and agreements made in the 2021 Budget Act, the Governor vetoes the bill. Since then a new policy vehicle, AB 1746 was introduced and it contains several reforms also contained within AB 1456.

**Student Success Completion Grant (SSCG).** The Student Success Completion Grant (SSCG) is a financial aid program for Cal Grant B and C recipients attending a California Community College full-time (12 units or more). The purpose of the SSCG grant award is to provide the student with additional financial aid to help offset the total cost of community college attendance, and to encourage full time attendance and successful on-time completion. SSCG pays a maximum of \$1,298 annually at \$649 per semester for eligible students who enroll and attend 12 through 14.99 units per term and a maximum of \$4,000 annually at \$2,000 per semester for eligible students who enroll and attend 15 units or more per term.

**Remaining Gaps in Financial Aid Reform.** The following gaps were identified and highlighted on February 1, 2022 in Subcommittee No. 1:

1. **Total Cost of Attendance, COVID-19 Impacts, and Federal Assistance.** While California has one of the country’s most robust financial aid systems, it is primarily focused on covering tuition costs.
2. **Complexity of the Cal Grant program.** There are currently eight different types of Cal Grant with varying requirements based on income, GPA, and the segment they attend. The complexity of the Cal Grant makes understanding and predicting the availability of financial aid very challenging, particularly for first-generation students. Other state efforts to help families plan and save for their student’s postsecondary education could be advanced by establishing a more user-friendly and understandable state financial aid system.
3. **GPA requirements for Cal Grant.** Students must still provide a transcript or college GPA to demonstrate eligibility for Cal Grant entitlements. This is not in line with the open-access nature of community colleges that serve adult learners who may not have ready access to their transcript or do not meet the 2.0 GPA requirement. Because 40 percent of community college students are 25 and older, many may be unable to get their transcripts from high schools.

There are also three different GPA requirements (2.0 for Cal Grant B, 2.4 for the Transfer Entitlement, and 3.0 for Cal Grant A) for students at four-year institutions depending on the type of Cal Grant for which they are eligible, which leaves gaps in coverage depending on a student’s income and qualification for a Cal Grant A or B.

4. **Time out of high school requirement for incoming students who go directly to UC, CSU, and private institutions.** Students must still apply for aid within one year of high

school graduation to qualify for a Cal Grant entitlement if they enroll at a four-year institution.

5. **Age cap on transfer student access to Cal Grants.** Students that do not receive a Cal Grant while at CCC or that transfer to a private institution are only eligible for a Cal Grant entitlement if they are under age 28 by Dec. 31 of the award year. This creates a barrier to financial aid access for adult learners or students that are advised to retain their Cal Grant eligibility until they enroll at a four-year institution.
6. **Supplemental Cal Grant support for foster youth and students with dependent children lacking for those attending an independent nonprofit college or university.** Over the past two years, the state has created \$6,000 supplemental Cal Grant awards for these students; however, that eligibility is currently limited to such students attending a University of California, California State University, or California Community College.
7. **Transfer entitlement portability for community college transfer students to cover students transferring to an independent nonprofit college or university.** The elimination of age and time out of high school restrictions for community college students to access a Cal Grant award led to the expansion of access for these awards. If a CCC student transfers to a private university, then they are unable to bring their CCC Expanded Entitlement award with them however.

### **Governor’s Budget Proposals**

Relevant financial aid proposals include the following:

**Middle Class Scholarship 2.0 proposal funds 24 percent of program costs.** The Governor’s budget proposes an increase of \$515 million ongoing General Fund, for a combined total of \$632 million, to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student’s total cost of attendance. As previously mentioned, this augmentation was included in the 2021-22 budget agreement. The table below shows recipients, total spending, and average award amount. The increase in recipients and total spending reflect changes due to the 2021 Budget Act.

#### **Middle Class Scholarships**

	<b>2020-21 Actual</b>	<b>2021-22 Estimated</b>	<b>2022-23 Projected</b>
Recipients	55,421	59,850	360,112
Total spending (in millions)	\$114	\$117	\$632
Average award	\$2,060	\$1,955	\$1,755

**Cal Grant Program Adjustments.** The Governor’s budget proposes a decrease of \$43.8 million one-time General Fund in 2021-22 and an increase of \$143.8 million ongoing General Fund in 2022-23 to reflect: 1) Revised estimates of the number of new and renewal Cal Grant awardees in 2021-22 and 2022-23 and 2) The impact of the UC’s recently adopted cohort-based tuition model, which increases Cal Grant tuition and fee award amounts for some UC students beginning in the 2022-23 academic year.

The state’s Cal Grant entitlement program is now estimated to provide over 502,000 financial aid awards to students who meet specified eligibility criteria in 2022-23, including more than 170,000 awards to CCC students newly eligible due to the entitlement expansion made in the Budget Act of 2021. Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for one of 13,000 proposed competitive Cal Grant awards. The majority of these awards provide a stipend to cover some living expenses, such as housing, food, and transportation.

### Cal Grants

	2020-21 Actual	2021-22 Estimated	2022-23 Projected
Recipients	373,557	464,660	502,433
Total spending (in millions) <sup>a</sup>	\$2,240	\$2,604	\$2,792
Average award <sup>a</sup>	\$5,997	\$5,604	\$5,556

<sup>a</sup> Includes spending on Students with Dependent Children and Foster Youth supplemental awards. Excludes College Access Tax Credit. Excludes Dreamer Service Incentive Grant.

**CCC Student Success Completion Grant Adjustments.** The Governor’s budget includes \$100 million Proposition 98 General Fund ongoing as a caseload adjustment to cover the increased number of students eligible for the award because of last year’s CCC Entitlement Expansion. As a result of this proposal, funding would increase for this program to \$263M ongoing.

### Senate “Putting California’s Wealth to Work for a More Equitable Economy” Proposals

The Senate’s spending plan includes the following proposals in addition to the Governor’s January Budget proposals.

**Cal Grant Improvements.** \$176 million in 2022-23, \$185 million in 2023-24, \$192 million in 2024-25, and \$193 million in 2025-26 and ongoing for Cal Grant improvements as transition to broader reforms, including increasing the non-tuition award for Cal Grant B and C students, to help offset growing costs of living, and extending elements of last year’s improvement for low-income students attending independent, nonprofit colleges and universities. This specifically includes the following:

1. \$149 million General Fund in 2022-23, \$159 million in 2023-24, \$166 million in 2024-25, and \$167 million in 2025-26 and ongoing to increase Cal Grant B awards by \$500 and increase the maximum Cal Grant C book and supply award would increase by \$332 at CCC and \$166 at all other segments.
2. \$5.5 million General Fund in 2022-23 and ongoing to provide an increase in the award amount, from \$9,220 to \$9,358 for the approximately 28,000 Cal Grant students attending an independent, non-profit California College and Universities (ICCU).
3. \$10 million General Fund in 2022-23 and ongoing to extend supplemental Cal Grant support for foster youth and students with dependent children to those attending an ICCU.
4. \$10.4 million General Fund in 2022-23 and ongoing to improve regional transfer for low-income students by extending transfer entitlement portability for community college transfer students to those transferring to an ICCU.

**Double CCC Student Success Completion Grant.** \$250 million Proposition 98 General Fund in 2022-23 and ongoing to double the Student Success Completion Grant (SSCG)--specifically to provide a total of \$8,000 for students taking 15 units and \$2,600 for students taking 12 units. The SSCG offsets total cost of college attendance, to encourage full time attendance, and successful on-time completion. This proposal with the Governor’s proposal would raise the ongoing funding to \$513 Million Proposition 98 ongoing.

**Debt Free College by 2025-26.** \$227 million additional General Fund in 2022-23 for next step in funding the Middle Class Scholarship at 33 percent of program costs to reduce student debt, and growing to an additional \$2 Billion General Fund to fully fund MCS beginning in 2025-26 to provide Debt Free College for all lower and middle income CSU and UC students.

**Staff Recommendation.** Hold Open

**6440 UNIVERSITY OF CALIFORNIA**  
**6600 HASTINGS COLLEGE OF THE LAW**

### **Issue 25: Various Senate “Putting Wealth to Work” Proposals**

#### **Panel**

- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California
- David Seward, Hastings College of the Law

#### **Background**

On February 9, 2022, Subcommittee No. 1 discussed the UC’s proposed budget, one-time and ongoing cost considerations, and Governor’s proposed budget for UC.

**Governor’s Proposed Budget for UC in 2022-23.** The Governor’s budget increases ongoing General Fund for UC by \$307.3 million and provides a total of \$295 million for one-time

initiatives. Base increases and enrollment growth account for nearly all new proposed ongoing spending for UC and deferred maintenance (\$100 million) accounting for about one-third of proposed one-time spending.

**UC Budget Request for 2022-23.** UC requested an increase of \$422.1 million General Fund ongoing. Specifically, UC requested an additional: (1) \$251.5 million ongoing General Fund to sustain core operations such as address retirement and health benefit increases, faculty merit increases, contractually committed compensation, salary increases, and capital outlay debt service, (2) \$ 129.1 million to close equity gaps in graduation, offset lost nonresident tuition revenue, and cover 2022-23 enrollment growth, and (3) \$41.5 million to cover high-priority initiatives such as converting one-time Student Academic Preparation and Educational Partnerships funds to ongoing, support programming for Foster/Undocumented /Carceral system-impacted students, and the UC Cancer Consortium.

### **Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposals**

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor’s January budget.

<b><i>Ongoing Proposals for UC</i></b>		
<b>Proposal Name</b>	<b>Amount</b>	<b>Purpose</b>
Ongoing Base Augmentation	\$200 Million General Fund in 2022-23 and ongoing	An unrestricted increase in addition to the Governor’s budget for operating costs that will result from goals and expectations of higher education compacts.
UC Underground Scholars Student Support	\$4 Million General Fund in 2022-23 and ongoing	To provide ongoing and full support for recruitment, retention, permanent staffing, and expansion of the Underground Scholars Initiative across UC campuses for both undergraduate and graduate students.
Serve Undocumented Students Program	\$5 Million General Fund in 2022-23 and ongoing	To continue to operate and provide necessary support for California’s undocumented UC students.
Student Academic Preparation and Educational Partnerships	\$22.5 Million General Fund in 2022-23 and ongoing	This partnership comprises 13 educational programs administered by UC to increase the diversity of UC’s student body and close access gaps for underrepresented and underserved communities across California. The ongoing funding will provide stability to the partnership by

		enabling the hiring of permanent professional staff and additional resources to help underrepresented students and close equity and achievement gaps.
UC Worker Rights Policy Collaborative	\$13 Million General Fund in 2022-23 and ongoing	Strengthen and expand the future of labor research and education to advance labor and employment policy, workforce development, education and training.  Annual augmentation would be split between the established programs at UC Berkeley (\$3 million), UCLA (\$3 million), UC Merced (\$3 million), the UC Berkeley Labor Occupational Health program (\$500,000), the UCLA Labor Occupational Safety and Health Program (\$500,000), and new initiatives on other UC campuses (\$3 million).
UC Resident Undergraduate Enrollment Target for Academic Year 23-24	\$23 Million General Fund in 2023-24 and ongoing	Sets an enrollment target of one percent for academic year 2023-24 in addition to the Governor's enrollment targets set forth in higher education compact.
UCLA Anderson School forecasting the time path of the economic impact of climate change	\$379,000 General Fund in 2022-23 and \$75,000 General Fund in 2023-24 and ongoing	Create a module to be appended to the UCLA Anderson Forecast economic forecasting model for California, which will embody a set of dynamic trajectories for climate change affecting wildfires, drought, sea level rise, and extreme weather events. This module would then be used to provide an updated timeline on how climate change will affect the California economy over time, and how different assumptions/interventions will change the forecast.
UC Agriculture and Natural Resources (UC ANR) Cost of living adjustment (COLA)	\$5.39 million General Fund in 2022-23 and ongoing	Provide a five percent COLA to UC ANR.
University of California Nutrition Policy Institute in the Division of	\$2.4 million in General Fund in 2022-23 and	Multiple-year funding for evaluation of Free School Meals for All. The University of California's Nutrition Policy Institute in the Division of Agriculture and Natural Resources, was funded for year one in SB 170, Budget Act of 2021, to collect



<p>Agriculture and Natural Resources for School Meals for All Research</p>	<p>\$1.3 million in each of 2023-24 to 2025-26</p>	<p>formative data and plan a comprehensive evaluation. Funding will be used for further research and evaluation to follow participation data over time. Data will be drawn from the 2022-23 school year and then compared to data from SY 2024-25 as well as years prior to and during the COVID-19 pandemic. The evaluation will examine how well the program works for schools of different grade levels and sizes, and for students of diverse race and ethnicity, English language proficiency, and geographic location, among other characteristics.</p>
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<p align="center"><b><i>One-Time Proposals for UC</i></b></p>		
<p><b>Proposal</b></p>	<p><b>Funding</b></p>	<p><b>Purpose</b></p>
<p>Additional funding for deferred maintenance, modernization, and capital outlay</p>	<p>\$900 million General Fund one-time</p>	<p>In addition to Governor’s proposal, in recognition of UC’s outstanding facility needs, and to strengthen the Administration’s higher education compacts, this additional funding will bring total one-time deferred maintenance, modernization, and capital outlay for UC to \$1 billion in 2022-23.</p>
<p>UC Irvine (UCI) Leveraging Inspiring Futures Through Educational Degrees (LIFTED) Program</p>	<p>\$1.5 million General Fund one-time</p>	<p>Started in November 2021 with philanthropic funding, LIFTED will enable incarcerated students at Richard J. Donovan Correctional Facility (RJD) in San Diego to earn a Bachelor of Arts degree in Sociology from UCI after earning their Associate of Arts degree from Southwestern College.</p> <p>State funding will support the following:</p> <p>1) Personnel costs associated with compensation for professional staff as well as UCI faculty who teach courses at RJD; 2) Student support, such as the purchase of books and other instructional materials as well as bridge programs to aid matriculation and retention; 3) Travel expenses associated with faculty and staff commuting from UCI to RJD; 4) funding to contract for an independent assessment of LIFTED; and 5) engagement with higher</p>

		education, community, and policy stakeholders to expand such programming across the state.
UC Berkeley Latinx Research Center	\$3 million General Fund one-time	To support new and ongoing research initiatives that will help inform policy, leverages the complexity of the Latinx experience in the United States, and elucidate the myriad factors affecting the distribution of material, cultural, social, and political opportunities impacting Latinx Californians.
AMEND program at UCSF	\$3 million General Fund one-time	AMEND is a program based at UCSF medical school and its staff works with prisons and jails to reduce the debilitating health effects of these facilities on residents and staff alike, while simultaneously joining policy makers and community leaders to demand a better, new system of accountability and healing with human rights and health at its center.  Funding would be used for training, research, criminal justice policy analysis and evaluation, and correctional healthcare system quality improvement.
UC Hastings Name Change	\$3 million General Fund one-time	As the school’s current name is codified in state law, an official name change would require legislation. According to Hastings’ staff, the school likely will incur certain one-time costs from changing its name, such as updating building signs.

<i>Misc. Proposals for UC</i>		
<b>Proposal</b>	<b>Funding</b>	<b>Purpose</b>
Umbilical cord blood collection program sunset extension	N/A, trailer bill language	Extend the University of California administered umbilical cord blood collection program (UCBCP) until January 1, 2027. Currently, as highlighted in the Feb 9, 2022 Subcommittee No. 1 hearing, the UCBCP sunsets on January 1, 2023.

**Staff Recommendation.** Hold Open

**6610 CALIFORNIA STATE UNIVERSITY****Issue 26: Various Senate “Putting Wealth to Work” Proposals****Panel**

- Lisa Qing, Legislative Analyst’s Office
- Ryan Storm, California State University

**Background**

On February 1, 2022, Subcommittee No. 1 discussed the CSU’s proposed budget, one-time and ongoing cost considerations, and Governor’s proposed budget for CSU.

***Governor’s Proposed Budget in 2022-23.*** The Governor’s budget increases ongoing General Fund for CSU by \$304.1 million and provides a total of \$233 million for one-time initiatives. Much of the new spending is linked to the Governor’s compact with CSU. The largest components of CSU’s compact are five percent base increases, almost three percent resident undergraduate enrollment growth in 2022-23, and one percent resident undergraduate enrollment growth annually thereafter through 2026-27.

***CSU Budget Request.*** The CSU requests \$673 million General Fund ongoing to support core operations starting in 2022-23. This amount includes \$75 million to support the Graduation Initiative 2025, \$20 million to support Student Basic Needs, \$75 million for Bridging Equity Divide Through Technology efforts, \$223.3 million to cover salary and benefits (\$209 million for the compensation pool plus \$13.96 million to cover health benefits), \$135 million for academic facilities and infrastructure, \$129.8 million to fund strategic resident enrollment growth (Of this amount, \$87 million would be funded by General Fund and \$42.5 million would be funded by increased tuition revenue from enrolling more students), and \$16.8 million to cover the State University Grant Requirement covered in the revamped Middle Class Scholarship per SB 169. As well, the request includes \$40.5 million to cover mandatory costs, this includes: \$29.6 million for Inflation on Non-Personnel Expenditures, \$3.094 million for maintenance of new facilities and \$7.8 million for minimum wage increases.

***Labor and Employee Relations.*** Fair and competitive compensation for faculty and non-faculty staff is and will be a cost consideration for CSU. On December 20, 2021, CSU and the California Faculty Association (CFA) reached a tentative agreement on a successor contract. The agreement covers the 29,000 instructional faculty, coaches, librarians and counselors across the 23 CSU campuses and, upon ratification by the CSU Board of Trustees and CFA membership, will run through June 30, 2024. The agreement calls for faculty to receive the following: 1) A one-time payment of \$3,500, prorated by each faculty member's 2020-21 time-base, 2) a four percent general salary increase (GSI), retroactive to July 1, 2021, 3) up to a four percent GSI, effective July 1, 2022, dependent on the state budget allocation to the CSU, 4) a 2.65 percent service salary increase (SSI) during fiscal years 2021-22 and 2023-24 for all eligible faculty, including coaches,

counselors and librarians and 5) a 2.65 percent post-promotion increase (PPI) during fiscal year 2022-23 for eligible faculty, including coaches, counselors and librarians.

The 2021 Budget Act provided \$2 million one-time General Fund to the CSU Chancellor’s Office, in consultation with the Department of Finance’s Office of State Audits and Evaluations, to support a study on CSU non-faculty salary structure, salary inversion and to provide any recommendations for alternative salary models. The CSU was directed report to the Department of Finance and the Legislature by April 30, 2022 on the findings and recommendations. Moreover, budget bill language stated the intent of the Legislature that the recommendations and transitional and ongoing cost information from the evaluation will be incorporated into the CSU annual budget request. In July and August of 2021, CSUEU (CSEA SEIU 2579) and the Teamsters served on the CSU Request for Proposal Committee to select an independent research firm to perform the Salary Study, ultimately selecting Mercer due to their experience, capacity, and ability to work on labor-management partnerships. Mercer began work in November 2021. In December 2021, Mercer conducted extensive focus groups to develop their recommendations, receiving input from over 5,000 employees in the staff bargaining units. The study is now complete, and Mercer has determined that the CSU’s wage structure issues can be addressed through a \$288 million budget augmentation.

### **Senate “Putting California’s Wealth to Work for a More Equitable Economy” Proposals**

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor’s January budget.

<i>Ongoing Proposals for CSU</i>		
<b>Proposal Name</b>	<b>Amount</b>	<b>Purpose</b>
Ongoing Base Augmentation	\$400 Million General Fund in 2022-23 and ongoing	An increase in addition to the Governor’s budget for operating costs that will result from goals and expectations of higher education compacts and to fund the fair and competitive compensation increases with faculty and non-faculty staff.
CSU Graduation Initiative 2025	\$25 million General Fund in 2022-23, growing to \$45 million in 2023-24, growing to \$75 million in 2024-25 and ongoing	To allow campuses to accelerate existing Graduation Initiative 2025 efforts and scale programs that have demonstrated success to ensure all California students have the opportunity to earn a degree.
CSU Basic Needs	\$20 million ongoing General Fund in 2022-23 and ongoing	To sustain and expand CSU’s Basic Needs initiatives in support of Graduation Initiative 2025 and strengthen higher education compacts. Strategies supported by this funding are intended to

		support students experiencing food and housing insecurities, unanticipated financial distress, mental health concerns and overall health and safety challenges that could disrupt their timely pathways to degree.
CSU Resident Undergraduate Enrollment Target in 2023-24	\$34 Million General Fund in 2023-24 and ongoing	Sets a resident undergraduate enrollment target increase of one percent for academic year 2023-24 in addition to the Governor’s enrollment targets set forth in higher education compact.
CSU and CCC Collaborative to serve Asian American and Native American Pacific Islander students	\$8 million General Fund in 2022-23 and ongoing.  (Staff notes that funding for CCC is documented in Issue 6)	Funding for a consortium and on-campus student support programs to fund Asian American and Native American Pacific Islander-Serving colleges and universities.

<i>One-Time Proposals for CSU</i>		
<b>Proposal</b>	<b>Funding</b>	<b>Purpose</b>
Additional funding for deferred maintenance, modernization, and capital outlay	\$900 million General Fund one-time	In addition to the Governor’s proposal, in recognition of CSU’s outstanding facility needs, and to strengthen the Administration’s higher education compacts, this funding will bring total one-time deferred maintenance, modernization, and capital outlay for CSU to \$1 Billion in 2022-23.
California Council on Science and Technology (CCST)	\$20 million General Fund one-time	To permanently fund the CCST Science Fellows program.
CSU Asian Bilingual Teacher Education Program Consortium	\$5 million General Fund one-time	To support the pipeline for Asian language teacher bilingual accreditation. As dual immersion programs have increased in their numbers across the state, the supply of teachers has not been able to keep up with the demand especially for Asian languages that face even more barriers.

Cal Poly's Swanton Pacific Ranch rebuild after CZU Complex Fire	\$20.3 million General Fund one-time	To assist with rebuild and capital outlay efforts at Swanton Pacific Ranch.
CSU San Bernardino Physician Assistant Program	\$10 million General Fund one-time	For CSU San Bernardino to complete the establishment of a Master's of Science in Physician Assistant (MSPA) program. In the 2021-2022 budget, the state allocated \$1.8 million in planning funds for this effort and this new funding will assist with the start-up costs for the program. This will be the first MSPA program offered by a public university in Inland Southern California and will provide healthcare provider training opportunities in historically underserved communities of the state.

**Staff Recommendation.** Hold Open

## 6870 CALIFORNIA COMMUNITY COLLEGES

### Issue 27: Various Senate "Putting Wealth to Work" Proposals

#### Panel

- Paul Steenhausen, Legislative Analyst's Office
- Lizette Navarette, Community College Chancellor's Office

#### Background

On February 16, 2022, Subcommittee No. 1 discussed the CCC's proposed budget, one-time and ongoing cost considerations, and Governor's proposed budget for CCC.

***Governor Has 21 CCC Proposition 98 Proposals.*** Of these proposals, 10 are new ongoing spending commitments (totaling \$843 million) and 11 are one-time initiatives (totaling \$983 million). (One proposal—technology security—includes both an ongoing and one-time spending component.) The largest ongoing proposal is to provide the Student Centered Funding Formula (SCFF) a 5.33 percent cost-of-living adjustment (COLA), the same rate as proposed for the K-12 Local Control Funding Formula—a \$409.4 million ongoing Proposition 98 General Fund increase.

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**Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposals**

The Senate proposes the following ongoing and one-time proposals. These proposals would be in addition to relevant proposals included in the Governor’s January budget.

- **Apportionments Increase.** \$700 Million Proposition 98 General Fund in 2022-23 and ongoing in addition to the Governor’s budget for operating cost pressures that will result from goals and expectations of higher education roadmap, to fund compensation, pension, and fixed operating costs.
- **Additional funding for deferred maintenance.** \$812 million Proposition 98 General Fund one-time scored to 2021-22.
- **Flexible Block Grant.** \$450 million Proposition 98 General Fund one-time scored to 2021-22 for basic needs, mental health needs, and COVID-19 related supports.
- **NextUp for current and foster youth.** \$20 million Proposition 98 General Fund in addition to Governor’s budget proposal. As well, trailer bill language expands authorization for the program by removing the 20 community college district limit and authorize the Chancellor of the California Community Colleges to enter into agreements with community college districts to provide, and allocate to selected community colleges within a community college district, funds for services in support of postsecondary education for foster youth.
- **Puente Project.** \$3 million Proposition 98 General Fund ongoing for the Puente Project.
- **Healthy Schools Pathways.** \$1.45 million Proposition 98 General Fund in 2022-23, \$2.42 million Proposition 98 General Fund in 2023-24 and \$2.12 million Proposition 98 General Fund in 2024-25 for pre-apprenticeship, apprenticeship, and fellowship opportunities to lead to support education and workforce development and healthy foods. These initiatives would be implemented by the Chef Ann Foundation.
- **Mathematics, Engineering, Science, and Achievement Program (MESA).** \$25.7 million Proposition 98 General Fund in 2022-23 and ongoing to support expansion of programming at all 116 colleges.
- **Native American Student Support and Success Program.** \$15 million Proposition 98 General Fund scored to 2021-22 and 2022-23 for the creation a Native American Student Support and Success Program at 20 colleges.
- **Extended Opportunity Programs and Services (EOPS) program.** \$25 million Proposition 98 General Fund in 2022-23 and \$10 million Proposition 98 General Fund in 2023-24 and ongoing for targeted enrollment recruitment and ongoing support.

- **Cooperative Agencies Resources for Education.** \$10 million Proposition 98 General Fund in 2022-23 and ongoing to support students who are also working parents receiving CalWORKS aid.
- **Disabled Students Program.** \$100 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.
- **Student Equity and Achievement Program.** \$125 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.
- **Hunger and Homelessness Initiatives.** \$20 million Proposition 98 General Fund in 2022-23 and ongoing to increase base funding for this program.
- **CSU and CCC Collaborative to serve Asian American and Native American Pacific Islander students.** \$8 million Proposition 98 General Fund in 2022-23 and ongoing for a consortium and on-campus student support programs to fund Asian American and Native American Pacific Islander-Serving colleges and universities.
- **Project Change.** \$10 million Proposition 98 General Fund one-time in 2022-23 to expand this program, administered by Rising Scholars Network, to ten CCCs to support young adults specifically coming out of the juvenile justice system.
- **Umoja Program Support.** \$1 million Proposition 98 General Fund in 2022-23 and ongoing for support in addition to the Governor’s budget proposal.

**Staff Recommendation.** Hold Open

<b>Issue 28: Cybersecurity at CCC</b>
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**Panel**

- Dan Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office
- Lizette Navarette, Community College Chancellor’s Office

**Background**

***Colleges Are Largely Responsible for Their Cybersecurity.*** The state subjects most state agencies, including the CCC Chancellor’s Office, to cybersecurity standards developed by the California Department of Technology (CDT) and federal government. In addition, CDT and the California Military Department (and, in some cases, third party vendors) conduct audits to bolster state agencies’ compliance with cybersecurity standards. In contrast, the state does not require



community colleges to follow specific standards, and community colleges are not routinely subject to oversight or audits of their cybersecurity programs and processes. As locally governed entities, community colleges also make their own decisions about budgeting for technology and data security, including setting their associated staffing levels and deciding how much to spend on hardware and software purchases. Colleges typically use apportionments (general-purpose monies) to fund cybersecurity costs.

***CCC Information Security Center Offers Some Assistance to Colleges.*** Though colleges manage their own information security, certain systemwide resources and tools are available to them through the CCC Technology Center, which is administered by Butte College. This center is funded by the state through a technology categorical program supported with ongoing Proposition 98 General Fund. In 2016-17, the center added a division, the Information Security Center, focused primarily on cybersecurity issues. In 2021-22, the Information Security Center is receiving \$3 million ongoing Proposition 98 General Fund from the categorical program. The Information Security Center’s services include making available sample security plans for colleges to adopt, offering vulnerability scans and risk analyses, providing recommendations to colleges in the event of a data breach, and enhancing colleges’ security monitoring and “threat intelligence” (knowledge that helps identify security threats). The funding also supports a CCC systemwide committee that discusses current cybersecurity threats facing colleges.

***Colleges Have Seen a Recent Surge in Fraud Attempts.*** CCC has a common online admissions application known as CCCApply. The Chancellor’s Office contracts with the CCC Technology Center to administer the application platform. Colleges upload completed applications and process them. Through CCCApply, bad actors attempt to submit fraudulent applications—sometimes hundreds at a time at multiple colleges using automated technology. Upon acceptance, these bad actors can register for classes, allowing them potentially to gain access to certain financial aid benefits. Though some fraudulent activity occurred prior to the pandemic, such attempts increased notably with the availability of a significant amount of federal relief funds for student emergency financial aid.

***Colleges Face Other Threats to Information Security.*** Colleges maintain databases with sensitive information on students (and their families) and staff. In addition, colleges operate other technology such as e-mail and phone systems. These types of systems are routinely the subject of cyberattacks, ransomware, and other malware of varying scales. Recently, several community colleges reported major cyberattacks on their information and other technology systems.

### **Governor’s Budget**

***Governor Proposes a Package of Cybersecurity Upgrades for Colleges.*** The package totals \$100 million Proposition 98 General Fund, consisting of \$25 million ongoing and \$75 million one time. The \$25 million ongoing is primarily for college cybersecurity staffing, whereas the \$75 million one-time is primarily for security network upgrades, general security software, and anti-fraud technology. Of the proposed funding, \$92 million would be allocated directly to colleges. The Chancellor’s Office would award the remaining \$8 million via contracts with certain

districts to provide specified systemwide services and oversight. The main goal of this package of proposals is to enhance colleges' information security to protect against enrollment scams and hacking. A secondary goal is to improve the user experience for students applying to CCC. Figure 1 details the various components of the Governor's CCC cybersecurity package and describes how funds would be allocated for each component.

**Figure 4: Governor Provides Mix of Ongoing and One-Time Funds for Local and State-Level Purposes**

*Proposition 98 General Fund (In Millions)*

<b>Description</b>	<b>Proposed Amount</b>	<b>Purpose of Funding</b>	<b>Funding Allocation Method</b>
<b>Ongoing Funds</b>			
District cybersecurity staff	\$23.0	Hire staff to monitor and combat cyberattacks and fraud. (Districts with limited access to these staff may share staff on a regional basis.)	Funding for each district. (No specific formula is proposed.)
Statewide cybersecurity teams	1.0	Contract with independent consultants to assess district compliance with cybersecurity standards.	Chancellor's Office to contract with a district to administer on behalf of CCC system.
System-level oversight	0.5	Provide direction and oversight to district (and regional) staff and statewide cybersecurity teams on cybersecurity standards and incidence response. Provide support to colleges needing assistance.	Chancellor's Office to contract with a district to administer on behalf of CCC system.
CCC Apply operations	0.5	Cover hosting and maintenance costs.	Chancellor's Office to contract with CCC Technology Center (Butte College).
<b>Subtotal</b>	<b>(\$25.0)</b>		
<b>One-Time Funds</b>			
College network security upgrades	\$40.0	Obtain assessments of system vulnerabilities. Purchase hardware and software to prevent cyberattacks.	Funding for each college based on enrollment size, with larger colleges receiving a larger amount.
College enrollment	29.0	Purchase fraudulent application detection software. Provide anti-fraud training for staff.	Funding for each college based on enrollment size, with

anti-fraud technology			larger colleges receiving a larger amount.
CCCApply upgrades	5.0	Redesign platform (with input from student focus groups), adding and testing security features. Streamline number of questions applicants are required to answer. Add capacity to report data on applicants that started but did not complete application.	Chancellor’s Office to contract with CCC Technology Center (Butte College).
CCCApply training	1.0	Once CCCApply upgrades are completed, provide training to college staff.	Chancellor’s Office to contract with a district to administer on behalf of CCC system.
<b>Subtotal</b>	<b>(\$75.0)</b>		
<b>Grant Total</b>	<b>\$100.0</b>		

***Colleges Would Have to Meet Certain Requirements to Receive Funds.*** Although not specified in budget or trailer bill language, the Chancellor’s Office indicates that it plans to require districts to meet certain requirements as a condition of receiving any of the proposed ongoing or one-time cybersecurity funding. Specifically, colleges would be required to (1) complete an annual cybersecurity self-assessment based on state and national standards and identify needed improvements; (2) submit quarterly status updates on progress toward meeting state and national standards; (3) submit a monthly report on any incidents of application, enrollment, and financial aid fraud; and (4) submit a report of all cybersecurity incidents that resulted in a breach of personally identifiable information or disruption of services (such as through ransomware). The Chancellor’s Office indicates that these requirements would be made through both systemwide guidance and changes in CCC regulations.

***Budget Includes Two Proposed Positions at the Chancellor’s Office in Support of Initiative.*** In addition to the \$100 million Proposition 98 General Fund, the Governor’s budget includes a proposal to add two new positions at the Chancellor’s Office and an associated \$314,000 non-Proposition 98 General Fund to support CCC cybersecurity efforts. This staffing proposal is part of a larger package of staffing proposals that the LAO analyzes in a separate analysis but is covered in Issue 8.

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

***Given State’s “Fifty Percent Law,” Merit to Having an Ongoing Cybersecurity Categorical Program.*** Given the highly sensitive nature of the data that colleges maintain, together with the recent cyberattacks, colleges have a local interest in dedicating staff to cybersecurity issues and putting in place robust defensive systems. Colleges, however, receive no state funding specifically for these purposes. Moreover, under state law, colleges must use at least half of their general-purpose funding on salaries and benefits of classroom faculty and aides. Spending on other

college staff, including information technology (IT) personnel, counts against the 50 percent requirement, as do other costs, such as anti-fraud software licenses and consulting services with cybersecurity experts. Colleges that fall below the 50 percent mark can be subject to financial penalties by the Chancellor's Office. Because of this law, some colleges might refrain from using sufficient apportionment funding to achieve adequate ongoing cybersecurity protection. Given this consideration, the LAO thinks the Governor's proposal to provide ongoing cybersecurity categorical program funds, which would not be subject to the fifty percent law, is reasonable.

***Merit to Enhanced Ongoing State-Level Role for CCC Cybersecurity Issues...*** Beyond bolstering local cybersecurity staffing on an ongoing basis, we believe a stronger state-level role also is worth considering. While CCC has an advisory committee to discuss cybersecurity threats and incidents systemwide, community colleges currently lack a strong central information hub to detect patterns and promote coordination. Colleges do not have to report incidents of cyberattacks or suspected fraud to the Chancellor's Office. This is the case even though scams and cyberattacks often target multiple colleges simultaneously. Currently, districts also do not need to show that they are either meeting state and national cybersecurity standards or have adopted plans and are making progress toward meeting these standards. Providing more state direction and support in these areas could lead to overall improvements in colleges' cybersecurity programs and processes.

***...But Potential Issues With How New Oversight and Support Model Would Work.*** The Governor's ongoing cybersecurity components include (1) creating statewide cybersecurity teams, (2) funding a system-level entity that oversees both local colleges and the statewide cybersecurity teams, and (3) providing two new positions at Chancellor's Office. This approach creates a complex organizational structure in which exactly what functions and role each entity would have is unclear. In some cases, the roles and responsibilities of the various entities appear to overlap. For example, under the Governor's proposal, the statewide cybersecurity teams would monitor colleges' compliance with cybersecurity standards. Yet, the system-level oversight entity also would be charged with monitoring standards and providing support to colleges, in addition to providing direction and oversight to the statewide cybersecurity teams. Moreover, the Chancellor's Office indicates it too would be charged with overseeing the statewide cybersecurity teams. The LAO also has concerns that the Administration's proposal could create a conflict of interest for the system-level oversight entity, which, as characterized by the Chancellor's Office, would help colleges with implementation while at the same time monitoring and holding colleges accountable for what they implement. Moreover, it is unclear if the Chancellor's Office's goal is for the statewide cybersecurity teams to assess all colleges annually or instead some subset of districts, with a focus on high-risk colleges.

***Merit to Funding Cybersecurity Upgrades at Colleges...*** Based on anecdotal information, the Chancellor's Office has heard that community colleges vary in terms of their cybersecurity preparedness and anti-fraud detection capabilities. Whereas some colleges have staff dedicated to cybersecurity and relatively sophisticated defensive systems in place, other colleges rely on IT generalists that lack expertise in cybersecurity. Potentially, the state could strategically allocate funding, including the proposed one-time funding, to assist colleges in obtaining a certain level of cybersecurity preparedness.

**...But Opportunities to Improve How One-Time Funds Would Be Allocated to Colleges.** The Governor’s proposed approach of allocating the one-time funds to colleges based on enrollment size has some merit, as potential cybersecurity and fraud risks can increase based on the technology usage at a college. A better approach, though, would be to base allocations on need as well—providing more funding to colleges that need more cybersecurity upgrades. Though there currently is no inventory of where each college is relative to state and national standards and what each would need to do to meet standards, the Chancellor’s Office is in the process of identifying the current preparedness level for each college. The Chancellor’s Office believes it might have the initial inventory prepared by June 2022. Such an inventory could be used to track need and allocate a share of 2022-23 funding accordingly.

**Governor Proposes One-Time Funds for Ongoing Purposes.** Though some initial one-time funding could help with initial cybersecurity upgrades among colleges, much of what the Governor has proposed as one-time costs are more likely ongoing costs. Typically, a college would be expected to undergo independent security assessments every few years, pay for network security and anti-fraud software licenses annually, and make network upgrades periodically. As a result of these factors, the proposed level of ongoing funding for college cybersecurity and anti-fraud detection likely is underestimated. Importantly, the administration and the Chancellor’s Office have not yet identified what they believe to be entailed in terms of funding to ensure colleges have a minimum level of ongoing cybersecurity and fraud detection. Lacking clarity in this area, the existing budget back-up is inadequate, as it neither clearly distinguishes one-time from ongoing costs nor includes detailed cost estimates.

**Administration Has Provided Incomplete Information on CCCApply Proposal.** The Governor’s cybersecurity packages includes \$6 million one time primarily to upgrade CCCApply’s anti-fraud features and provide related college training, as well as \$500,000 ongoing for hosting and maintenance of the redesigned portal. The LAO concurs with the Administration that such enhancements are warranted and would have systemwide benefits for colleges and students. The amounts proposed by the administration, however, have only been partially justified. Specifically, of the \$6 million proposed for one-time purposes, the administration has only provided workload justification for \$3.4 million. The remaining \$2.6 million in proposed costs either have no backup details or are labeled in documents provided to the LAO as “TBD” (to be determined). The Administration does not provide any backup on how it estimated the ongoing cost. Without such information, the Legislature is unable to determine whether the proposed amount is justified to accomplish the Administration’s objectives for CCCApply.

## **Recommendations**

**Approve Funds for College Cybersecurity Staff.** As a starting point, the LAO recommends the Legislature approve the \$23 million in ongoing funding for district cybersecurity staff. The LAO thinks the state has an interest in making sure every district has at least one staff person dedicated to cybersecurity. Multi-college districts, however, may warrant more funding. The LAO recommends directing the Chancellor’s Office to develop an allocation method for these funds that ensures a minimum level of funding for each district while accounting for any other relevant

factors. (Districts with existing cybersecurity staff could be permitted to use their allocations to increase their number of staff or improve their cybersecurity preparedness in other ways.)

***Request Better Information on Proposed State-Level Structure.*** The LAO recommends that the Legislature postpone consideration of the \$1.8 million in ongoing funding for the proposed state-level cybersecurity structure (\$1.5 million Proposition 98 General Fund and \$314,000 non-Proposition 98 General Fund) pending receipt of better information. Specifically, the LAO recommends the Legislature request the Administration and Chancellor's Office to clarify the specific role and functions of: (1) the existing staff at the Information Security Center, (2) the proposed statewide cybersecurity teams, (3) the proposed system-level oversight body, and (4) the proposed two additional cybersecurity positions at the Chancellor's Office. As part of this reporting, the Chancellor's Office should clarify how the statewide cybersecurity teams would prioritize their work and how much workload they are expected to accomplish annually given the proposed funding.

***Modify Allocation Methodology of One-Time Funding for Colleges.*** The LAO recommends that the Legislature appropriate the \$69 million in one-time funding for the colleges but direct the Chancellor's Office to allocate this funding in a way that accounts not just for enrollment but also for need, with less prepared colleges receiving somewhat more funding than more prepared colleges of the same size. Colleges could use their allocations for independent security assessments, network upgrades, software licenses, and related technology costs. The Chancellor's Office's initial inventory of colleges' cybersecurity preparedness levels could be used as a basis for the allocation of the one-time funds. As discussed below, the LAO recommends requiring the Chancellor's Office to work with districts and submit certain information to the Legislature prior to release of the one-time funding.

***Use Additional Information From Chancellor's Office to Guide Allocation and Future Funding Decisions.*** Specifically, the LAO recommends requiring the Chancellor's Office to submit documentation on (1) the basic requirements for colleges to achieve a minimum level of security, (2) estimates of the associated one-time and ongoing costs, and (3) a proposed formula for distributing the one-time funding to colleges in accordance with size as well as identified needs and costs. The LAO recommend requiring the Chancellor's Office to provide this documentation to the administration and Legislature by October 15, 2022, with the findings informing release of the one-time funds as well as potential 2023-24 budget decisions. With better information, the Legislature not only could identify how much one-time funding colleges need but also the annual amount of state funding needed to cover colleges' ongoing cybersecurity costs. If more ongoing funding is provided in the future, we recommend the Legislature consider at that time how best to allocate the additional funding among colleges. Ideally, over the next few years, the Chancellor's Office and colleges will learn more about the main risk factors underlying cyberattacks and enrollment fraud, such that the Legislature can align funding increases with those risk factors and potential cost drivers.

***Direct Administration to Provide Cost Detail for CCCApply.*** Given the Administration has provided workload justification for only \$3.4 million in costs for CCCApply, the LAO

recommends the Legislature treat this amount as a starting point. The LAO recommends the Legislature direct the Administration to provide full justification for the remaining \$2.6 million one-time funding it proposes as well as the \$500,000 in proposed ongoing costs. The Legislature could give the Administration until the May Revision to provide such information and use it to determine the amount to provide for 2022-23.

### **Suggested Questions:**

- We ask the CCC Chancellor’s Office and Administration to comment on the LAO recommendations and analysis.

**Staff Recommendation.** Hold Open

## **Issue 29: CCC Chancellor’s Office Staffing**

### **Panel**

- Jennifer Kaku, Department of Finance
- Paul Steenhausen, Legislative Analyst’s Office
- Lizette Navarette, Community College Chancellor’s Office

### **Background**

*Chancellor’s Office Has Several Key Systemwide Responsibilities.* Located in Sacramento, the Chancellor’s Office is led by a Chancellor who has overall leadership and responsibility for the office. The Chancellor is appointed by the Board of Governors—the governing body entrusted with overseeing the CCC system. (The CCC system consists of 72 local districts and 115 local community colleges, along with the state-level Calbright College.) The Chancellor continues to serve as long as he or she remains in good standing with the board. Key responsibilities of the Chancellor’s Office include:

- Setting and enforcing minimum standards for districts (such as student graduation requirements).
- Allocating state funds to districts and monitoring district fiscal health.
- Monitoring district compliance with state and federal law.
- Centrally collecting and reporting student data (such as enrollment and graduation rates).

*Chancellor’s Office Is Organized Into Units by Programmatic and Functional Areas.* The Chancellor’s Office is organized into nine divisions, each of which is led by a vice chancellor. The divisions are: (1) College Finance and Facilities Planning, (2) Communications and Marketing,

(3) Digital Innovation and Infrastructure, (4) Educational Services and Support, (5) General Counsel, (6) Governmental Relations, (7) Institutional Effectiveness, (8) Internal Operations, and (9) Workforce and Economic Development.

***Non-Proposition 98 General Fund Is Chancellor’s Office’s Main Source of Support.*** In 2021-22, the Chancellor’s Office is budgeted \$30 million (all funding sources) for personnel and other operational expenses (including its office lease and supplies). The Chancellor’s Office’s largest single funding source for its operations is non-Proposition 98 General Fund (\$21 million in 2021-22). (Historically, the Chancellor’s Office has not directly received Proposition 98 funds for its operations.) The Chancellor’s Office operating budget also relies on reimbursements from other departments (such as a contract with the California Department of Education to provide technical assistance for the federal Perkins program) as well as certain fee-for-service agreements with districts (totaling \$6.8 million in 2021-22). In addition, the Chancellor’s Office received \$2.5 million from bond funds and one-time funds for specified programs in 2021-22.

***Chancellor’s Office Staffing Has Increased Over Past Decade.*** Figure 5 shows that the Chancellor’s Office currently has 177 authorized positions. Staffing increased by 31 positions (21 percent) over the past decade. During this period, the Chancellor’s Office’s vacancy rate has ranged between 7 percent to 22 percent. As of December 31, 2021, 154 of its authorized positions were filled, reflecting a 13 percent vacancy rate.

**Figure 5: Chancellor’s Office Has Grown Somewhat in Recent Years**

	<b>Authorized Positions</b>	<b>Filled Positions</b>	<b>Vacancy Rate</b>
2012-13	146	136	7%
2013-14	151	139	8
2014-15	160	144	10
2015-16	166	140	16
2016-17	166	141	15
2017-18	172	141	18
2018-19	172	134	22
2019-20	176	137	22
2020-21	177	146	18
2021-22	177	154 <sup>a</sup>	13
<sup>a</sup> Through December 31, 2021.			

***Chancellor’s Office Workload Has Been Increasing.*** The increase in workload is primarily due to the Chancellor’s Office having to administer the many new programs the state has established for community colleges. For example, the state has funded the Guided Pathways initiative, which



creates a comprehensive framework for colleges to improve student outcomes. The Chancellor's Office assists colleges in implementing this initiative by running workshops and reviewing college improvement plans, among other activities. The state also approved a complex new general-purpose funding formula (known as the Student Centered Funding Formula) and many new categorical programs (including basic needs, mental health, and various other student support programs) that require administrative support from the Chancellor's Office. The Legislature also has passed policy legislation requiring the Chancellor's Office to participate in certain systemwide improvement efforts. For example, Chapter 566 of 2021 (AB 928, Berman) requires the Chancellor's Office to do certain things relating to improving the transfer process for students.

***State Has Provided Chancellor's Office With Some Additional Staff to Address Higher Workload.*** To help with general office support, the state has provided the Chancellor's Office new attorney and accountant positions, among others. The state also has provided the Chancellor's Office with additional programmatic support upon creating or expanding certain categorical programs. For example, the Legislature authorized an additional administrator position at the Chancellor's Office to oversee the Guided Pathways initiative. In other cases, the state has created a new program but not authorized any new positions at the Chancellor's Office. For example, in 2021-22, the state provided ongoing funding for the CCC basic needs program without authorizing any additional positions at the Chancellor's Office.

### **Governor's Budget**

***Governor Proposes Two-Year Staffing Plan.*** As Figure 6 shows, the Governor proposes a total of 19 new permanent Chancellor's Office positions and an associated \$2.8 million ongoing non-Proposition 98 General Fund augmentation spread over the next two fiscal years. Of the new positions, the Governor proposes adding nine in 2022-23 and ten in 2023-24. In 2023-24, Chancellor's Office staffing would be 11 percent higher than in 2021-22. As the figure shows, the new positions would be added within several divisions of the Chancellor's Office. The *Governor's Budget Summary* indicates that the administration and Chancellor's Office are considering requesting further positions, with additional proposals potentially made as part of the May Revision.

**Figure 6: Governor Proposes a Total of 19 New Chancellor's Office Positions Over Next Two Years**

*General Fund (In Thousands)*

<b>Division</b>	<b>Proposed Positions</b>	<b>Cost<sup>a</sup></b>
<b>2022-23 (Nine Positions)</b>		
<b>Digital Innovation and Infrastructure</b>	Information Technology Specialist II	\$170
	Specialist	157
	Specialist	157

	Research Data Specialist II	139
<b>Educational Services and Support</b>	Specialist, Academic Affairs	157
	Specialist, Academic Affairs	157
	Specialist, Academic Affairs	157
	Program Assistant II	136
	Program Assistant II	136
<b>Subtotal</b>		<b>(\$1,366)</b>
<b>2023-24 (Ten Positions)</b>		
College Finance and Facilities Planning	Specialist	\$157
	Specialist	157
	Associate Governmental Program Analyst	116
Digital Innovation and Infrastructure	Research Data Specialist II	139
	Research Data Specialist I	127
Educational Services and Support	Specialist, Student Services	157
	Specialist, Student Services	157
	Staff Services Analyst	88
General Counsel	Attorney III	213
Governmental Relations	Staff Services Manager I	136
<b>Subtotal</b>		<b>(\$1,447)</b>
<b>Total</b>		<b>\$2,813</b>
<sup>a</sup> Reflects salary, benefits, and operating/equipment costs associated with each position.		

*New Positions Are Associated With Various Workload.* According to the administration, the new positions are intended to accommodate new workload demands and enhance the office's leadership so as to improve the functioning of the CCC system. Figure 7 describes the main responsibilities for each proposed position.

**Figure 7: New Chancellor's Office Positions Would Be Charged With Various Responsibilities**

Division	Proposed Position	Key Responsibilities
<b>2022-23</b>		

<b>Digital Innovation and Infrastructure</b>	IT Specialist II	Oversee upgrades to Chancellor’s Office’s data system and monitor quality of data submitted by districts.
	Research Data Specialist II	Develop new data metrics, perform program evaluations, create and analyze student and college surveys, and manage data dashboards.
	Specialist (2)	Support systemwide cybersecurity efforts. Oversee entity responsible for redesigning CCCApply. Serve as a point person for CCC on state’s Cradle to Career data system.
<b>Educational Services and Support</b>	Program Assistant II	Provide general support on systemwide implementation of common course numbering and transfer reforms.
	Specialist (2)	Coordinate systemwide transfer reform efforts in support of Chapter 566 of 2021 (AB 928, Berman).
	Program Assistant II and Specialist	Provide support on new ethnic studies course requirement. Provide support for initiatives on developing competency-based education and credit for prior learning.
<b>2023-24</b>		
<b>College Finance and Facilities Planning</b>	Specialist (2)	Monitor fiscal health of districts. Review accuracy of fiscal and attendance data provided by districts. Develop alternative attendance accounting methodology for competency-based education programs.
	Associate Governmental Program Analyst	Provide support on Student Centered Funding Formula (SCFF), including the hold harmless transition and updating SCFF dashboards.
<b>Digital Innovation and Infrastructure</b>	Research Data Specialist II and Research Data Specialist I	Develop new data metrics, perform program evaluations, create and analyze student and college surveys, and manage data dashboards.
<b>Educational Services and Support</b>	Specialist (2)	Provide continued support for Guided Pathways initiative as well as new state-funded programs, such as basic needs, mental health services, and the Rising Scholars Network.

	Staff Services Analyst	Provide general support for entire division’s workload.
<b>General Counsel</b>	Attorney III	Draft regulations. Aid in contract procurement and review. Monitor districts’ implementation of equal employment opportunity plans.
<b>Governmental Relations</b>	Staff Services Manager I	Manage staff that perform bill analysis and write legislative reports.
IT = information technology.		

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

*Proposal Has Some Merit and Some Shortcomings.* As described below, the Governor’s proposal to fund 19 new positions over the next two years is a mixed bag. The LAO finds a few of the proposed positions to be justified, though not as permanent positions or in the fiscal year proposed by the Governor. The Governor’s other proposed positions either are not justified or to date have not been sufficiently justified to warrant legislative approval. Figure 8 summarizes our recommendations.

**Figure 8: Summary of LAO Recommendations**

<b>Division</b>	<b>Proposed Position</b>	<b>LAO Recommendation</b>
<b>2022-23</b>		
<b>Digital Innovation and Infrastructure</b>	IT Specialist II	Withhold recommendation.
	Research Data Specialist II	Withhold recommendation.
	Specialist (2)	Withhold recommendation.
<b>Educational Services and Support</b>	Program Assistant II	Withhold recommendation.
	Specialist (2)	Convert to limited-term positions (through 2024-25).
	Program Assistant II and Specialist	Reject.
<b>2023-24</b>		
<b>College Finance and Facilities Planning</b>	Specialist (2)	Withhold recommendation.

	Associate Governmental Program Analyst	Withhold recommendation.
<b>Digital Innovation and Infrastructure</b>	Research Data Specialist II and Research Data Specialist I	Withhold recommendation.
<b>Educational Services and Support</b>	Specialist (2)	Fund positions one year sooner (in 2022-23).
	Staff Services Analyst	Withhold recommendation.
<b>General Counsel</b>	Attorney III	Withhold recommendation.
<b>Governmental Relations</b>	Staff Services Manager I	Withhold recommendation.
IT = information technology.		

***Two Positions Justified but Not as Permanent, Recommend Making Limited Term.*** The LAO find that the two Specialist positions proposed in 2022-23 for supporting implementation of certain transfer reforms (as required by AB 928 (Berman), Chapter 566, Statutes of 2021) are justified. Figure 9 highlights the new workload stemming from the legislation. In particular, the new positions would support the Chancellor’s Office in chairing the first two years of a statutorily required transfer-reform implementation committee, as well as provide assistance to colleges on complying with the legislation. Although the LAO thinks the positions are needed given the additional workload stemming from the legislation, the LAO thinks do not think permanent authority is justified. Statute requires the relevant activities be completed by July 2025, with AB 928 sunseting at that time. For these reasons, the LAO recommends the Legislature approve these positions and the associated funding but only on a three-year, limited-term basis (through 2024-25).

**Figure 9: AB 928 Contains Several Requirements Over Next Few Years**

<b>Requirement</b>	<b>Time Frame</b>
CCC Chancellor’s Office and other specified educational entities designate representatives to serve on Associate Degree for Transfer (ADT) Intersegmental Implementation Committee (“implementation committee”).	March 1, 2022
Chancellor’s Office representative chairs implementation committee.	First two years of convening
Implementation committee submits report to Legislature setting annual transfer goals and goals for closing equity gaps, among others. Committee also is tasked with making recommendations in various areas, including how to re-engage ADT earners who do not transfer.	December 31, 2023

If designated faculty organizations cannot decide on single general education course pattern, Chancellor's Office and other administrators from public higher education segments set the course pattern.	December 31, 2023
Default placement for CCC transfer students becomes the ADT pathway.	August 1, 2024
Implementation committee to develop statewide communications and outreach plan on student transfer, along with meeting certain other requirements.	December 31, 2024
Implementation committee sunsets.	July 1, 2025

***Two Proposed 2023-24 Positions Are Justified, but Recommend Funding in Budget Year.*** The LAO sees merit for two of the proposed positions in the Educational Services and Support Division. Specifically, the two Specialist positions proposed for 2023-24 would help the Chancellor's Office administer the recently created ongoing basic needs program and other student service programs. Because these programs are already authorized and currently being developed by community colleges, the LAO is unclear as to why the administration postpones funding the associated staffing positions until 2023-24. The LAO recommends that the Legislature modify the Governor's proposal by approving these positions and the associated funding beginning in 2022-23.

***Given Chancellor's Office Existing Staff, Recommend Rejecting Two Positions.*** The Governor's budget proposes two other positions—a Program Assistant II and a Specialist—in the Educational Services and Support Division that would work on ethnic studies curriculum and competency-based education. Chancellor's Office documentation provided to our office shows that the agency already assigns two staff to overseeing those issues. Given the Governor's proposal appears to duplicate already authorized and assigned positions, the LAO recommends that the Legislature reject these proposed positions.

***Insufficient Detail on Remaining Positions, Withhold Recommendation.*** The Chancellor's Office may need some of the remaining requested positions but without better back-up and justification, the Legislature is unable to make this determination. For example, a proposed Information Technology Specialist II position would support "critical upgrades" to CCC's centralized data system. The administration, however, has provided no information on what the critical upgrades are, how long they will take, and how often they need to occur. Similarly, a proposed Staff Services Analyst position in the Educational Services and Support Division would "provide administrative and staff support services associated with the entire division's workload." No detail, however, is provided on current unmet workload needs in the division and what workload the proposed position would cover. In the case of the attorney position, the administration identifies the general nature of the work the attorney is to undertake but provides no backup information suggesting that the current number of attorneys in the Chancellor's Office is insufficient given workload. Rather than rejecting the remaining positions at this time given this lack of specificity and justification, the Legislature could give the administration an opportunity to submit improved proposals before the May Revision. Such proposals should include more

details on the specific workload the proposed positions would undertake and why current staffing levels in those areas is insufficient. Until such proposals are provided, the LAO withholds recommendation on the associated positions.

**Suggested Questions:**

- We ask CCC, and Administration to comment on the LAO recommendations and analysis.

**Staff Recommendation.** Hold Open

**6120 CALIFORNIA STATE LIBRARY**

**Issue 30: Senate “Putting Wealth to Work” Proposals**

**Panel**

- Jason Constantouros Legislative Analyst’s Office
- Greg Lucas, California State Librarian

**Background**

The Budget Act of 2021 included various new initiatives for the State Library. Most notably, it created the Library Infrastructure Grant Program. The 2021 Budget Act specifically included \$439 million one-time General Fund for grants for local library infrastructure improvements, broadband and technology upgrades and purchasing of devices. The 2021 Budget Act specified that no grant amount shall exceed \$10 million, and the State Library shall prioritize life-safety and other critical maintenance and infrastructure projects. The law specified that the State Library shall require a local match; however, the match may be reduced if library jurisdiction can demonstrate financial need. The law required the State Library to submit a report on the grant recipients, information about the grant and status reports on the project starting in April 1, 2022. These funds are available for encumbrance until June 30, 2024. The following paragraphs are descriptions of the application process, demographics, and demand for funding per the State Library’s status report.

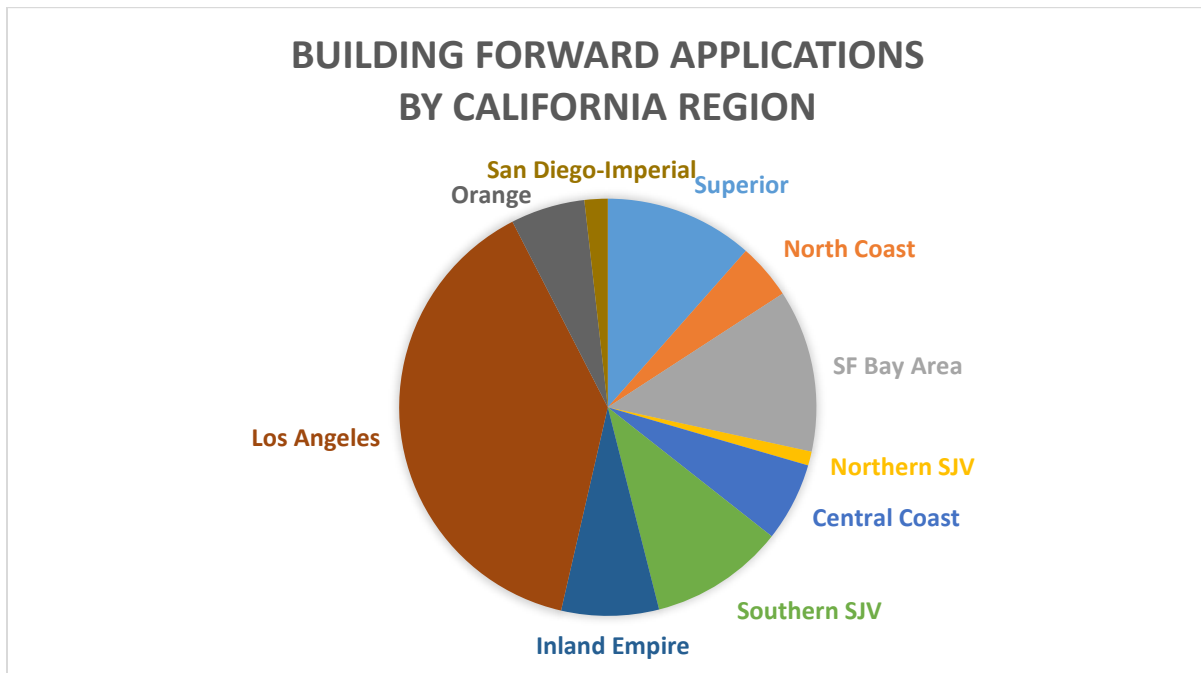
***Total requested funding exceeds the amount included in 2021 Budget Act.*** A pre-application process began in September 2021 to gauge demand, scope of projects, and uncover any unanticipated needs. The results were used to help shape the current application process. The official application period then began in February 2022.

The grant application window closed on March 21, 2022. The State Library received 278 applications from 97 local jurisdictions seeking \$548.5 million in state grant funding for projects totaling \$1.1 billion. The applications are being reviewed by an independent advisory board

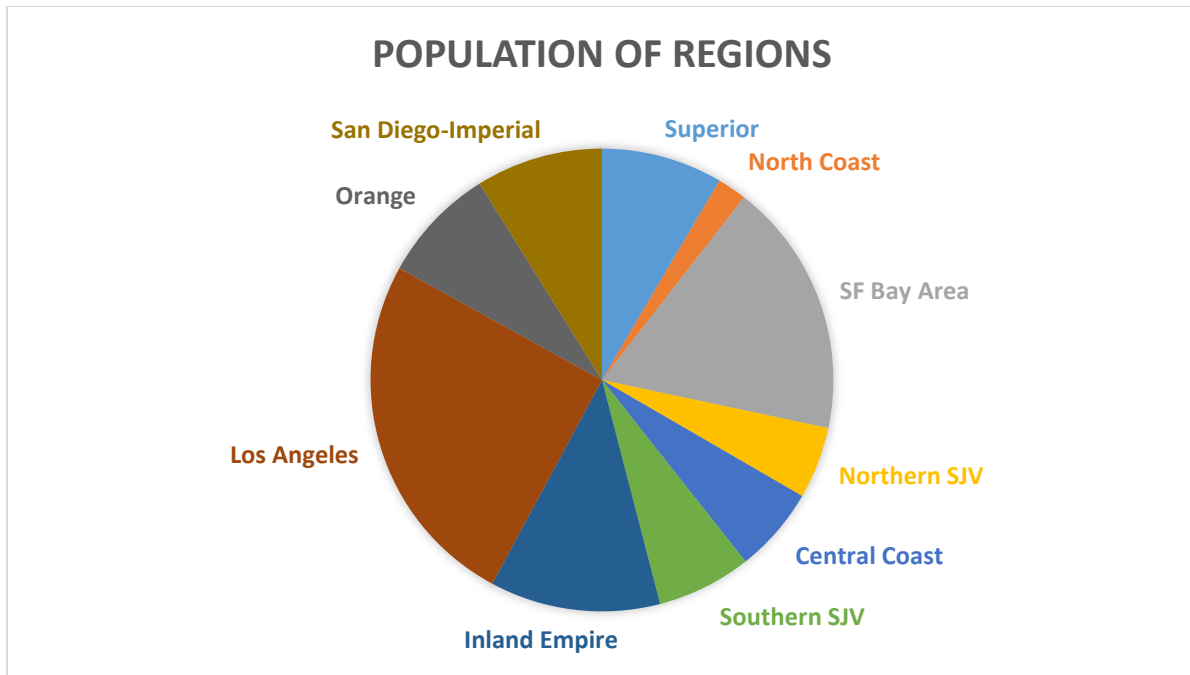
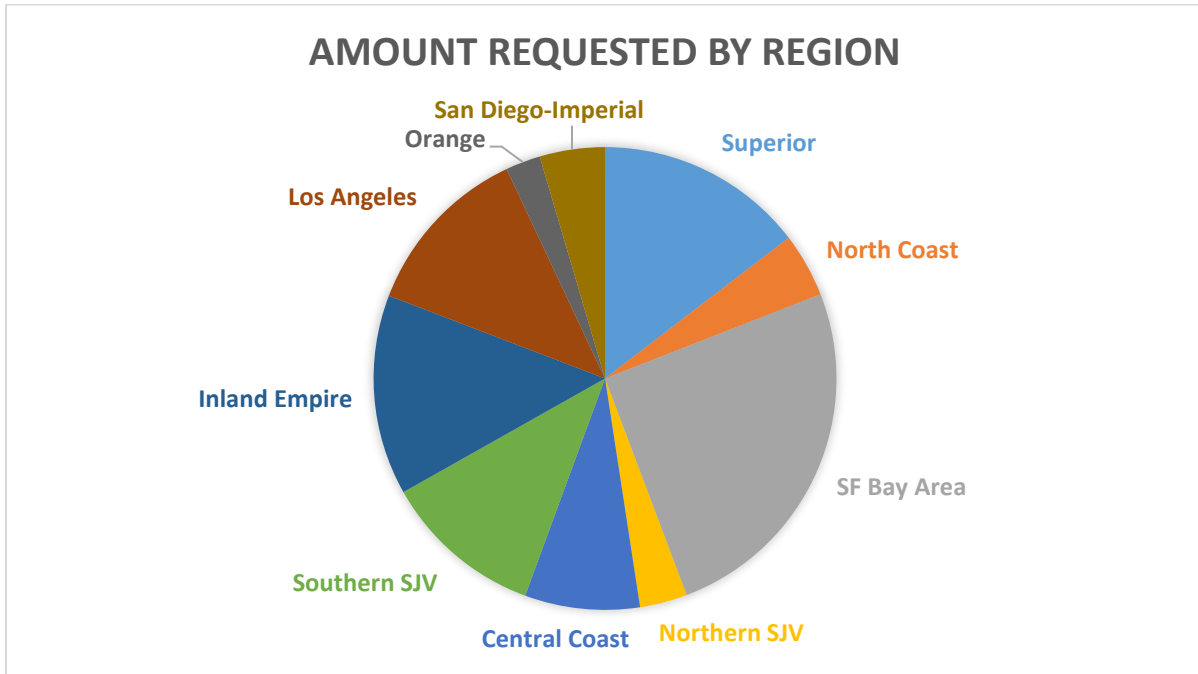
chaired by the former State Librarian of Texas and including a variety of library facilities and 9 experts from around the country.

**Further analysis of applications.** At the close of the application process on March 21, 52 percent of California’s 189 library jurisdictions had applied. Applications received represented only 25 percent of library buildings in the state. Thirty-seven applications involved improvements to leased facilities.

Analysis of Grant Applications. According to the State Library, out of the 278 applications received from communities throughout California, the largest percentage came from the Los Angeles area – home to 25 percent of the state’s populations. 39 percent of applications submitted were from the Los Angeles region representing 111 total projects. The San Francisco region, which makes up 18 percent of the state’s population, submitted 25 percent of applications received. The following chart further illustrate applicant distribution throughout California.







The State Library indicates that despite the unprecedented investment in the 2021 Budget Act, there is a total need of \$5 billion for modernization, rehabilitation, renovation, and replacement of California’s 1,130 local libraries, as identified in surveys conducted by the State Library, the

California Research Bureau and others. The Library also raises that solely addressing “life-safety and other critical maintenance” needs does not create libraries capable of meeting the needs of 21st Century California communities. Although the budget allows for consideration of “more significant modernization and construction capital projects” it does so only “if funding remains after supporting life-safety and other critical projects.”

The State Library has fielded nearly 200 inquiries from library directors, city managers, local elected officials and others regarding grant eligibility. Many of the projects their communities seek are not prioritized under the guidelines of the program.

### **Senate “Putting California's Wealth to Work for a More Equitable Economy” Proposals**

- In response to the State Library’s analysis of applications and recommendations going forward, the Senate’s spending plan includes \$750 million one-time General Fund in 2022-23 for Library Infrastructure Grant Program. This proposed appropriation, as well as the adoption of provisional budget bill language, will focus on local library capital outlay and broadens the project eligibility to include improving energy efficiency and sustainability, expanding access digitally and physically and supporting community resiliency. The funds appropriated shall be available for encumbrance or expenditure until June 30, 2027 and will be subject to similar annual status reports as those included in the 2021 Budget Act.
- As well, the Senate’s spending plan includes \$3 million General Fund one-time to renovate and enhance Jewish Family and Children’s Services (JFCS) Holocaust Library Holocaust Center Library and Archives building. This is California’s preeminent Holocaust library, serving more than 375 California public schools and 28,000 students, educators, and community members annually.

**Staff Recommendation.** Hold Open