Senate Budget and Fiscal Review

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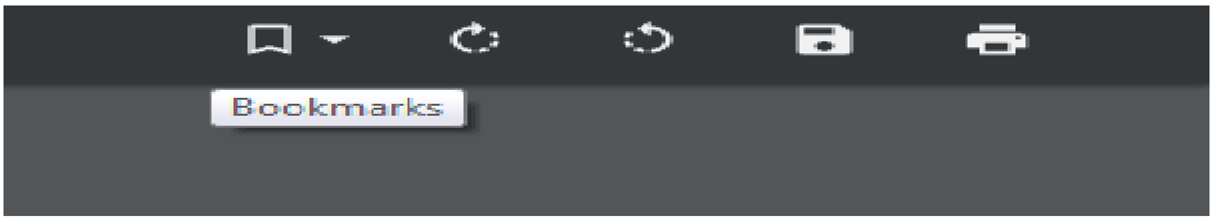

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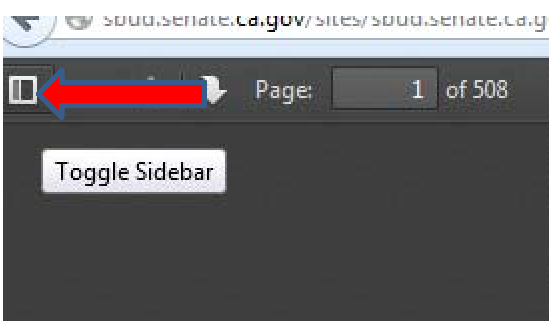
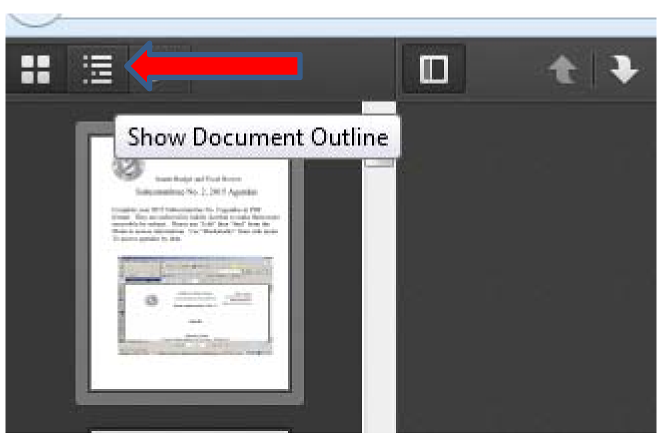




Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Monday, February 1, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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

6100 DEPARTMENT OF EDUCATION

Issue 1: State of Education

Panel:

- Superintendent of Public Instruction, Tony Thurmond

Background:

The Superintendent of Public Instruction will provide an update on the state of K-12 education in California. This item is informational only.

Issue 2: Proposition 98 Overview and Structure

Panel:

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

Proposition 98

California provides academic instruction and support services to over six million public school students in kindergarten through twelfth grades (K-12) and 2.1 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and more than 1,200 charter schools throughout the state. Of the K-12 students, approximately 3.9 million are low-income, English learners, or foster youth students or some combination of those categories. Approximately 1.15 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

For 2021-22, the proposed budget includes $88.1 billion in Proposition 98 funding—$85.8 billion related to meeting the minimum guarantee and a $2.3 billion supplemental payment. The Governor's budget also proposes to provide total Proposition 98 funding for 2019-20 of $79.5 billion, an increase of $1.9 billion over the 2020 final budget act level. For 2020-21, the Governor estimates an increase in the total Proposition 98 minimum guarantee of $11.9 billion for a total of $82.8 billion. These adjustments are primarily also the result of higher than anticipated General Fund revenues than projected at the 2020 final budget act related to the impact of the COVID-19 pandemic. Additional Proposition 98 funds across the three year period are proposed to be used for a variety of expenditures, including paying down two-thirds of payment deferrals enacted in the 2020 Budget Act, providing funds to local educational agencies (LEAs) to re-open schools, and to fund academic interventions and expanded learning opportunities, and to provide a cost-of-living-adjustment (COLA) for the Local Control Funding Formula (LCFF), to provide funding for special education-related services, and for various targeted one-time programs.

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

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

More recently, the 2020 Budget Act included significant reductions in the Proposition 98 Guarantee related to pandemic related estimates. However, the Governor's 2021-22 proposed budget includes significant increases in comparison to the 2020 Budget Act, as revenues during the pandemic have come in significantly higher than anticipated.

Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)

	Pre-Recession **2007-08**	Low Point **2011-12**	Revised **2019-20**	Revised **2020-21**	Proposed **2021-22**
Sources					
General Fund	42,015	33,136	54,470	56,942	60,835
Property taxes	14,563	14,132	25,073	25,887	27,270
Total	**56,577**	**47,268**	**79,544**	**82,828**	**88,105**
Distribution					
K-12	50,344	41,901	70,230	72,494	75,854
CCC	6,112	5,285	9,313	9,588	10,011
PSSSA	N/A	N/A	N/A	747	2,241

Source: Legislative Analyst's Office and Department of Finance

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

98 minimum guarantee. Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly.

Proposition 98 Tests
Calculating the Level of Education Funding
(Including the 2021-22 Governor's Budget Estimate)

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38 percent).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	9
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is ≤ growth in General Fund revenues plus 0.5 percent.	13
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth > growth in General Fund revenues plus 0.5 percent.	10

The Governor's proposal assumes that in 2019-20, 2020-21, and 2021-22 the Proposition 98 minimum guarantee is calculated under Test 1.

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

The Test 1 percentage is historically-based, but is adjusted, or "rebenched," to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenching was done to account for property tax changes, such as the dissolution of the redevelopment agencies (RDAs), and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In 2021-22, the Governor's Budget adjusts the Test 1 percentage for the continued impact of prior RDA changes. The 2021-22 Proposition 98 guarantee is likely to remain a Test 1 even with some changes in factors at the May Revision.

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

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

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

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.

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

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than $5.6 billion. However, since the last recession the state has significantly increased funding for K-14 education due in part to payments made towards reducing the maintenance factor balance. As a result, the maintenance factor obligation was paid off in 2017-18.

Average Daily Attendance. One of the factors used to calculate the Proposition 98 minimum guarantee level is growth in ADA. In a Test 2 or Test 3 year, the guarantee is adjusted for changes in ADA. However, there is a hold harmless provision for reductions in ADA. Under that provision, negative growth is only reflected if the preceding two years also show declines. Under current projections, which reflect birth rates and migration, K-12 ADA is expected to decline slightly in coming years and the hold harmless will no longer apply for the guarantee calculation, contributing to a dampening effect on Proposition 98 guarantee growth in future years.

Settle-Up. Every year, the Legislature and the Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known. If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee, Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. The Governor's budget proposal for 2021-22 increases expenditures substantially to meet the higher guarantee levels calculated for 2019-20 and 2020-21 as a result of the Governor's budget estimates.

Proposition 98 Certification. The 2018 budget package included a new process for certifying the Proposition 98 guarantee and the 2019 budget package made additional changes to this process. Under current statute, certification of the guarantee is a process by which the Department of Finance (DOF), in consultation with the Department of Education and the Chancellor's Office of the Community

Colleges, verifies the factors for the calculation of the Proposition 98 guarantee and the appropriations and expenditures that count towards the guarantee level. Certifying the guarantee results in a finalized guarantee level for the year, as well as finalizing any settle-up owed as a result of changes in the guarantee level. Adjustments will be made to increase the guarantee after the fiscal year is over if the calculation results in an increase in a prior year, but makes no changes in the event of a decrease in a prior year. Prior to this new process, the guarantee was last certified for 2008-09. In August 2018, DOF released the proposed certification for the 2009-10 through 2016-17 fiscal years. The total settle-up obligation associated with those five years was calculated at $687 million and was fully paid off in the 2019-20 budget.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor accumulated prior to 2014-15 is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and no maintenance factor is created. The 2021-22 proposed budget requires deposits for 2020-21 and 2021-22 of $747 million and $2.4 billion, respectively, for a total balance of approximately $3 billion.

Additionally, this level of PSSSA reserves triggers a statutory requirement that LEAs may not have local reserves in excess of 10 percent of their total annual expenditures, in the year after the state reserve balance is equal to or greater than 3 percent of the total TK-12 share of the annual Proposition 98 guarantee level. This cap on local reserves would be in effect in the 2022-23 fiscal year for all LEAs above 2,500 ADA, with an exception for basic aid school districts. The 2021-22 guarantee calculation would set this trigger level at $2.3 billion. Should this local reserves cap go into effect in 2022-23, the LAO estimates that approximately 130 LEAs statewide would be impacted, based on a state review in 2018-19 of LEA reserve levels: at the end of the 2018-19 fiscal year, districts held a total of $12.8 billion in unrestricted reserves. The data indicate that $6.9 billion of this amount was earmarked for specific uses and $5.9 billion was not earmarked.

Proposition 98 Multi-Year Obligation. The 2020-21 budget included a multi-year payment obligation designed to supplement funding provided by Proposition 98. This new obligation designated 1.5 percent of General Fund Revenues per year to K-14 education beginning in 2021-22 to provide $12.4 billion over a multi-year period. This funding was intended to accelerate the recovery of the Proposition 98 Guarantee from reductions due to the impact of COVID-19 and increase the Proposition 98 share of General Fund from 38 to 40 percent in a Test 1 year by 2023-24. With the General Fund revenues estimated in the proposed budget, the recovery of the Proposition 98 Guarantee from reductions related to COVID-19 is achieved and the 2021-22 budget provides a one-time overappropriation of the Proposition 98 Guarantee in 2021-22 by $2.3 billion and eliminates this statutory obligation in future years

<u>Proposition 98 K-12 Proposals:</u>

Proposition 98 K-12 Education Changes. The proposed budget includes a Proposition 98 funding level of $75.9 billion for K-12 programs. This includes a year-to-year increase of $3.4 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2020-21. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from $12,372 provided in 2020-21 (revised) to $13,015 in 2021-22, an increase of 5.2 percent.

Governor's Budget Contains $17.3 Billion in K-12 Proposition 98 Spending Proposals
(In Millions)

K-12 Education	
Ongoing	
LCFF growth and COLA (3.84 percent)	$1,991
Preschool-aged children with disabilities	300
COLA for select categorical programs (1.5 percent)	88
Mental health services incentive grants	25
Subtotal	$2,404
One Time	
Deferral paydown	$7,318
Expanded learning and academic intervention	4,557
In-person instruction grants	2,000
Community Schools Grant Program	265
TK Expansion Incentive Grants	250
Educator Effectiveness Block Grant	250
Teacher Residency Grant Program	100
Training for TK teachers	50
Educator professional development for social-emotional learning	50
Classified Teacher Credential Program	25
School climate surveys	10
Early Math Initiative	7
Ethnic studies professional development	5
Medi-Cal billing professional learning networks	5
Other	9
Subtotal	$14,903
Total K-12 Education	$17,306

Source: Legislative Analyst's Office

Deferrals. In order to reduce Proposition 98 expenditures to the minimum guarantee level, but shield LEAs from the impact of cuts, the 2020 budget agreement included deferrals of payments from one year to the next. Specifically, the budget deferred a total of $11 billion in principal apportionment payments to LEAs reducing apportionments for the Proposition 98 Guarantee by this amount in 2020-21 in order to meet the Proposition 98 Guarantee as of the 2020 Budget Act. The 2021-22 proposed budget includes paying down $7.3 billion in deferrals in 2021-22, while the remainder of $3.7 billion would continue to be deferred from 2021-22 to 2022-23 and in ongoing years.

K-12 Pension Contributions. The 2020-21 Budget Act appropriated $1.15 billion to offset 2021-22 LEA pension contributions. For 2021-22, CalSTRS will apply $820 million to reduce the employer rate from 18.1 percent to approximately 15.92 percent, and CalPERS will apply $330 million to reduce the Schools Pool employer contribution rate from 24.9 percent to 23 percent.

Immediate Support for Schools - Early Action Items. The proposed budget includes a total of $6.6 billion in one-time Proposition 98 General Fund to provide immediate support for schools and the Governor requests early action on this package.

- Specifically, $2 billion would be provided in grants for LEAs that adhere to COVID-19 related health and safety guidance from the California Department of Public Health, including for completing safety plans and adopting a state-recommended testing cadence for teachers and students, and open for in-person instruction by March 15th. Those LEAs that have already opened or open for in-person instruction by February 15th would be eligible for higher grant amounts. Accompanying trailer bill language specifies that LEAs would need to open for grades kindergarten through 2 and for specified high-risk populations by February 15th, increasing through grade 6 by March 15th. Additional provisions are made for schools in counties in severe purple tiers to remain closed but remain eligible for funding.

- The remaining $4.6 billion would be available for all LEAs for targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including for extending the school year, providing summer school, or other targeted strategies that address learning loss related to the pandemic, including community learning hubs. (Discussed later in this agenda)

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA). In the 2020-21 Budget Act, a COLA was not included for the LCFF. The proposed budget provides a COLA of 3.84 percent (1.5 percent attributed to 2021-22 and 2.31 percent to reflect the foregone COLA in 2020-21), approximately $2 billion, for the 2021-22 fiscal year, bringing total LCFF funding to $64.5 billion.

In addition, while the 2020-21 budget included a hold harmless on average daily attendance for purposes of LCFF (the hold harmless also applies for the 2021-22 school year) and authorized distance learning for 2020-21, the proposed budget makes no similar provisions for 2021-22. Instead the Administration notes an expectation of in-person instruction in the 2021-22 school year, but commits to working with the Legislature on any needed flexibilities due to continued impacts of the COVID-19 pandemic.

K-12 Special Education. The proposed budget included an increase of $300 million in ongoing Proposition 98 General Fund for the Special Education Early Intervention grant, to be provided to LEAs based on the number of three through five-year olds with exceptional needs. The proposed budget also includes $5 million one-time Proposition 98 General Fund to establish professional learning networks to increase LEA capacity to access federal Medi-Cal funds; $250,000 one-time Proposition 98 General Fund for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support; and $500,000 one-time Proposition 98 General Fund for a study to examine certification and oversight of non-public school special education placements.

Community Schools. The proposed budget includes $264.9 million in one-time Proposition 98 General Fund for grants to LEAs to support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.

Teacher Training, Recruitment, and Retention. The proposed budget includes the following programs and funds to recruit, retain, and support educators:

- $250 million one-time Proposition 98 General Fund for the Educator Effectiveness Block Grant to provide LEAs with resources to expedite professional development for teachers, administrators, and other in-person staff, in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training.

- $100 million one-time non-Proposition 98 General Fund for continued investment in the Golden State Teacher Grant Program, which provides grants to students enrolled in teacher preparation programs who commit to working in high-need fields and at schools with high rates of under-prepared teachers.

- $100 million one-time Proposition 98 General Fund to expand the Teacher Residency Program, which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas, including special education, bilingual education, and STEM.

- $50 million one-time Proposition 98 General Fund to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.

- $25 million one-time Proposition 98 General Fund to expand the Classified School Employees Credentialing Program, which provides grants to local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

- $8.3 million one-time Proposition 98 General Fund for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade through the statewide system of support.

- $7 million one-time non-Proposition 98 General Fund to the University of California Subject Matter Projects to create high-quality professional development on learning loss in core subject matter content areas like reading, math, and ethnic studies.

- $5 million one-time Proposition 98 General Fund to fund professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

K-12 School Facilities. In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell $9 billion in general obligation bonds for K-14 facilities ($7 billion for K-12 and $2 billion for community colleges). The proposed budget includes approximately $1.5 million in K-12 bond authority in 2021-22, similar to the amount included in prior years, for new construction, modernization, career technical education, and charter facility projects.

K-12 School Mental Health. The proposed budget includes $25 million one-time Mental Health Services Fund (Proposition 63), available over multiple years, to expand the Mental Health Student Services Act Partnership Grant Program, which funds partnerships between county behavioral health departments and schools. In addition, the proposed budget includes $25 million ongoing Proposition 98 General Fund to fund innovative partnerships with county behavioral health to support student mental health services. This funding would be provided to LEAs to match funding in county Mental Health Services Act spending plans dedicated to the mental health needs of students.

In addition, the Department of Managed Health Care Services budget includes a related proposal to provide $400 million one-time in a mix of federal funds and General Fund, available over multiple years, for the Department of Health Care Services to implement an incentive program through Medi-Cal Managed Care Plans, administered by county behavioral health departments and schools.

School Climate Surveys. The proposed budget includes $10 million one-time Proposition 98 General Fund to a county office of education to support the use of school climate surveys, including through training for LEAs, and providing start-up grants to LEAs for the use of school climate surveys.

County Offices of Education. The proposed budget includes an increase of $10.2 million ongoing Proposition 98 General Fund to reflect a 1.5 percent COLA and ADA changes applicable to the LCFF.

Instructional Quality Commission. The proposed budget includes an increase of $206,000 one-time non-Proposition 98 General Fund for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

Cost-of-Living Adjustments. The proposed budget also provides $85.7 million Proposition 98 General Fund to support a 1.5 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others.

Local Property Tax Adjustments. The proposed budget includes an increase of $54.1 million ongoing Proposition 98 General Fund for school districts and county offices of education in 2020-21 as a result of decreased offsetting property tax revenues, and a decrease of $1.2 billion ongoing Proposition 98 General Fund for school districts and county offices of education in 2021-22 as a result of increased offsetting property taxes.

LCFF Fiscal Accountability. The proposed budget includes a proposal to be detailed in upcoming trailer bill language that would address concerns that some LEAs allocate funds for increased and improved services in the Local Control and Accountability Plan (LCAP) and then leave them unspent, reallocating them for other purposes in future years by requiring that, once established, an LEA's responsibility to increase and improve services continues until fulfilled.

Adults in Charter Schools. The proposed budget includes a proposal to be detailed in upcoming trailer bill language that would clarify current law allowing charter schools in exclusive partnerships with specified state or federal job-training programs to receive state apportionment funding for students above 19 years of age.

Free Application for Federal Student Aid (FAFSA). The proposed budget requires LEAs to confirm that all high school seniors complete a FAFSA or California Dream Act Application beginning in the 2021-22 academic year.

Cradle-to-Career Data System. To support the continued development of the Cradle-to-Career Data System, the budget proposes $15 million General Fund ($3 million is one-time) to establish an office within the Government Operations Agency to provide support and resources for a data system and $3.8 million ongoing Proposition 98 General Fund to support the California Career Guidance Initiative (CCGI) which provides an interface for student data between high schools, students, and families that will be integrated into the Cradle-to-Career Data System.

Legislative Analyst's Office Analysis:

The LAO's recent publication, *The 2021-22 Budget: Overview of the Governor's Budget*, included an analysis of the Governor's Proposition 98 Proposals. The LAO notes that the budget reflects a reasonable mix of one-time and ongoing spending. Of the new spending specifically attributable to 2021-22, the budget allocates $2.6 billion for ongoing commitments and $2.9 billion for one-time activities. This one-time spending, combined with a $2.2 billion one-time deposit into the Proposition 98 Reserve, creates a budget cushion of $5.1 billion. This cushion helps protect ongoing programs from volatility in the minimum guarantee. Specifically, to the extent the guarantee drops or grows more slowly in the future, the expiration of these one-time allocations allows the state to accommodate the lower guarantee without relying on program cuts or payment deferrals. The LAO notes that having a large one-time cushion seems especially important in 2021-22 given the continued and significant economic uncertainty due to the pandemic. In addition, the LAO notes that $2.3 billion of the total Proposition 98 funding allocated to schools in 2021-22 is supported with a one-time supplemental payment (the Governor's budget assumes no such additional payments are provided after 2021-22).

The LAO recommends that the Legislature allocate a larger share of the one-time funds for (1) paying down deferrals or (2) mitigating future cost increases related to pensions. Paying down deferrals would better position districts and the state to weather economic volatility by reducing pressure on future Proposition 98 budgets. Paying down future pension costs could help smooth out a notable increase in costs currently projected for 2022-23. Although taking these actions might mean somewhat less one-time funding is available for new programs in 2021-22, the LAO believes they would increase the likelihood that the programs districts do develop in the coming year can be sustained over time.

Suggested Questions:

- DOF: Given the significant one-time resources available, why does the Administration not propose to fully pay off deferrals?

- LAO: What fiscal pressures do you anticipate LEAs facing over the coming years? What can the state do in the short term to smooth out any fiscal uncertainty?

- DOF/LAO: Are there one-time investments included in the Proposition 98 package that federal funds could be used for?

Staff Recommendation: Hold Open.

Issue 3: Local Control Funding Formula (LCFF)

Panel:

- Lina Grant, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Elly Garner, Department of Education

Background:

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

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

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

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

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

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.

- **Concentration Grants** provide an additional 50 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.

- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.

- **LCFF Economic Recovery Target** add-on ensured that districts receive, by 2020-21, at least the amount of funding they would have received under the old finance system to restore funding to their 2007-08 level adjusted for inflation. Districts are not eligible for this add-on if their LCFF funding exceeds the 90th percentile of per-pupil funding rates estimated under the old system.

- **Hold Harmless Provision** ensures that no school district or charter school will receive less funding under the LCFF than its 2012-13 funding level under the old system.

Budget Appropriations. The LCFF established new "target" LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLA and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional $18 billion, with completion by 2020-21. However, Proposition 98 growth exceeded expectations and LCFF was fully funded in the 2018-19 fiscal year for school districts and charter schools. COEs reached their target funding levels in 2014-15, which adjusts each year for COLAs and ADA growth. The 2018-19 budget also provided an additional amount above the required COLA to provide a $670 million increase to LCFF grants. With full-funding of the formula, LEAs and stakeholders can see how much funding is received through base, supplemental, and concentration grants on the CDE website and reported through each LEA's local control and accountability plan (LCAP). While the state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA); in the 2020-21 Budget Act, a COLA was not included for the LCFF due to estimates of a significant reduction in Proposition 98 funding due to the COVID-19 pandemic.

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

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

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

Governor's Budget Proposal:

While the state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA); in the 2020-21 Budget Act, a COLA was not included for the LCFF. The proposed budget provides a COLA of 3.84 percent (1.5 percent attributed to 2021-22 and 2.31 percent to reflect the foregone COLA in 2020-21), approximately $2 billion, for the 2021-22 fiscal year, bringing total LCFF funding to $64.5 billion.

The January budget also proposes policy changes to the multi-year nature of LCFF Supplemental and Concentration fund tracking. The Governor vetoed a bill that addressed this issue, AB 1835 (Weber) in September 2020. While the trailer bill language is not yet available, according to the DOF, the policy intent is to add additional oversight by County Offices of Education on the use of actions that satisfy the Minimum Proportionality Percentage (MPP) for Local Control and Accountability Plans that propose to expend less on actions to increase or improve services than their LCFF apportionment attributable to supplemental and concentration funds, and require a specific justification of how services are improved, and that dollars associated with unimplemented actions that are counted toward meeting the MPP be used for actions that meet the needs of unduplicated students in future years.

Suggested Questions:

- DOF/LAO: What estimates are available for out-year COLAs? Are these anticipated to meet rising costs for LEAs?

Staff Recommendation:

Hold Open

Issue 4: Federal Stimulus Funds

Panel:

- Melissa Ng, Department of Finance
- Elly Garner, Department of Education
- Amy Li, Legislative Analyst's Office

Background:

In response to the COVID-19 pandemic, the federal government has provided various allocations of stimulus funds.

2020-21 Budget Act: Federal Stimulus funds were also included in the 2020-21 budget specifically related to the K-12 Education Pandemic Response as follows:

- **Learning Loss Mitigatio**n. The budget appropriated a total of $4.8 billion in one-time federal funding ($4.4 billion federal Coronavirus Relief Fund (CRF) and $355.2 million federal Governor's Emergency Education Relief (GEER) Fund) and combined this with $540 million Proposition 98 General Fund for a total of $5.3 billion to address learning loss and other impacts of COVID-19. Of this total, $1.5 billion is allocated to LEAs, with the exception of non-classroom based charter schools, on the basis of the enrollment of students with exceptional needs (ages 3-22), $2.9 billion is allocated to LEAs, with the exception of non-classroom based charter schools, on the basis of the proportion of Supplemental and Concentration grant funding each LEA receives of the total statewide Supplemental and Concentration grant funding, and $980 million is provided to all LEAs in proportion to the amount of Local Control Funding Formula funding each LEA receives.

  Federal funds were required to be expended within specified federal time frames and funding must be used to directly support pupil academic achievement and mitigate learning loss related to COVID-19 school closures, including academic programs, services, and supports to address learning loss, extended instructional minutes and services, additional materials, including devices or internet connectivity, and other supports related to health, mental health, professional development, and school meals among others. Eligible uses may also include cleaning and safety measures for re-opening schools

  Of these funds, the CRF funds were available for broad pandemic relief efforts, but the above portion was provided for education specifically in the 2020-21 Budget Act. These funds originally had an expenditure deadline of December 30, 2020 and most LEAs reported already exhausting these funds by that timeline. According to the most recent CRF expenditure reports from the CDE, approximately 11 percent of LEA expenditures through December 2020 were on costs attributable to open school campuses (testing, PPE), and the majority of funds (59 percent) were spent on expenditures directly related to distance learning, including:

  - Technological improvements such as increasing broadband capacity.
  - Software purchases that enable distance learning.
  - Hardware purchases for students and/or teachers such as laptops and tablets.

  - Instructional materials necessary for distance learning.
  - Staff training /professional development necessary to provide quality distance learning.

  In recent federal legislation the deadline for expenditure of funds has been changed to May 31, 2021.

- **Other Resources:** LEAs also received $1.4 billion in federal Elementary and Secondary School Emergency Relief Fund (ESSER I) that were distributed directly based on federal Title I allocation formulas. The budget also included $159 million in ESSER I funds that the state had discretion to program and these were provided for community schools and school nutrition programs.

Additional Federal Funds. A second round of federal stimulus was enacted in December of 2020, specifically in regards to schools, the following is available in one-time funding:

- Elementary and Secondary School Emergency Relief Fund (ESSER II) to be distributed directly to schools on a Title I formula basis - $6.087 billion
- ESSER II Set-Aside Funds - $676 million for schools to be programmed through legislation.
- Discretionary GEER Funds - $157 million
- GEER Funds for Private Schools - $188 million

Finally, there may be additional federal funds for schools under the new President Biden administration in a new round of stimulus funding.

<u>Governor's Budget Proposal and Other Actions:</u>

The proposed budget did not include ESSER II or GEER funds from the recently enacted federal COVID-19 relief bill. These resources will assist schools in reopening and remaining open for in-person instruction and addressing the immediate needs of students. The Administration had indicated they would engage with the Legislature on the immediate allocation of these funds and need for any related legislation.

On January 19, 2021, the Department of Finance notified the Joint Legislative Budget Committee (JLBC), pursuant to the provisions of Section 28.00 of the 2020-21 Budget Act, of a request by the California Department of Education (CDE) to allocate the $6 billion in one-time ESSER II to schools in response to the COVID-19 pandemic. The letter requested a waiver from the 30-day legislative review period. The JLBC responded with approval on January 25, 2021, noting that the Legislature considers this funding as one part of a comprehensive package of federal and state resources to support schools in serving students during the COVID-19 pandemic and looks forward to continuing to work with the Administration on these issues.

The Governor's Budget also proposes trailer bill language to reflect the change in federal CRF deadlines from December 30, 2020 to May 31, 2021. LEAs with funds remaining are required to recertify by March 1, 2021 that funds shall be used by May 31, 2021. If LEAs do not certify use of the funds and do not ultimately expend funds be the deadline, trailer bill language would allow funds to be recovered and deposited into the CRF account and reallocated upon order of the Department of Finance.

Suggested Questions:

- DOF/LAO: Do you have suggestions on the best use of discretionary federal funds available under the December 2020 stimulus package?

- DOF: The Administration has said that federal funds complement their Re-Opening Schools proposal. However, federal ESSER funds have similar allowable uses for expenditure. How are we ensuring we are maximizing the use of both state and federal funds given then the many needs of schools and potential other uses of funds such as paying down deferrals or funding areas of specific need such as school nutrition, or special education?

- DOF: The trailer bill language proposed allows unspent CRF to be re-allocated by the Department of Finance. Does the Legislature have a say in the reallocation of funds under this proposal?

- CDE: Does the CDE have concerns that LEAs will be unable to use CRF by May 31, 2021?

Staff Recommendation:

Hold Open.

Issue 5: Expanded Learning Time and Academic Intervention Grants

Panel:

- Melissa Ng, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Elly Garner, Department of Education

Governor's Budget Proposal:

The Governor's Budget includes a proposal for $4.6 billion one-time Proposition 98 Funds that would be available for all LEAs for targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including for extending the school year, providing summer school, or other targeted strategies that address learning loss related to the pandemic, including community learning hubs.

Specifically funds would be allocated as follows:

- Eligible LEAs would receive $1,000 per each homeless pupil enrolled in 2020-21.
- The State Special Schools would receive $725 per average daily attendance.
- Remaining funds would be allocated to LEAs in proportion to their LCFF funding in 2020-21.

Funds would be available for expenditure through June 30, 2022. Funds must be used for activities that support academic achievement by expanding instructional time and providing targeted academic interventions, with priority for low-income students, English language learners, youth in foster care, homeless youth, students with disabilities, and pupils identified for tiered re-engagement strategies. Specifically funds shall be used for:

- Extended learning time through increasing the number of instructional days or instructional minutes provided during the school year, providing summer school or intersessional instructional programs, or other actions that increase instructional time or services for pupils.
- Accelerating progress to close learning gaps through the implementation, expansion, or enhancement of learning supports, such as 1) tutoring or one on one instruction, 2) learning recovery programs and materials, 3) educator training on accelerated learning or addressing learning gaps.
- Integrated pupil supports to address other barriers to learning (examples: health, counseling, mental health services, school meals, before and after school programs, supporting family needs, addressing trauma and social emotional learning).
- Community learning hubs to provide access to technology, high speed access, and other academic supports.
- Supports for credit deficient pupils to complete graduation or grade promotion requirements.
- Additional academic services, such as diagnostic assessments.
- Training for school staff on strategies to engage students and families in addressing students' social emotional health and academic needs.

As a condition of a receipt of funds, LEAs are required to adopt an addendum to their Local Control and Accountability Plan that describes how funds will be used in accordance with this section by June 1, 2021.

Legislative Analyst's Office Analysis:

In a recent post on their website (www.lao.ca.gov), *The 2021-22 Budget: Extended Learning and Academic Support*, the LAO reviews the Governor's proposal. The LAO notes that there is evidence that students need additional academic and other support services. They note that it is also reasonable to take some early action to allow schools enough time to plan for summer programming and for students and families to plan for participation in summer programs.

The LAO also notes that there is a significant amount of one-time funding for schools in the 2021-22 budget proposal. This proposal combined with the additional ESSER II funds would provide $10.6 billion in flexible one-time funds. The amount each LEA receives varies with the share of English Learner (EL) and Low-Income (LI) students. The chart below illustrates the variance.

Figure#

One-Time ESSER and Governor's Proposed Academic Support Funding

Median Per-Pupil Funding for School Districts, by Share of English Learners and Low-Income Students

District EL/LI Share	ESSER Round 2	Governor's Proposal	Total
0% -37.9%	$253	$615	$819
38% - 54.9%	524	646	1,140
55% - 77.2%	917	721	1,633
77.3% - 100%	1,455	782	2,210
Statewide	**$840**	**$718**	**$1,472**

ESSER = Elementary and Secondary Emergency Relief and EL/LI = Engish learner or low income.

Source: Legislative Analyst's Office

The LAO raises a few concerns:

- Given the uncertainty of planning around school re-opening, LEAs may have difficulty spending this large amount of funding over one year.
- In order to spend funds, LEAs may cover costs of activities they had already planned to conduct, not providing additional benefits to students.
- The effects of the pandemic on student learning and well-being are not likely to subside after one year. There may be greater benefit if funds can be spent over multiple years. And the proposal may create a cliff effect such that funds and service levels would drop in 2022-23.

The LAO specifically recommends that the state provide a smaller amount of one-time funding to address learning loss, using the Governor's methodology. Provide $1 billion for summer enrichment and academics and provide $500 million for in-person support activities during the school year, potentially allowing funds to be spent over a two year period. The LAO notes that this would free up one-time Proposition 98 funds for other purposes that increase stability for LEAs, such as paying down deferrals or addressing school district pension cost concerns.

Suggested Questions:

DOF: How was the total amount of funding arrived at? How much funding per pupil is anticipated? Did the Administration use any estimates to determine what amount of funding would be needed to begin addressing learning loss?

LAO/DOF: How should the state consider additional federal funds that can be used for learning loss as part of a comprehensive package?

DOF: Given the large amount of available one-time funds for potentially similar uses, has the Administration considered expanding the timeline for expenditure of learning loss funds to allow for summer strategies after the 2021-22 school year ends?

Staff Recommendation: Hold Open.

Issue 6: Fiscal Health of School Districts

Description:

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

Panel:

- Mike Fine, Chief Executive Officer, FCMAT

Background:

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

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

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also helps LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state Legislature and oversight agencies to conduct fiscal crisis intervention. The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

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

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

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

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

First Interim Report. The first interim report has not yet been published by CDE. But preliminary data shoes that there are three LEAs with negative certifications, These LEAs will not be able to meet their financial obligations for 2020-21 or 2021-22, based on data generated by LEAs in Fall 2020, prior to release of the Governor's January 2021-22 budget. The first interim report also identified 51 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2020-21, 2021-22 or 2022-23.

FCMAT notes that the first interim report includes estimates as of the 2020-21 budget act and does not reflect significantly changing fiscal conditions that are included in the Governor's proposal budget for 2021-22.

Second Interim Report. The second interim report, which covers the period ending January 31, 2021, is due March 17th.

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

- The SPI shall assume all the legal rights, duties, and powers of the governing board of the district.

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

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

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

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of $55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is the only district under state administration and has a positive certification list at first interim in 2020-21. Oakland Unified School District continues to be on the qualified certification list in the first interim report in 2020-21.

Emergency Loans to School Districts
1990 through 2015

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	$7,000,000 $12,000,000 $10,000,000 $29,000,000 ($55 million authorized)	2.307%	$9,159,920	11/01/34 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	$2,000,000 $3,000,000 $8,000,000 $13,000,000	2.307%	$10,666,890	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	$50,000,000 $10,000,000 $60,000,000	1.5%	$54,646,156	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	$65,000,000 $35,000,000 $100,000,000	1.778%	$95,467,720	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	$1,300,000 ($2,000,000 authorized)	1.93%	$1,425,773 No Balance Outstanding	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	$1,300,000 ($2,300,000 authorized)	4.19%	$1,742,501 No Balance Outstanding	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	$3,500,000 $7,000,000 $9,451,259 $19,951,259	4.40% 4.313% 4.387%	$24,358,061 No Balance Outstanding	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	$5,130,708 $2,169,292 $7,300,000	5.338% 4.493%	$9,271,830 No Balance Outstanding	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	$2,000,000 $7,525,000 19,000,000 $28,525,000	1.532% 2004 refi rate	$47,688,620 No Balance Outstanding	05/30/12 I-bank

Source: California Department of Education

Suggested Questions:

1) What trends does FCMAT see across the state for LEAs that need assistance in managing their financial responsibilities? What does FCMAT see as the most important challenge LEAs currently face?

2) One of FCMATs responsibilities is to complete audits of school districts in special circumstances as requested by county offices of education. Has the need for these type of audits changed over time?

3) What unique challenges are LEAs facing as they grapple with responding to the pandemic? What advice is FCMAT giving to districts about managing their budgets given the potential for large amounts of one-time funding in the budget year?

Staff Recommendation:

Information Only

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 3, 2021
10:00 a.m.
State Capitol - Room 4203

Consultant: Anita Lee

Items for Discussion

Public Comment

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

6610 California State University

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

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

The CSU’s goals include:

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

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5560	Support	51,293.0	48,297.9	48,297.9	$11,666,659	$9,958,211	$10,313,262
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**51,293.0**	**48,297.9**	**48,297.9**	**$11,666,659**	**$9,958,211**	**$10,313,262**

FUNDING		**2019-20***	**2020-21***	**2021-22***
0001	General Fund	$4,354,669	$3,698,329	$4,053,880
0895	Federal Funds - Not In State Treasury	1,511,093	1,424,623	1,424,623
0948	California State University Trust Fund	5,795,897	4,832,759	4,832,759
3085	Mental Health Services Fund	3,000	-	-
3290	Road Maintenance and Rehabilitation Account, State Transportation Fund	2,000	2,500	2,000
TOTALS, EXPENDITURES, ALL FUNDS		**$11,666,659**	**$9,958,211**	**$10,313,262**

Issue 1: Base Budget Increase

Background

Base Budget. Since 2013, following the Great Recession the state has provided CSU annual base increases ranging from $30 million ongoing in 2018 to $193 million ongoing General Fund in 2019. However, in 2020, the impact of the COVID-19 pandemic and the associated economic downtown led the state to reduce state support at CSU. While the 2020 budget provided a base increase of $199 million General Fund ongoing to CSU, the budget also included a $498 million reduction, this resulted in a net reduction of $299 million ongoing or 7.4 percent. The budget bill specified that this reduction would be restored if federal funding was provided to the state by October 2020. However, this did not occur. The 2020 budget included intent language that CSU use reserves to mitigate cuts, and that the cuts do not have a disproportionate impact on low-income students, students from underrepresented minority groups and other disadvantaged groups.

The 2020 budget also requires CSU to report on level of cuts by campus, a description of the stakeholder consultation process used to make the cuts an explanation of how those actions were decided, and a description of how the CSU's decisions minimize harm to the enrollment of and services provided to students eligible for Pell Grants, students from underrepresented minority groups, and other disadvantaged students. In November 2020, the CSU submitted the report to the Legislature, and noted that after consultation sessions with campus presidents and stakeholders, it was decided that the reduction would be allocated to campuses based on two methodologies: (1) a pro-rata across-the-board reduction based on 2019-20 campus operating budgets, and (2) a campus reduction based on the number of students that were not Pell Grant eligible in 2018-19, this resulted in each campus base budget being reduced by $793 for every non-Pell grant eligible student enrolled at the campus. Each methodology was applied to half of the budget shortfall. Campus reductions ranged from $5.6 million to $28 million.

CSU utilized a number of one-time sources to temporarily support the $299 million funding drop for 2020-21, including the use of designated balances and reserves, the federal CARES Act funding (described below), a slowdown in hiring and a halt on travel. The Chancellor's Office surveyed campuses in August 2020 and January 2021 and found that campuses planned to use over $200 million or about half of their unrestricted reserves in the 2020 to help address the budget shortfall. However, it is unclear what the actual reserve use will be given the various cost savings strategies mentioned above as well as the two rounds of federal assistance. The CSU will have final data on use of balance and reserves in the summer. The impact of these reductions will vary by campus, for example, prior to the COVID-19 pandemic, San Francisco State already had operating budget challenges due to declining enrollment, whereas other campuses have been able to avoid layoff notices by implementing budget savings strategies.

Federal Assistance. The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided $14 billion in higher education emergency relief funds (HEERF). This funding was allocated to institutions based on a formula that included the number of full-time equivalent (FTE) undergraduate students receiving Pell Grants, and the number of FTE undergraduate and graduate students not receiving Pell Grants. Of this funding $1.7 billion was allocated to California institutions, with CSU receiving approximately $525 million. CSU also received $38.3 million for campuses designated as minority serving institutions. Institutions are required to spend at least half of these funds on student financial aid. Students, in turn, could use their financial aid grants for expenses related to campus disruptions resulting from COVID-19. The remainder was available for institutional expenses associated with changes in instructional delivery due to the pandemic. Qualifying institutional expenses ranged from paying for technology and faculty professional development to providing student refunds for housing and dining programs as campuses shifted to remote operations.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed on December 27, 2020, provides $23 billion for the second round of HEERF to colleges and universities, and funding will be distributed based on a funding formula focused on both FTE and head count enrollment and Pell Grants recipients. It also directs a larger share of the new relief funds toward institutions that enroll many part-time students, including community colleges. In contrast to the CARES Act formula, the CRRSAA formula accounts for certain students enrolled exclusively in distance education before the start of the pandemic, though their weight in the new formula is very small. CSU estimates that campuses will receive approximately $853.8 million from the CRRSAA, of which $262.7 must be spent on student aid.

CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. Whereas the CARES Act specified that institutional relief was for expenses related to changes in instructional delivery due to COVID-19, CRRSAA allows institutions to use their funds for expenses and lost revenues associated with COVID-19, as well as certain student support activities.

Lastly, CRRSAA also provides California with $341 million for the Governor’s Emergency Education Relief Fund, initially created under the CARES Act. Of this amount, $187 million is reserved for assistance to private K-12 schools. California has discretion to spend the remaining $154 million on emergency grants to elementary and secondary schools, higher education institutions, or other education-related entities. Under the CARES Act, the state chose to allocate all of its Governor’s Emergency Education Relief funds for elementary and secondary education. The Administration has not yet indicated whether it intends to allocate any of the new Governor’s Emergency Education Relief funds for higher education.

On January 14, 2021, President Biden outlined his American Rescue Plan, which would expand the HEERF with $35 billion to public higher institutions, historically black colleges and universities and other minority serving institutions, and $5 billion to a Governor’s fund to be used for either education or PreK-12. The announcement noted that this funding will provide up to an additional $1,700 in financial assistance to students. Details and bill language have not been released on the proposal.

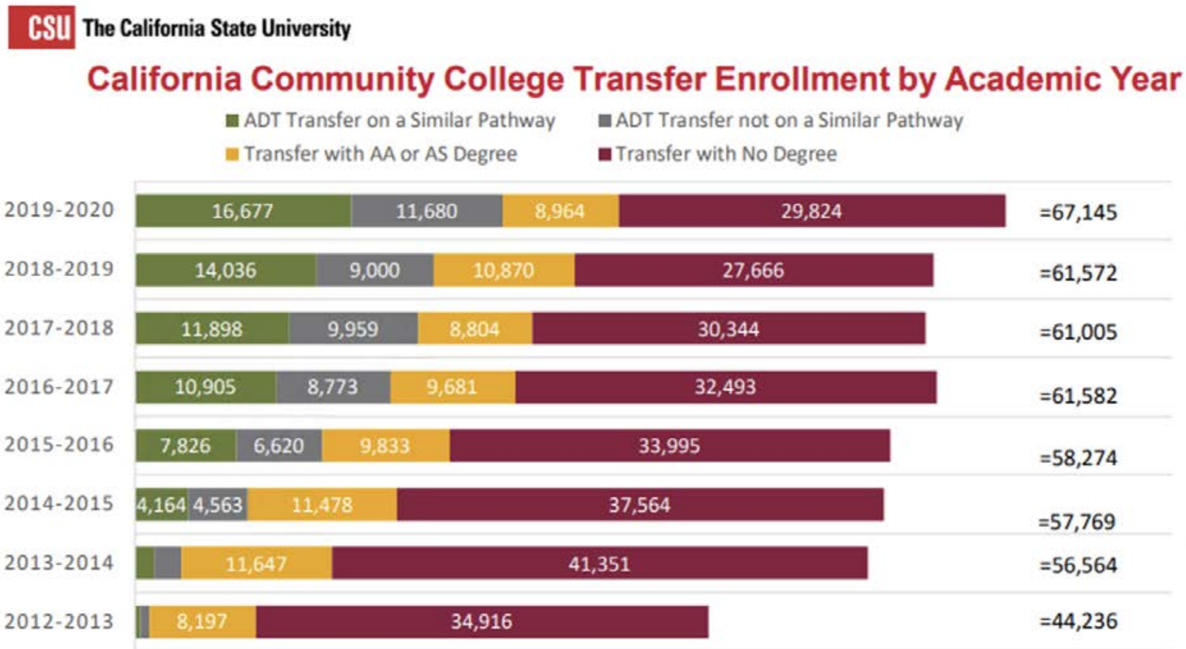
CSU Enrollment Update. The CSU enrolled its largest ever student body for the fall 2020 term with 485,549 students, surpassing the previous enrollment high of 484,297 in Fall 2017. Despite the pandemic, the CSU received more than 800,000 duplicated undergraduate applications for fall 2021, down just four percent from last year.

CSU Tuition. Since 2011-12, tuition rates have remained relatively constant with an inflation increase of $270 in 2017-18. The CSU systemwide tuition is $5,742 per year for a resident undergraduate student. In addition to the systemwide tuition, each campus also charges mandatory campus-based fees, which on average is $1,621. The CSU tuition and fee average is $7,363. According to the CSU, 84 percent of student receive financial aid and 73 percent of undergraduate financial aid recipients receive enough grants and scholarships to cover the cost of tuition. CSU reports that the average debt for a CSU baccalaureate degree recipient is $17,978, this lower than the statewide average of $22,585 and the national average of $29,200. It is unclear if CSU plans to increase tuition for the 2021-22 academic year.

CSU Transfer and Associate Degree for Transfer (ADT). There are currently multiple paths a student may take to transfer to a CSU, such as through an ADT, associate degree, or transfer after earning a few credits, or earning enough credits to reach junior standing and transfer. Navigating the numerous transfer pathways, including the different admission requirements, general education and major requirements, which vary across systems and campuses, often creates confusion and barriers for a students' academic success. In an effort to create clearer pathways from California Community Colleges (CCC) to CSU, SB 440 (Padilla), Chapter 428, Statutes of 2010, and SB 1440 (Padilla), Chapter 20, Statutes of 2013, established the ADT at the CCC.

A CCC student earns an ADT after completing 60 transferable coursework, including a minimum of 18 units in a major or area of emphasis and either 39 or 42 units of general education. Existing law requires the CSU to guarantee admission with junior status to CCC students who earns an ADT and has at least 2.0 GPA. Junior status means that a student can complete their bachelor's degree within two years of transferring. While a student is guaranteed admission, statute specifies that the ADT does not guarantee admission for a specific major or campus. CSU is also required to grant ADT students priority admission over all other community college transfer students. Additionally, CSU is required to grant student priority admission to their local CSU campus, and a program or major that is similar to their CCC major and area of concentration. The determination of which ADT programs are "similar" is left to the discretion of CSU campuses. Moreover, statute requires CSU to redirect students who complete ADTs but are denied admission to the campus they applied to another CSU campus with available capacity. Statutes also requires CSU to annually report by December 1st the number of students admitted with an ADT, the proportion of ADT students who graduate from CSU within two or three years, number of ADT student who were redirected, and enrolled.

On January 26, 2021, the CSU Board of Trustees Committee on Education heard an update on the ADT. The Board agenda item notes that there are currently 40 ADT pathways and all community colleges (except Calbright College) offers an ADT program. CSU notes that when reviewing the major preferences of students transferring from a CCC to a CSU, these pathways account for 90 percent of their preferred majors. The CSU notes that the top CSU majors of ADT transfer students is psychology with almost 3,000 students, followed by business administration, sociology and criminal justice. As shown on the display below, in 2019-20, more than 28,000 new transfer students enrolled at the CSU having first earned an ADT, this is about five percentage points over the prior academic year. Since 2012, students transferring with an ADT grew from three percent to about 42 percent. While the number of ADTs and transfer students have grown over the last several years, about 41.2 percent of new ADT transfers were enrolled in a pathway not similar to their ADT.



CSU also notes that 55 percent of ADT students who transferred into a similar pathway in fall of 2018 were able to graduate in two years. This compares to about 47 percent of ADT students enrolled in a not similar pathway and 40 percent of students who had no degree or an AA degree.

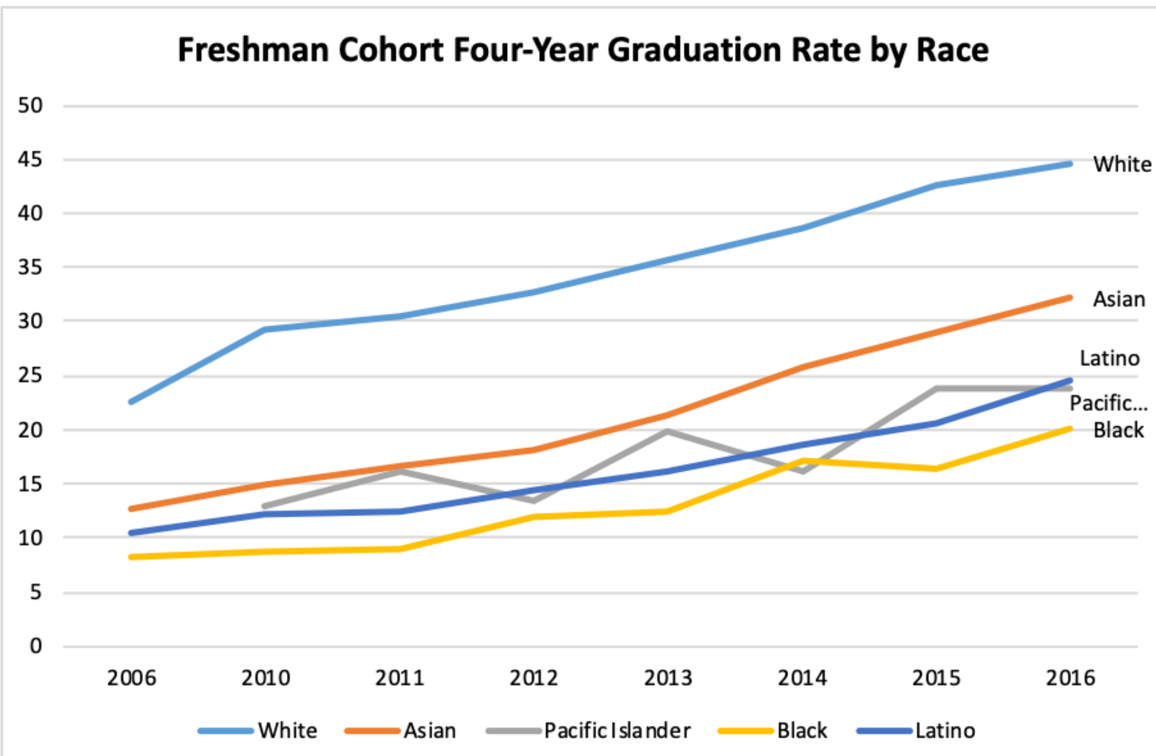
While the number of students who have transferred over the decade, the Campaign for College Opportunity's recent report, *10 Years After Historic Transfer Reform – How Far Have We Come and Where Do We Need to Go?*, noted that share of ADT transfers on a similar path upon enrollment varies greatly across the CSU campuses. For example, just 11 percent of CSU Pomona's, 12 percent of San Luis Obispo and 13 percent of Humboldt's new transfer students were enrolled in a similar pathway compared to 43 percent of CSU Fullerton's, 29 percent of San Diego and 30 percent of Long Beach's new transfer students. A majority of CSU campuses have less than 25 percent of their transfer students on an ADT similar pathway.

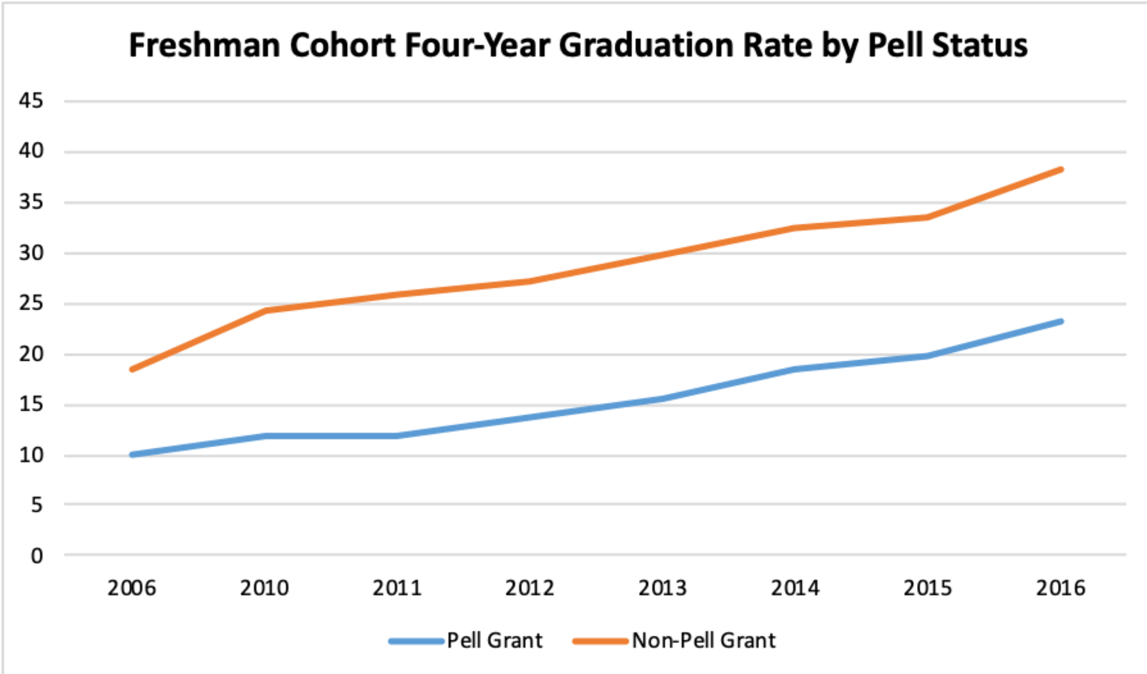
Graduation Initiative 2025. Historically, CSU's four-year graduation rate for incoming freshmen was below 20 percent and the two-year graduation rate for transfer students was below 30 percent. To address its low graduation rates, CSU launched the Graduation Initiative 2025 and set a systemwide goal to increase the four-year graduation for first time freshman at 40 percent, and the two-year transfer graduation rate at 45 percent by 2025. Currently, the systemwide four-year graduation rate is 31 percent and the two-year graduation rate is 44 percent.

Over the five years, the state has made significant investments in the CSU Graduation Initiative 2025. The 2019-20 budget provided $75 million ongoing General Fund and $30 million one-time General Fund for the Graduation Initiative 2025, the 2018-19 budget provided $75 million ongoing, the 2017 budget provided $12.5 million one-time, and the 2016 budget provided $35 million one-time. The 2019 budget required CSU to report on the distribution of funds to campuses, how funds were used, how they were linked to best practices for student success, data on outcomes, how campuses are working to close equity gaps, and growth in management, faculty and support staff positions.

On January 15, 2021, the CSU report to the Legislature and notes that in 2019-20, CSU awarded nearly 110,000 bachelor's degrees, which is the highest number in its history and an increase of more than 23,000 compared to 2015. Additionally, CSU achieved their highest retention rate with 85.5 percent of first-year students who returned for a second year. The report notes that the Graduation Initiative 2025 awards to campuses range from $1.16 million to $5.93 million. The report highlights various investments including increasing academic support services, promoting higher unit loads, redesigning curricula, hiring faculty, supporting faculty and student proficiency in virtual learning, among others. The January report also highlights some strategies campuses used to reduce achievement gaps, such as the creation of a pilot program focused on retention of first-generation students, hiring of peer mentors, providing additional instructional support, providing equity minded professional development, among others.

The Graduation Initiative 2025's also seeks to eliminate equity gaps between students who are underrepresented minorities and their peers. As shown on the graphs below, four-year graduation rates across various student groups have increased overtime, however, there has not been significant systemwide changes in closing the achievement gap. The CSU notes that systemwide, the gap between Pell-recipient students and their peers narrowed one percentage point from 10.2 to 9.2. The CSU also slightly narrowed of the equity gap for students who identify as African-American, Native American or Latinx from 11.1 percentage points to 10.5 percentage points.





The CSU notes that in the spring of 2021, the CSU will establish a new advisory committee which will provide recommendations to: (1) implement universal adoption of strategies with demonstrated efficacy in improving student retention and graduation; (2) establish campus-based metrics that would assist with accountability and allocation of Graduation Initiative 2025 legislative funding; (3) determine viable strategies to more aggressively close equity gaps, with targeted campus-by-campus analysis and adaptation; and (4) disseminate and review progress reports for the system and campuses to guide future areas of focus.

Governor's Budget Proposal

The Governor proposes an increase of $111.54 million General Fund ongoing to support CSU operational costs. As a condition of receiving these funds, CSU must do the following:

1) Submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025. To the extent possible, the CSU must coordinate with the University of California and Community Colleges to establish shared definitions and metrics regarding equity gaps,

2) Adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19, and

3) Create a standalone dual admissions pathway providing guaranteed admission to the CSU upon completion of an Associate Degree for Transfer (ADT), or its CSU equivalent, at a community college, if the student completed it within two academic years. The pathway must be designed to achieve the following goals: increase access to CSU for underrepresented students experiencing geographical or financial challenges, to increase underrepresented graduation rates and decrease student costs, improve transfer pathways between CCC and CSU, and increase predictability for student and institutional planning. The Administration notes that there will be accompanying trailer bill to implement this proposal. As of writing this agenda, the Administration has not released this language.

In addition to the conditions described in the budget bill, the Governor's Budget Summary states that the additional investments are provided to the CSU with the expectation that the CSU will maintain resident undergraduate tuition and fees at existing levels for the 2021-22 academic year. This language is not included in the budget bill.

CSU Budget Request

The CSU requests $299.04 million General Fund ongoing to restore the 2020-21 reductions, and $56.97 million to cover mandatory costs, this includes: $16.5 million to implement the AB 1460 (Weber), Chapter 32, Statutes of 2020 ethnic studies requirement, $23.78 million to address increases in health benefit costs, $11.34 million for maintenance of new facilities and $5.36 million for minimum wage increases. The CSU also requests $120 million General Fund ongoing for the Graduation Initiative.

Staff Comments

Under the Governor's budget proposal, $111.54 million of the $299.04 million reduction would be restored, and $187.5 million of the reduction would remain. The CSU notes that if the full reduction is not restored, then campuses will need to make permanent, ongoing cost reductions. As noted previously, CSU received an estimated $1.42 billion in federal assistance, of which an estimated $524 million was for direct student aid.

CSU Transfer Pathway. The Governor proposes the creation of a new dual admissions pathway to provide guaranteed admission upon completion of an ADT, or its CSU equivalent, at a community college. Based on conversations with the Department of Finance, the proposal would allow first-time eligible and ineligible freshman applicants to apply for CCC and transfer to the CSU for guaranteed admissions at the same time. While the trailer bill language is not available yet, the Administration believes that locking in admission at earliest possible moment of their college experience will give students more control over their education, and will help overcome financial and geographical constraints.

The Governor's proposal raises questions about campus enrollment planning as well as whether this will impact availability of transfer enrollment slots for students that are not in the dual admissions pathway. Furthermore, the Administration notes that this proposal would provide guaranteed admission in the beginning of the pathway prior to students meeting CSU eligibility criteria. The Administration notes that it is the goal for an equal distribution between students who meet and those who do not meet eligibility requirements until completing a transfer pathway. The subcommittee may wish to consider if it the creation of a new transfer process or program is more appropriate to be discussed in policy committee. Additionally, it is unclear if the creation of a new program will address the complex issues that students face when navigating the transfer process, or if it will create greater confusion. The subcommittee may also wish to consider if it is more prudent to address existing challenges in the transfer process, such as campus or departmental requirements, or if creating a new pathway is the appropriate solution.

Online Education Policy. As a condition of receiving additional base funding, the Governor's requires CSU to adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19. The Administration believes that this will provide students with greater access and more flexibility when pursuing postsecondary education. CSU is still reviewing their level of online course and program offerings in 2018-19, and the Administration is finalizing the specific measure regarding how the CSU should calculate their online course baseline. In general, CSU notes that there are courses that could translate well to virtual learning, such as large lectures or seminars, which could remain online. CSU notes that courses that are more hands on, such as labs and clinical experiences might have some virtual components, however they will likely need to have a substantial in-person component.

In the spring of 2020, the California Student Aid Commission (CSAC) conducted a COVID-19 student survey of approximately 61,000 currently enrolled college students who applied for financial aid across the higher education segments, including the private sector. Of the respondents, 30 percent were continuing CSU students, and 42 percent were CCC students. The survey found that 90.25 percent of students were concerned about having to take college classes online during spring 2020 because of COVID-19. The survey found that over 80 percent of students have changed some aspect of their plans for fall of 2020 or were uncertain of their plans. The survey found that 22 percent of students who planned to change or were uncertain of their fall plans was because they did not want to take online classes. In fall 2019, more than 5,000 self- and state-support CSU course sections were offered fully online. In spring 2020, the CSU transitioned approximately 74,000 course sections from face-to-face to remote delivery. Given the significant shift in teaching modality during COVID-19, the Legislature may wish to consider the impact and outcomes of online courses, including course completion and success, course type, by campus, student level and demographics. Additionally, the Legislature may wish to consider the varying levels of online course offerings at campuses, campus needs, and capacity to provide additional online education.

Graduation Initiative 2025. The Governor's budget does not designate increased funding for the Graduation Initiative. Instead, the Governor proposes that as one of the conditions of receiving the base increase, CSU must submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025. To the extent possible, the CSU must coordinate with the University of California and CCC to establish shared definitions and metrics regarding equity gaps. While overall graduation rates have increased overtime, equity gaps have remained somewhat consistent. The Administration notes that the current strategies that CSU employs are broader based and focused on all students, and greater focus is needed on closing the equity gaps. The Administration expects the CSU to develop specific, actionable strategies and campus programs to address this issue. Staff notes that a systemwide and campus targeted approach in addressing student equity gaps may be helpful in tackling this longstanding issue.

The subcommittee may wish to ask:

1. What is the rationale for not backfilling the base reduction to CSU?
2. Does CSU plan to increase tuition in fall of 2021 or fall of 2022?
3. What is the rationale for conditioning the base increase to the adoption of an online education policy, the dual admissions pathway and plan to annually reduce equity gaps by 20 percent?
4. What is the rationale to increase online education course by 10 percent compared to 2018-19? Has CSU done an analysis on the need and demand for such programs and classes? Do all campuses have the capacity to do this? How will CSU and the Administration address student concerns about online education?
5. How will the proposed dual admission pathway make it easier for students to transfer? Will this proposal enable students to be admitted to their campus and pathway of choice?

Staff Recommendation. Hold Open.

Issue 2: Student Supports and Basic Needs

Background

Over the last several years, the state has made significant investments to support students, including food pantries, resources to support students experiencing homelessness, and mental health services. The descriptions below highlight some of these budget actions.

Basic Needs. A 2018 CSU basic needs study found that 71 percent of students were not aware of on-campus emergency, and 51.9 percent of student were not aware of an on-campus food pantry. The study found that first generation African American students experience homelessness at considerably higher rates (18 percent) than that of any other first-generation group (9.6 percent to 12.6 percent). Black and African American first-generation students also had the highest levels of food insecurity (65.9 percent). In general, 41.6 percent of CSU students reported some level of food insecurity.

All 23 CSU campuses have a food pantry or food distribution program and offer students CalFresh application assistance. Additionally, as of January 2020, nine campuses accept Electronic Benefit Transfer (EBT) with additional campuses in development, and 13 campuses have dedicated Basic Needs Centers. Over the last several years, the state has invested $19 million General Fund to address CSU student basic needs.

The 2017-18 budget provided CSU $2.5 million one-time General Fund to create incentive funding grants for campuses to be designated as a "hunger-free campus." Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, required a hunger-free campus to include: (1) a campus employee designated to help ensure that students have the information that they need to enroll in CalFresh also known as Supplemental Nutrition Assistance Program (SNAP), which provides eligible students with up to $194 per month, (2) an on-campus food pantry or regular food distributions on campus, (3) a meal sharing program that allows students to voluntarily donate their unused meal plan, and (4) a campus employee designated to work with student volunteers of the meal sharing program.

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

The 2019-20 budget provided an increase of $15 million one-time General Fund to support basic needs partnerships and requires CSU to work with the Department of Social Services (DSS) to assess the effectiveness of CalFresh and other state departments and programs in addressing food and housing insecurities. The CSU was required to submit a report to the Legislature by March 1, 2020 on the use of funds. This report noted that 22 campuses received funding ranging from $310,000 to $640,000 for basic needs initiative. In total, $12.2 million was distributed directly to campuses, $600,000 for technical assistance and assessment, $700,000 for research and evaluation, including the establishment of two basic needs focused research centers, and $1.5 million will be allocated for system-wide professional development and a secondary round of awards in 2021-22. The report highlighted eight campuses with innovative strategies, including Chico State, which established a partnership with Northern Valley Indian Health to provide basic and preventative dental services for students on campus on a pilot basis.

Student Homelessness and Housing Insecure. The 2019-20 budget included $6.5 million ongoing General Fund for rapid rehousing to assist homeless and housing insecure students. Campuses must establish ongoing partnerships with community organizations to provide wrap around services to students. Funding may be used to connect students with case managers, establish ongoing emergency housing procedures, and to provide emergency grants to students. The budget requires CSU to annually report, starting on July 15, 2020 regarding use of these funds, specified outcomes such as students served and other data. The 2020 report noted that 14 campuses submitted a proposal funding, and seven (Chico, Long Beach, Pomona, Sacramento, San Diego, San Francisco and San Jose) were allocated funds in early 2020. The CSU estimates that 421 students will be served during the first year, with number of students served per agency ranging from 16 to 125. Of the $6.5 million, $1.54 million was distributed to campuses and $4.54 million was distributed to external partners. The report that details the use of funds, including number of coordinators hired, students served will be provided by June 1, 2021.

The CSU notes that while the campus allocation was distributed in January 2020, the work with external agencies was a lengthier process, and as a result the 2019-20 allocation to external partners remained available to address other housing needs of students within the system.

Student Mental Health Services. The 2019-20 budget provided $3 million one-time from Proposition 63 state administration account to support student mental health services. The budget required a report to the Legislature by April 1, 2020 on the use of funds, how funds were distributed, outcomes of programs, information about the programs and students served, and plans to sustain the mental health programming. The CSU reported that 22 campuses received an award of either $125,000 or $150,000, and $125,000 was allocated for mental health related technology expenditures.

All campuses have a student health center, which licensed professionals provide basic health services, consultation and referral to off-campus providers as needed. The student health center is supported by student fees. In 2020-21, each campus charged a mandatory student health fee averaging $353, ranging from $150 to $666. For qualifying students, campus fees may be covered by student financial aid programs. Campus based fees are not allowed to substantially exceed the cost of health services provided at the campus. Students are not charged additional fees for basic health services, except in cases where laboratory tests must be sent externally or for the actual cost of acquiring vaccines and medications. In response to COVID-19, counseling services are being offered through telehealth.

CSU policy outlines that: (1) all campuses must offer short-term individual and group counseling/therapy services, (2) campuses must provide immediate responses to suicidal and violent behavior, (3) campuses must address mental health crisis that occur during counseling centers hours of operation, (4) campuses must provide outreach, educational workshops, programs and services, (5) mental health professionals may provide consultative services to members of the university community, and (6) on campus mental health professionals must identify appropriate referrals within the institution and local community. The number of full-time equivalent counselor's systemwide increased from 223 in the fall of 2018 to 247 in the fall of 2020. This is an increase of 24 FTEs over two years. In 2018, the systemwide ratio of counselors to students is 1:2,156; this is lower than the 2016 ratio, which was 1:2,477. CSU notes that an updated counselor ratio is currently not available.

In spring of 2018, CSU administered a National College Health Assessment (NCHA), a study to provide insight into student health habits, behaviors and perception, with 22 campuses participating. Approximately 22,000 students participated in the survey with campus response rates ranging from four percent to 12 percent. The survey found that students self-reported experiencing various mental health issues, with 41.8 percent of respondents experiencing depression, 62.9 percent overwhelming anxiety, 6.6 percent intentional self-harm, 11.6 percent seriously considered suicide, and 1.8 percent attempted suicide, among others. Respondents also self-reported that they were diagnosed or treated by a professional for the following mental health conditions, 17.4 percent for anxiety, 14.2 percent for depression, and 9.3 percent for panic attacks, among others.

Summer Financial Aid. The 2019-20 and 2020-21 budget provided $6 million one-time General Fund for the CSU summer financial aid program to waive summer tuition and fees for students eligible for state financial aid. The budget specified the program will be suspended on December 31, 2021.

Federal Assistance. As noted previously, the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided CSU approximately $525 million. Institutions are required to spend at least half of their allocations on emergency financial aid students, with the remainder for institutional relief. CSU used $262 million of these funds to provide students with emergency financial aid. Based on federal guidance, all undergraduate, graduate and professional students at CSU who are eligible to receive federal financial aid may receive HEERF grants. International students and undocumented students were not eligible to receive HEERF, instead, these students could receive grants through campus-based emergency programs supported through other sources, such as foundation, operating funds and lottery funds. Based on CSU Guidance, campuses should distribute grants to students by taking into account student equity, with students receiving different levels of grant proportional to their financial difficulty. In general campuses had the autonomy to determine the amount of funding for each group of students based on need, with awards ranging from approximately $100 to $1,000 per student depending on the campus.

As noted previously, the CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. Whereas the CARES Act specified that institutional relief was for expenses related to changes in instructional delivery due to COVID-19.

Governor's Budget Proposal

Emergency Student Financial Aid. The budget proposes $30 million one-time for emergency financial assistance grants for full-time, low-income students with a 2.0 GPA in the last year and a half, or students who were working full-time for at least one year over the past two fiscal years and not enrolled as a full-time student. This funding will be distributed to campuses based on the headcount number of students at the campus who are eligible to receive Pell Grant financial aid as well as AB 540 (Firebaugh), Chapter 814, Statutes of 2001 students who meet the income criteria applicable to the California Dream Act application. Low-income is defined as meeting requirements to receive Pell Grant or AB 540 students who meet income criteria applicable to the California Dream Act application.

Basic Needs Initiative. The budget proposes $15 million ongoing for the Graduation Initiative to sustain and expand the CSU Basic Needs Initiative.

Mental Health and Technological Devices. The budget proposes $15 million ongoing to support to enable all students to have necessary technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources.

In addition, the budget bill requires a report by March 1 each year regarding the use of funds for the Basic Needs Initiative and Mental Health and Technological Devices. The report includes a description of the amount of funds distributed to campuses, a description of the programs the campuses invested in, a description of funds were spent, list of campuses that plan to participate in EBT and CalFresh Restaurant Meals Programs, list of emergency housing plans by campus, description of how campuses leveraged other resources, and an analysis of how outcomes and impacts on student persistence and achievement.

Summer Financial Aid. The budget proposes to shift the suspension date for the CSU financial aid program from December 31, 2021 to December 31, 2022. The suspension would be lifted if the Administration determines through the 2022 budget act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

CSU Budget Request

The CSU requests $150 million ongoing General Fund to support the CSU Graduation Initiative. Of this funding $30 million is to support the Basic Needs Initiative to support students experiencing food and housing insecurities, unanticipated financial distress, mental health concerns and overall health and safety challenges. CSU also requests $6 million in additional funds for early budget action to support emergency financial aid for AB 540 and undocumented students.

Staff Comments

In the spring of 2020, the California Student Aid Commission (CSAC) conducted a COVID-19 student survey of approximately 61,000 currently enrolled college students who applied for financial aid across the higher education segments, including the private sector. Of the respondents, 30 percent were continuing CSU students, and 42 percent were CCC students. The survey found that prior to COVID-19, 60 percent of students worried about paying for tuition and fees, 57.2 percent worried about paying for housing and food, 64.6 percent worried about taking a full load of classes, and 61 percent worried a lot for their personal health or well-being. After COVID-19, 85 percent of students worried about paying for tuition and fees, 84.4 percent worried about paying for housing and food, 90.4 percent worried about taking a full load of classes, and 92.3 percent worried a lot about their personal health or wellbeing.

The survey found that over 70 percent of students lost some or all of their income as a result of the COVID-19 pandemic, and over 80 percent of students have changed some aspect of their plans for fall of 2020 or were uncertain of their pans. The survey found that for many students, their plans changed due to reported financial hardship, and 22 percent stated that they did not want to take online classes.

Emergency Student Aid Grant. In April and May, California experienced an all-time high unemployment rate of 16.4 percent. This compared to just 3.9 percent in November 2019. As of December 2020, the state's unemployment rate is nine percent. As a result, many students and their families faced financial challenges, as referenced in the CSAC survey above. In response to this, the federal government awarded two rounds of emergency aid, totaling an estimated $524 million at CSU. The Governor's January budget proposes an additional $30 million in emergency financial aid. The estimated award amount will vary by campus based on the funds allotted to the campus and on the number of eligible students. CSU staff notes that based on the large number of Pell eligible students, and including AB 540 students, they do not expect the award amount to be very large.

CSU staff notes that the eligibility criteria requiring students to have worked full-time for at least one year over the past two years and not enrolled as a full-time student needs further clarification. The Administration notes that the intent of the employment language is to enable part-time students who needed to work full-time to be eligible for the funds. The Administration notes that it does not expand applicability of this funding to any part-time student irrespective of why they were classified as a part-time student. Staff notes that is unclear the number of part-time students who work full-time for at least one year over the past two years, especially considering the record high unemployment rate or low-income students that have familial obligations. Additionally, it is unclear if these students will also be required to be low-income and have at least a 2.0 GPA as required by other eligible full-time low-income students. The Legislature may wish to ask how easily the CSU can implement this.

Basic Needs. The Governor's budget proposes $15 million ongoing for basic needs. CSU staff notes that this funding could be used to scale up existing programs, establish new ones, and invest in assessment and evaluation efforts. As structured now, this funding would be flexible for the full range of basic needs, including food insecurity, housing insecurity and homelessness, mental health crises, emergency funding crises, personal safety threads and digital learning needs. In 2019, the CSU noted that more than two-thirds of campuses offer on-campus emergency housing or vouchers for off-campus housing and four campuses provide assistance with long-term housing arrangements. The Legislature may wish to request additional information on how many students receive these services, which campuses provide them, and how is this funded. The Legislature also may wish to consider if campuses should also leverage additional federal resources and programs such as CalFresh.

Mental Health and Technological Devices. CSU staff notes that during the pandemic campuses provided approximately 25,200 devices and 12,000 hot spots, which were funded from all fund source types. The CSU did not collect data on the fund sources. CSU staff notes that the Governor's proposal could be used to support third party contracts to provide students with free or low-cost access to high-speed internet services, to purchase Mi-Fi/hot spots units, to support desktop/laptop purchases for students who are financially needed, and other academic accommodations for students with disabilities. While CSU has provided many devices to students, the CSAC survey found that 43.5 percent of students were not aware if their college provided laptops to students in need of technology during COVID-19, and 88 percent of students did not ask for a free or loaner laptop from their college.

As noted previously, student mental health services and staffing are mostly supported by mandatory campus-based health service fees. During the pandemic, all mental health services were conducted via telehealth. In this online modality, campuses saw an increase in participation in workshops, student groups and psychoeducational programs. One-on-one therapy sessions have held steady at most campuses. CSU notes that they do not have any data that suggests a backlog or waitlist for assistance. CSU staff notes that the Governor's budget proposal could support telehealth platforms, hire graduate assistance, establish and maintain satellite care centers, higher additional mental health professionals and psychiatrists. It is unclear what the distribution of funds will be between mental health service and technology purchases and connectivity.

The subcommittee may wish to ask:

1. What is the rationale for combining mental health funds with technology funds?
2. What will be the distribution of funds be between mental health and technology purchases? How will this proposal ensure that campuses are meeting student demand for mental health services?
3. How can campuses leverage other state, local and federal resources, such as CalFresh and county behavioral mental health services, when addressing student basic needs?
4. How will the CSU administer the emergency financial aid funds? How much of the CRRSAA funds will be allocated for emergency financial aid? Will CSU be issuing guidance on how to distribute these funds, and how much campuses should use for this purpose? Did the Administration take into consideration the additional federal funds

Staff Recommendation. **Hold Open.**

Issue 3: Deferred Maintenance

Background

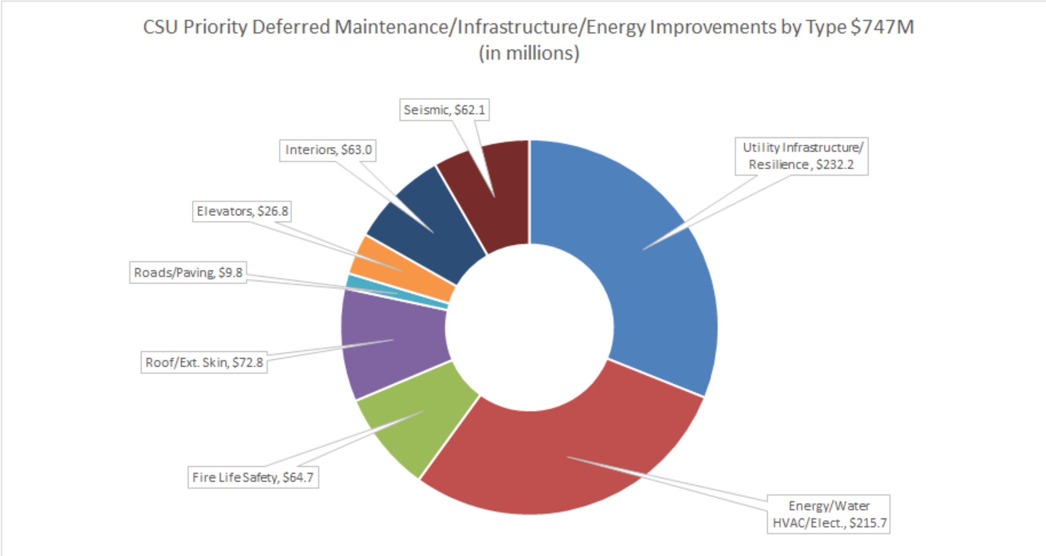
Prior to 2014-15, the state sold bonds to support CSU's academic facilities and paid the associated debt service. Beginning in 2014-15, the state altered this approach by authorizing CSU to use its operating funds to finance deferred maintenance, facility renewal and renovations, building replacements and new facilities to serve enrollment growth. In a related action, the 2014-15 budget package shifted $302 million in ongoing base funding into CSU's main support appropriation. The amount equated to what the state was paying for CSU debt service at the time.

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

Over the last several years, the state has provided CSU with one-time funding for deferred maintenance. The 2016-17 and 2018-19 budgets provided $35 million in one-time General Fund for both years for deferred maintenance. The 2019-20 budget provided $239 million one-time General Fund to support deferred maintenance and child care center projects. The budget required the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds. In response to the COVI-19 economic downturn, the 2020-21 budget authorized CSU to redirect up to $146 million General Fund in unspent deferred maintenance funds from 2019-20 to be used in 2020-21 to support core operations, including enrollment and student support services. CSU has not opted to use this authority in the current year.

The 2019-20 budget included supplemental reporting language requiring CSU to report by January 1, 2021, a plan to ensure its academic facilities are well maintained. The maintenance plan must include estimates of annual spending, need, total amount of the backlog, and how much it would cost to eliminate the backlog. Additionally, the report must provide an update regarding seismic safety issues across campuses, and the cost, timeline and plan on how to address them.

The January 15, 2021 report estimates a renewal backlog of $4.01 billion covering infrastructure, HVAC/energy, fire/life safety, building envelope, roadways, elevators, interiors and seismic. In addition, CSU estimates an annual average increase of $308 million in deferred renewal need over the next 10 years. To adequately eliminate the existing backlog and the projected annual increases to that backlog, the CSU estimates it needs to spend $708 million each year for the next ten years. Infrastructure and academic facilities deferred maintenance backlog varies by campus, ranging from $15 million at Maritime Academy to $356 million at San Jose State. In the most current Multi-Year Capital Plan addressing the five-year systemwide needs, campuses and the Chancellor's Office identified approximately $750 million in priority deferred maintenance projects for the 2021-22 budget year. The CSU figure below categorizes the types of projects.



CSU reviews several factors in the allocation of deferred maintenance funds. These factors include: (1) critical infrastructure systems whose failure would result in an interruption of operations on either a campus wide or critical building level, (2) building systems such as HVAC, electrical, elevators, (3) replacing obsolete utility systems, (4) fire life safety and seismic projects, and (5) special needs projects such as making campuses more resilient considering climate change.

The CSU notes that many of their identified deferred maintenance projects provide for improved energy efficiency. For example, HVAC, electrical, building envelope or infrastructure project may improve energy efficiency or lower their water consumption. Of the $750 million in projects identified in the 2021-22 budget year, over $500 million fall into this category.

Governor's Budget Proposal

The Governor proposes $175 million one-time General Fund to address deferred maintenance and energy efficiency projects. The budget bill requires the Department of Finance to notify the Joint Legislative Budget Committee within 30 days of the release of funds and provide a list of projects to be supported by these funds.

CSU Budget Request

The CSU's adopted budget requests $50 million for academic facilities and infrastructure, which could cover facility renovation and improvement, such as seismic projects, critical infrastructure needs, system upgrades, facilities, and deferred maintenance. The CSU's adopted budget also requests $11.34 million to address mandatory costs of addressing maintenance of new facilities which are scheduled to open in 2021-22. This regular maintenance includes costs of utilities, building maintenance, custodial, landscape and administrative support. The Governor's budget proposal is larger than the CSU's budget request, however it is smaller than CSU's stated need. The subcommittee may wish to ask how CSU plans to reconcile this, including which projects it will fund with this proposal.

Staff Recommendation. Hold Open

Issue 4: Various Governor's Budget Proposals

Governor's Budget Proposals

In addition to the major proposals mentioned above, the Governor also proposes a variety of other budget proposals.

Learning Management System. The Governor's budget proposes $2 million ongoing General Fund for the CSU to adopt a common learning management platform for online courses that aligns with the platform used by the California Community College system by the 2023–24 academic year.

Professional Development. The Governor's budget proposes $10 million one-time to provide culturally competent professional development for faculty, including leveraging twenty-first century technology to improve learning outcomes.

Computing Talent Initiative at the California State University, Monterey Bay campus. The Governor's budget proposes $10 million one-time General Fund to support the Computing Talent Initiative at the California State University, Monterey Bay campus.

CSU Stanislaus, Stockton Campus. The Governor's budget proposes $1 million ongoing General Fund CSU Stanislaus to increase enrollment at the Stockton campus by 115 full-time equivalent students

Background and Staff Comments

Learning Management Systems (LMS). Colleges use learning management systems for both online and in-person classes. A LMS allows faculty to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to access course materials, content, submit assignments, collaborate with classmates, communicate with instructors, and access help resources. Historically, each college has selected its own course management system from among several vendors. Currently, all community colleges, except Calbright College, utilize a single LMS platform, Canvas. Fourteen CSU campuses use the Canvas LMS, with two additional campuses to sign on by 2023. The remainder use a variety of other LMS systems.

The Administration notes by moving to a single platform, the CCCs were able to leverage deals with contracts and licenses, and create savings via economies of scale. The Administration believes that moving CSU towards the same platform as the CCCs will allow transfer students and other students taking courses across multiple campuses to have an easier time transitioning across institutions and from semester to semester. The CSU notes that this could lead to more competitive prices for LMS and create savings, and create streamlined services for faculty across systems, such as professional development and training. While the budget summary specifies the use of Canvas, the budget bill language does not specify a specific LMS, and instead references a common learning management platform used by CCCs.

Professional Development. Following Chancellor White's decision to continue with primarily virtual instruction in fall 2020, professional development was offered across the 23 campuses in summer 2020 and focused on redesigning courses. Faculty learned to balance the bandwidth required for various synchronous and asynchronous learning activities to create immediacy while ensuring students access and to design alternate, equitable learning assessments. The CSU also scaled professional development to about 60 percent of their total teaching force and provided 250,000 hours of professional development programming. In past summers a typical CSU Center for Teaching and Learning would see 25 to 40 faculty visitors, this summer smaller campuses accommodated between 250 and 300 faculty members, while larger campuses served 1,000 faculty members or more.

The Administration notes that the proposed $10 million one-time General Fund for professional development is to focus primarily on online and technologically heavy learning, such as professional development in online instructional design, online course delivery, and the utilization of technology in teaching courses. The Administration expects that this professional development integrates cultural competence and equity into the professional development. The CSU notes that moving forward, all forms of professional development should prepare faculty to teach in any environment or modality (in person, fully online, hybrid or blended), and should incorporate cultural competence. As the colleges reopen and repopulate in the fall, it is unclear the number of programs that will stay in the virtual setting. While the Administration notes that the primary focus of the proposal is for online instruction, the budget bill language is broader, and specifies culturally competent professional development for faculty, including leveraging twenty-first century technology. The Legislature may wish to clarify the proposed budget bill language. The Legislature may also wish to ask the CSU how much of the federal emergency funds were utilized to support professional development, and if the Administration took this into account when crafting this proposal.

Computing Talent Initiative (CTI) CSU, Monterey Bay Campus. The CTI seeks to build off of existing efforts to create a pipeline to address diversity in computer science. Since 2013, CSU Monterey Bay and Hartnell College operate a joint program, CSin3, which provides a pathway for students to earn a bachelor’s degree in computer science in three years. In 2014-15, this program received a $5 million innovation award from the state. Half of the coursework is completed at Hartnell and the other half at CSU Monterey Bay and students have access to resources at both institutions all three years. Students must be current high school seniors or college students with less than 30 units who are or will be eligible to enroll in a specific math and English course. This program has supported 429 students, of which 32.1 percent identified as female, 75.2 percent were underrepresented minorities, and 68.2 percent were first generation. The program also has a 68.7 percent four-year graduation rate, 57 percent have completed internships by their senior year, and 34.5 percent are employed before graduation. In 2018, the program was replicated at El Camino College and Cal State Dominguez Hill.

The Governor’s budget proposal to provide $10 million one-time General Fund will help support the creation of the CTI Hub, which will be an online platform where students, faculty and technology industry companies and professionals have access to resources, materials, workshops and training. This funding will also help support the CTI Accelerate, an 18-month career program for computer science majors that will provide workshops to prepare students for interviews, internship search, and help them connect with industry mentors. The funding will also support the creation of five new partnerships/ demonstration sites between a community college and CSU or UC. This will be similar to the existing program at CSU Monterey Bay and Hartnell College. Based on the preliminary budget plan from the program, the investment will support the following: (1) $2 million for the CTI operation, (2) $3 million for CTI Accelerate student stipends, (4) $1.5 million for demonstration site operations, (5) $3 million for CTI demonstration sites student scholarships, and (6) $0.5 million for data collection. In addition to these funds, CTI staff also will also seek private funding to help support these efforts.

CSU Stanislaus, Stockton Campus. In addition to their main campuses, CSU campuses also operate off-campus centers that serve undergraduates, graduate students and professional development. These centers provide commuting undergraduate students with opportunities to take some or all of their coursework at a nearby center instead of the main campus. CSU has 18 off-campus centers, of which eight for undergraduate instruction, and 10 of which are extension centers and are not supported by state or systemwide funding. The eight centers are Antelope Valley (in Lancaster), Concord, Irvine, Palm Desert, Imperial Valley Calexico, Brawley, Downtown San Francisco, and Stockton.

These eight centers enroll undergraduate students whose instruction is supported with state funding and systemwide student tuition. Many centers are located within a one–hour drive from a main campus. These centers typically offer a limited set of programs, requiring students to take courses both at the center and the main campus to complete their degree requirements. Centers more distant from their main campus tend to offer a wider variety of courses so that students can complete their degrees entirely at the center. Historically, centers have provided only upper–division course offerings, expecting their students to complete lower– division coursework at a nearby community college.

The 2019-20 budget provided $2 million one-time General Fund to study sites in San Joaquin County, and $2 million one-time General Fund to study sites in Chula Vista, Palm Desert, San Mateo County, and Concord for a potential new campus. The scope of the study required an assessment of statewide enrollment demand and physical capacity of the 23 campuses, statewide workforce demand and alignment of the CSU's academic programs, analysis of the five sites and development timeline, and the impact a new campus would have on the specific region, existing CSU system and related institutions.

The California State University Enrollment Demand, Capacity Assessment and Cost Analysis for Campus Sites report was released on July 3, 2020. The report noted that the projected 2035 enrollment demand alone does not justify the development of a new 7,500 FTES CSU campus at any of the five evaluated locations, assuming construction of the physical capacity identified in the approved Master Plans at all 23 campuses is funded. The report noted that policymakers may consider other factors when evaluating expansion in these regions, such as equitable access for underrepresented students and alignment between academic programs and workforce demand.

The report notes that the Stanislaus State Stockton Off-Campus Center has a face-to-face enrollment of 219 FTES and capacity of 1,069 FTES, allowing the campus enrollment to grow without further capital investment. Enrollment at the Stockton campus has incrementally increased from 182 FTES in the fall of 2016 to 219 FTES in fall of 2020. The Administration's proposal will support an increase of 115 FTE at the campus, including students pursuing bachelor's degrees, post-secondary teaching credential, graduate and doctoral degree. The Administration notes that this is in recognition of growing demand for an educated workforce in the San Joaquin region. The report notes that in San Joaquin County, only 26 percent of the population, or 125,000 people, have higher education degrees compared to 40 percent statewide. San Joaquin County, the share of high school graduates without higher education degrees (51 percent) generally follows a trend similar to the overall demographics of the Upper Central Valley Cluster (52 percent) and is notably higher than the State of California (42 percent). This will be the first time that General Fund support will be dedicated to enrollment growth at an off-campus center.

<u>Staff Recommendation.</u> Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 10, 2021
9:00 a.m. State Capitol - Room 4203

Consultants: Elisa Wynne and Nora Brackbill

AGENDA

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

6100 DEPARTMENT OF EDUCATION

Issue 1: Special Education Funding and Research Proposals

Panel:

- Liz Mai, Department of Finance
- Amy Li, Legislative Analyst's Office
- Elly Garner, Departments of Education

Background

Children with developmental delays or physical impairments may need intervention or supports of some form and are eligible to receive supportive services through a variety of programs. Once a child enters the public school system, typically at age five, the school district of residence provides both education services and eligible special education supports and services for identified disabilities that would otherwise hinder a child from receiving a "free and appropriate public education." For infants, toddlers, and preschool aged children (generally ages zero to five), families may need to navigate a variety of programs to meet the educational and developmental needs of their children. Once a child enters the public school system, the child is eligible to receive services through age 21.

"Special education" describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA). Federal special education laws originally enacted in 1975 and reauthorized as IDEA in 2004, require states to provide early intervention services for infants and toddlers and schools to provide "specially designed instruction, and related services, at no cost to parents, to meet the unique needs of a child with a disability." The law requires the provision of these special supports and services to students with exceptional needs from age 0 to age 22, or until they graduate from high school with a diploma.

Children with disabilities who are younger than age five and are not yet in school settings receive supports and services in different ways. For infants and toddlers (ages zero to three years old), an individualized family service plan is created and services are generally provided by regional centers. These centers are non-profit agencies overseen by the Department of Developmental Services. However, a small percentage of infants and toddlers with special needs are served by school districts. A small number of school districts that had historically served these children were grandfathered into the current system and currently serve approximately 5,000 children. In addition, schools serve a small number of infants and toddlers (approximately 1,000) who have only a hearing, visual, or orthopedic (HVO) impairment. The state's federal IDEA plan required HVO-related services to be provided by the schools if an HVO impairment is the child's only disability. Once a child reaches age three, the responsibility for serving children with disabilities is transferred to the school district of residence and regional centers are required to work with school districts during this transition.[1] Through regional

[1] Legislative Analyst's Office, *Evaluating California's System for Serving Infants and Toddlers with Special Needs*, January 4, 2018.

centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility.

To determine a child's eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student's IEP differs based on his or her unique needs. Specialized academic instruction is the most common service that schools provide. This category includes any kind of specific practice that adapts the content, methodology, or delivery of instruction to help students with disabilities access the general curriculum. Other commonly provided services include speech and language, physical and occupational therapy, behavioral support, and psychological services. Federal law also dictates that students must receive a Free Appropriate Public Education in the Least Restrictive Environment. This means that to the greatest extent possible students with disabilities are to receive their education in the general education environment with peers without disabilities. California is currently 43rd in the nation in terms of students with disabilities spending at least 80 percent or more of their day in general education.

In 2018-19, 795,047 children, ages 0-22 received special education under the provisions of IDEA in California. This represents approximately 12.5 percent of the total state student population. Specific learning disabilities is the most common disability category for which students are identified, followed by the disability category of speech and language impairments. In recent years, the disability category of autism moved in to the position of third highest category. This is after a decade of increased incidence – now comprising nearly 14 percent of the students with disabilities student population. Different types of disabilities are more prevalent at different ages. For example, speech impairments are most common in earlier grades, while learning disorders are generally identified later in a child's educational career. Schools integrate services and supports into the regular school day for transitional kindergarten through grade 12 students. For children ages 3-5 years old not yet attending school or who are served in an early care setting, preschool, or at home, the school district of residence provides services that may occur at the child's education or care setting, or at a facility designated by the school district. These services are in addition to the early education and child care services children may be receiving if they are enrolled in one of the state or federally-funded programs or in some other early education or care setting.

Special Education Local Plan Areas (SELPAs) and Fund Distribution. State and Federal special education funding is distributed regionally through 134 Special Education Local Plan Areas (SELPAs) to school districts and charter schools in the state. Most SELPAs are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPAs, while five SELPAs consist of only charter schools.

California relies primarily on a "census–based" funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students' disability status. This funding model, often referred to as the AB 602 formula, after the implementing legislation (AB 602 [Davis and Poochigian], Chapter 854, Statutes of 1997), implicitly assumes that students with disabilities and associated special education costs are relatively equally distributed among the general student population and across the state. The amount of per–pupil funding each SELPA receives varies based on historical factors. After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities. The ADA used to calculate the AB

602 formula is based on enrollment in grades kindergarten through grade 12 (including transitional kindergarten). Although SELPAs are serving 3-5 year olds, they do not receive any additional funding under the AB 602 formula for these children, with the exception of funds provided in 2019-20. Federal funds are available for regional center services and a small amount (about $100 million) is available for preschool services.

State and federal special education categorical funding totals over $5 billion annually. California's model for serving special education services reflects that school districts first use their general purpose, LCFF funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a report by the Public Policy Institute of California, state and federal funding cover approximately 40 percent of cost of special education, with school districts covering the remaining costs from other fund sources.[2] In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

Recent Budget Actions

The 2019-20 budget included a total increase of $645 million in ongoing Proposition 98 General Fund for special education. Of this, $152.6 million was provided to increase base special education funding rates to ensure that all SELPAs receive at least the statewide target rate (approximately $557 per ADA in 2019-20) under the existing AB 602 funding formula.

The remaining $492.7 million created the Special Education Early Intervention Preschool grant, provided to school districts based on the number of three through five-year olds with exceptional needs. This provided approximately $9,010 per child. These funds were unrestricted. Therefore school districts could use these for any special education purpose. LEAs, school districts, county offices of education, and charter schools could use these to fund special education services that were previously paid for with their general operations funding (including services provided to 3-5 year olds), freeing up funds for other school district needs.

The 2019-20 budget also included language to specify that the increase in the statewide funding rate and early interventions be allocated in a one-time manner and future allocation methodologies would be contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students.

The 2020-21 budget created a new special education funding formula, commencing with the 2020-21 fiscal year, that provides Special Education Local Plan Areas (SELPAs) with the greater of $625 per average daily attendance or the per ADA rate the SELPA received in 2019-20, and applies a cost-of-living-adjustment (COLA) in future years to the statewide base rate. A COLA was not provided in the 2020-21 fiscal year. The budget provided an additional $645 million in ongoing Proposition 98 funds for special education. Of this, $545 million increased the statewide base rate for special education funding and $100 million was provided to increase per pupil rates to support students with low incidence disabilities.

[2] Public Policy Institute of California, Special Education Finance in California

<u>Governor's Budget Proposal:</u>

The Governor's budget provides $300 million in ongoing Proposition 98 General Fund for the Special Education Early Intervention Grants to increase the availability of evidence-based services for infants, toddlers, and preschoolers. The proposal would provide funds based on the number of preschool aged children with special needs residing within the school district.

Under this proposal, funds would be required to supplement existing special education resources currently required to be provided pursuant to federal and state law and promote a targeted focus on services and supports being offered in inclusive settings, to the extent practicable. Funds could be used to serve children from birth to age five, including, but not limited to the following:

- Early intervention services, including preschool and supportive services for children ages birth to five who are not meeting age-appropriate developmental milestones and are at risk for being identified as eligible for special education and related services. This may include children who received individualized family support plan services but did not qualify for an individualized education program, and children who have not received an individualized family support plan nor an individualized education program.

- One-time programs, services, or resources for preschool children with exceptional needs that may not be medically or educationally necessary and/or required by an individualized education program or in an individualized family support plan, but which a local educational agency has determined will have a positive impact on a young child.

- Strategies to improve student outcomes as identified through the state system of support including inclusive educational programming that ensures a student's right to placement in the least restrictive educational environment.

- Wraparound services for preschool children with exceptional needs not required by federal or state law.

- Expansion of inclusive practices to ensure that preschool children with exceptional needs have access to learn in the least restrictive environment.

- Professional development for preschool teachers, administrators and paraprofessionals on evidence-based strategies to build capacity to serve preschool children with exceptional needs in more inclusive settings. This professional development may also include training for teachers, administrators, and paraprofessionals on the development of physical, social, emotional, and academic skills and on developing appropriate individualized education programs for preschool children with exceptional needs that ensure access to a free, appropriate public education in the least restrictive environment.

The Governor's Budget also provides $500,000 one-time federal funds for a study to examine certification and oversight of non-public school special education placements.

<u>Legislative Analyst's Office Analysis:</u>

The LAO recently reviewed the Governor's proposals for special education in their publication, *The 2021-22 Budget: Special Education Proposals*. In general the LAO notes the following with regard to the proposal for special education pre-school funding:

- The new preschool grant funding may further complicate special education funding, because it provides funding for preschool aged children differently than how the state funds special education services. Allocating the funding to a different set of entities (districts instead of SELPAs) and using a different allocation formula (number of children with disabilities instead of overall attendance) would add unnecessary complexity to the state's special education funding system. Furthermore, the program would complicate regional coordination of services through SELPAs. Many smaller districts coordinate special education services—including preschool-aged programs—with other districts in their SELPA. Allocating preschool funding directly to districts would create additional barriers for pooling funding to coordinate these regional services.

- The new preschool proposal could help encourage schools to provide services to students at an earlier age, but providing funding based on the number of children identified with a disability could also introduce a new financial incentive to over-identify children for special education.

- The impact of the new preschool proposal would be unclear due to lack of restrictions and accountability. Even though the Governor's proposal includes intent language that funding be used for certain activities beyond special education, there are no statutory restrictions on this funding to ensure that this is in fact achieved. Districts would have broad discretion over how closely to follow the intent language, and spending decisions would likely vary across the state.

- The new preschool proposal does not address the current challenges with inclusion or intervention, the underlying barriers that exist for schools. California has a relatively low rate of inclusion for its preschool-aged students with disabilities. In 2018-19, only 27 percent of California's preschool-aged children with disabilities attended an inclusive program for at least ten hours a week, compared to 60 percent nationally. These barriers may include programs, such as state preschool, in which it may be difficult to accommodate children with disabilities, and staff may lack expertise to serve these children.

The LAO recommends the following:

- **Provide Funding for Preschoolers Through Existing Special Education Base Formula.** To align with how the state primarily funds special education, we recommend the Legislature expand the existing special education base formula to include ongoing funding for preschool-aged children. Expanding the base formula would allow the state to recognize local costs associated with serving this age group, while avoiding the additional challenges introduced by the Governor's proposal. Specifically, the LAO recommends modifying the special education base formula to double-count kindergarten attendance for school districts. This approach effectively uses kindergarten attendance as a proxy for preschool attendance, since most preschool-aged students do not attend programs in public schools. We estimate this approach would cost around $255 million for 2021-22, freeing up about $45 million relative to the Governor's proposal.

- **Explore Opportunities to Promote Inclusive Practices and Early Intervention.** With the remaining $45 million, the Legislature could consider other ways to promote inclusive practices and early intervention. For instance, the Legislature could expand existing initiatives that provide districts technical assistance to implement inclusive practices or support coordinated efforts for early identification and intervention.

Suggested Questions:

- DOF: Has the Administration considered the LAO's suggestion to increase the special education formula for the preschool population?

- DOF: Can you clarify what "supplement existing special education resources" means? Must LEAs use this on services in addition to the IEP services or can they use these funds on IEP services as well?

- DOF: The 2019-20 budget included funds for special education services for preschool aged children, yet those funds were unrestricted and could be used for any special education service. Why does the Administration propose a different approach?

Staff Recommendation: Hold Open.

Issue 2: Special Education Medi-Cal Billing

Panel:

- Liz Mai, Department of Finance
- Amy Li, Legislative Analyst's Office
- Elly Garner, Departments of Education

Background

School-Based Medi-Cal Billing Program. Schools have the option to seek partial reimbursement for some health-related services from Medi-Cal—the state's health care program for low-income residents—through the school-based Medi-Cal billing program. Because Medi-Cal is jointly funded by the state and federal government, greater participation from schools allows the state to bring in additional federal funds. Eligible services through the Medi-Cal billing program include counseling, occupational therapy, speech therapy, and transportation related to these services. Previously, schools were primarily eligible to be reimbursed for services provided to students receiving special education who also were enrolled in Medi-Cal. A recent program change approved April 2020, however, expands coverage to include all Medi-Cal enrolled students. Low participation has been a longstanding issue, as only about half of California's school districts participate in the Medi-Cal billing program. A recent analysis by WestEd showed that California received a low rate of federal reimbursement per Medi-Cal enrolled student in 2014-15 compared to other states—suggesting substantial opportunities to draw down additional federal funds.

California's School-Based Medicaid Claiming and Reimbursement Programs
The Medicaid LEA Billing Option Program (LEA BOP), the School-Based Medi-Cal Administrative Activities (SMAA) program are California's formalized school-based Medicaid claiming and reimbursement programs. These programs allow LEAs to receive partial federal reimbursement for direct medical services and associated administrative costs. The LEA BOP and the SMAA program can be administered directly by school districts.

The LEA BOP is a reimbursement program in which LEAs (school districts, COEs, charter-school LEAs, SELPAs, and community colleges) can bill for covered services provided by qualified providers or contracted practitioners after the service has occurred and has been paid for by the LEA (reimbursement). To participate in the LEA BOP, LEAs must enroll through the DHCS as a Medicaid Provider (DHCS 2018b).

The SMAA program offers a way for LEAs and state agencies to obtain federal reimbursement for the cost of certain administrative activities that are necessary for the proper and efficient administration of school-based Medicaid. The program allows LEAs in California to claim administrative activities, costs that are otherwise not allowable for claiming under the LEA BOP or other Medicaid programs because they are not direct Medicaid services. The SMAA program includes activities such as referring students and families to enroll in Medicaid and coordinating Medicaid services between agencies.

2019-20 Budget Package Established the Medi-Cal Billing Work Group. In response to low participation in the school-based Medi-Cal billing program, the 2019-20 budget package provided $500,000 one-time General Fund for the California Department of Education (CDE) to convene two interagency work groups—one of which was to focus on Medi-Cal billing and include the Department of Health Care Services (DHCS). The work group is tasked with providing recommendations to the Legislature, by October 1, 2021, to improve access to the Medi-Cal billing program. The work group's interim report released in October 2020 identified several barriers to program participation, including the lack of interagency collaboration between CDE and DHCS, challenging documentation and billing system requirements, a high share of claims being disallowed, and limited state-led training and support.

<u>Governor's Budget Proposal:</u>

The Governor's budget includes two proposals related to the school-based Medicaid billing:

- $5 million one-time Proposition 98 General Fund to fund two or more LEAs, that are providers in the LEA BOP program and demonstrate a history of receiving federal reimbursement for health related assessments and services through the LEA BOP program to establish professional learning networks designed to:
    - Support local educational agencies in establishing the infrastructure and partnerships needed to enable successful participation in the Local Educational Agency Medi-Cal Billing Option Program.
    - Define common characteristics and best practices of local educational agencies that are successful in submitting claims through the Local Educational Agency Medi-Cal Billing Option Program and drawing down federal reimbursement for Medi-Cal services.
    - Provide peer-to-peer learning opportunities and create capacity for local educational agencies to become self-sustaining and secure federal reimbursement for services provided to Medi-Cal eligible students.

- $250,000 in ongoing Proposition 98 for an LEA to provide guidance for Medi-Cal billing within the statewide system of support. The selected LEA shall demonstrate success in submitting claims through the LEA BOP program and drawing down federal reimbursement for Medi-Cal services and a willingness and capacity to do all of the following:
    - Provide effective assistance and support to local educational agencies in securing federal reimbursement for services provided to Medi-Cal eligible students.
    - Work in coordination and collaboration with expert lead agencies identified pursuant to Section 52073.1, special education resource leads identified pursuant to Section 52073.2, the Department of Education, and the Department of Health Care Services, and the Medi-Cal professional learning networks (described above).
    - Identify and disseminate information around existing resources, professional development activities, and other efforts currently available to assist local educational agencies in successfully submitting claims through the LEA BOP program and drawing down federal reimbursement for Medi-Cal services.
    - Upon request by the Department of Education and the Department of Health Care Services, develop new resources and activities designed to build capacity for local educational agencies to secure federal reimbursement for services provided to Medi-Cal eligible students.
    - Serve as a point of contact for local educational agencies, and regularly participate and share the perspectives of local educational agencies in the LEA Program Advisory Workgroup convened by the Department of Health Care Services.

- Other duties as prescribed by the State Department of Education, to enhance Medi-Cal services on school sites, increase access of care for students, and increase Medi-Cal reimbursement for local educational agencies

Legislative Analyst's Office Analysis:

The LAO recently reviewed the Governor's proposals for special education Medi-Cal billing in their publication, *The 2021-22 Budget: Special Education Proposals*. In general the LAO notes the following:

- ***Given Upcoming Work Group Recommendations, Medi-Cal Billing Proposals Are Premature.*** The final work group recommendations expected in October will likely include a set of policy changes aimed at increasing access and participation in the Medi-Cal billing program. It is unclear whether the Governor's proposals would be an effective complement to these recommendations. For instance, the interim report highlights that DHCS has limited staff designated to the Medi-Cal billing program, and CDE has no formal role in providing technical assistance. Given the complexity of program requirements and the recent expansion to include all Medi-Cal enrolled students, having a state-level agency providing technical assistance may better address the needs of schools.

The LAO alternately recommends the Legislature reassess the Medi-Cal billing proposals as part of the 2022-23 budget process, after it has an opportunity to review the final work group recommendations. This approach would ensure additional state funding is provided in a manner most likely to improve program participation.

Suggested Questions:

- DOF/LAO: Given that additional coordination will be needed with DHCS for any movement on this issue, what actions are being taken on the health side to ensure that changes are made that the LEAs could then build capacity to implement?

- CDE: Does CDE have any recommendations given the ongoing difficulty of LEAs in accessing Medi-Cal billing options?

Staff Recommendation: Hold Open.

Issue 3: Proposition 98 Funding for Student Mental Health

Panel:

- Paula Fonacier Tang, Department of Finance
- Amy Li, Legislative Analyst's Office
- Elly Garner, Department of Education

Background:

Mental Health Funding for LEAs. LEAs do not currently have significant sources of funding dedicated for supporting the mental health of students within their Proposition 98 allocations. For students with mental health needs who qualify for special education and have an Individualized Education Plan (IEP) that requires services, LEAs may use their special education funding to provide these services. Of the total amount of funds available to LEAs for special education, approximately $152 million was set aside each year in as Educationally-Related Mental Health Services (ERMHS) funds, restricted to education-related mental health services that are included in IEPs. Recently, the state expanded the allowable use of ERMHS funds to include mental health services for all students beginning in the 2020-21 fiscal year. However, given that the costs for special education services generally exceed the amount of categorical funds provided for this purpose, this expansion of the use of mental health funding will not create a significant expansion of mental health services for the general student population. There have also been smaller efforts to create mental health resources for LEAs, particularly around suicide prevention. LEAs may use their general operations funds to provide services to students, including mental health or wellness services, and these expenditures have been an allowable use of recent pandemic relief funds.

Mental Health Services Act (Proposition 63; 2004). The Mental Health Services Act (MHSA) imposes a one percent income tax on personal income in excess of $1 million. The purpose of the MHSA is to expand mental health services to children, youth, adults, and older adults who have severe mental illnesses or severe mental health disorders and whose service needs are not being met through other funding sources (i.e., funds are to supplement and not supplant existing resources).

The Mental Health Services Oversight and Accountability Commission (MHSOAC) was established in 2005 and oversees expenditures generated from the MHSA in the Mental Health Services Fund (MHSF). SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, known as the Investment in Mental Health Wellness Act, included expenditure authority from the MHSF of $32 million annually for MHSOAC to support counties to increase capacity for client assistance and services in crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and mobile crisis support teams. In 2018-19 the expenditure authority was reduced to $20 million annually. According to MHSOAC, since 2017-18, 50 percent of the funding has been allocated to programs dedicated to children and youth aged 21 and under, and approximately $20 million was allocated for four School-County Collaboration Triage grants to: 1) provide school-based crisis intervention services for children experiencing or at risk of experiencing a mental health crisis and their families or caregivers; and 2) supporting the development of partnerships between behavioral health departments and educational entities.

Mental Health Student Services Act. The 2019 Budget Act included expenditure authority from the MHSF of $50 million in 2019-20 and $10 million annually thereafter for the Mental Health Student Services Act (MHSSA), a competitive grant program administered by the MHSOAC to establish mental health partnerships between county mental health or behavioral health departments and school districts, charter schools, and county offices of education. These partnerships support: (1) services provided on school campuses; (2) suicide prevention; (3) drop-out prevention; (4) outreach to high-risk youth and young adults, including, but not limited to, foster youth, youth who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), and youth who have been expelled or suspended from school; (5) placement assistance and development of a service plan that can be sustained over time for students in need of ongoing services; and (6) other prevention, early intervention, and direct services, including, but not limited to, hiring qualified mental health personnel, professional development for school staff on trauma-informed and evidence-based mental health practices, and other strategies that respond to the mental health needs of children and youth.

The MHSSA supports partnerships between county behavioral health programs and educational entities. Combining the $50 million allocation in 2019-20 with the annual $10 million allocations for the subsequent three fiscal years, MHSOAC allocated a total of $75 million over four years for funding of the MHSSA Partnership Grant Program. The funding was made available in two categories: 1) $45 million for counties with existing school mental health partnerships, and 2) $30 million for counties developing new or emerging partnerships.

According to MHSOAC, only 18 awards have been made thus far due to funding constraints. MHSOAC estimates approximately $80.5 million in additional funding would be required to fund all 38 outstanding grant applications for school-mental health partnerships, $45.5 million with existing partnerships and $35 million for new and emerging partnerships.

<u>Governor's Budget Proposal:</u>

The budget provides $25 million ongoing Proposition 98 General Fund to fund partnerships with county behavioral health to support student mental health services. Funds would be provided as competitive grants to LEAs to match, on a 1:1 basis, proposed county expenditures for children's mental health services, as specified in a county's three-year program and expenditure plan or annual update prepared pursuant to Section 5847 of the Welfare and Institutions Code from their share of the MHSF.

LEA applicants must provide a plan that describes the following:

- The need for mental health services at the local educational agency as well as potential gaps in local service connections.
- That plans address the mental health needs of enrolled students in kindergarten through grade 12 in a manner consistent with a whole child approach, including but not limited to the following:
    - Professional development for educators to identify early warning signs and risk factors for students in need of mental health supports.
    - Establishment or expansion of mental health and counseling staff available in schools.
    - Development of peer support networks, and other activities that promote students' sense of connectedness and belonging to a school community.

  - Development of partnerships with community organizations, including health and mental health service providers, with an emphasis on those that serve at risk student groups.
  - Development of resources and supports for family engagement.
  - Resources that address the acute and chronic mental health support needs in communities experiencing ongoing natural disasters and systemic violence.
- A proposal for how the funds will be used to expand a county's children's mental health services project and meet data collection and reporting requirements required of Mental Health Services Act three-year program plans.

Funds would be awarded for up to a three year term, with the Superintendent of Public Instruction (SPI) to review the grantee and determine renewal at the end of the grant period. The SPI shall determine the amount of grants.

The Governor's budget also includes two related proposals in the health budget that will be heard in Subcommittee #3 on health and human services:

- The budget provides $400 million one-time in a mix of federal funds and General Fund, available over multiple years, for the Department of Health Care Services to implement an incentive program through Medi-Cal Managed Care Plans, administered by county behavioral health departments and schools. This innovative effort would build infrastructure, partnerships, and statewide capacity to increase the number of students receiving preventive and early intervention behavioral health services from schools, providers in schools, or school-based health centers.

- The budget also includes an additional $25 million one-time Mental Health Services Fund, available over multiple years, to expand the Mental Health Student Services Act Partnership Grant Program, which funds partnerships between county behavioral health department and schools. Priority for the grants will be given to high-poverty and rural schools, with funds supporting suicide and drop-out prevention services, outreach to high-risk youth, and other strategies that respond to the mental health needs of students. (Heard on Friday, February 5, 2021 in Subcommittee #3)

Suggested Questions:

- DOF: How will the ongoing Proposition 98 funds for Mental Health Match, the Mental Health Student Services Act Partnership funds, and the new incentive program though the Medi-Cal Managed Care Plans ensure a coordinated response to student mental health needs?

- How many LEAs does the Administration anticipate funding with the proposed $25 million investment? How will LEAs sustain funding for mental health needs?

Staff Recommendation:

Hold Open

Issue 4: School Climate Surveys

Panel:

- Michelle Valdivia, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Elly Garner, Department of Education

Background:

LEAs are currently required to measure and report on school climate in their Local Control and Accountability Plan (LCAP) and through a local indicator on the California School Dashboard. More specifically, per the standards adopted by the state board of education, LEAs are required to administer a local climate survey at least every other year that provides a valid measure of perceptions of school safety and connectedness.

The majority of districts in California use data from a common survey instruments supported by CDE for their LCAP indicators. The California School Climate, Health, and Learning Survey (Cal-SCHLS) System is comprised of three interrelated surveys developed for and supported by the CDE:

- The California Healthy Kids Survey (CHKS) for students
- The California School Staff Survey
- The California School Parent Survey

The CHKS is a modular, anonymous assessment recommended for students age 10 (grade 5) and above. It is focused on the five most important areas for guiding school and student improvement:

- student connectedness, learning engagement/motivation, and attendance;
- school climate, culture, and conditions;
- school safety, including violence perpetration and victimization/bullying;
- physical and mental well-being and social-emotional learning; and
- student supports, including resilience-promoting developmental factors (caring relationships, high expectations, and meaningful participation).

LEAs pay a fees to participate based on their choices about the types of levels of data they want to collect. To participate in this state-subsidized survey, CDE minimally requires that districts administer a Core Module of key questions in grades 7 and 9 in order to ensure comparable data across all schools. Detailed demographic data are collected from secondary-school students to help determine the characteristics and representativeness of the sample and identify the needs of vulnerable subgroups. LEAs may choose to also survey using supplementary modules in various areas, including:

- school climate;
- social-emotional and physical health;
- substance use; and
- other risk behaviors.

Currently, through the Cal –SCHLS, the CDE is providing an online *Learning from Home Survey* to assess students' home educational routines, engagement and motivation in educational activities, quality of relationships with teachers and peers, and social emotional well-being.

The Cal-SCHLS also provides for technical assistance, and additional services on understanding and using data collected from the surveys.

Governor's Budget Proposal:

The Governor's budget provides $10 million in one-time Proposition 98 General Fund for one or two LEAs (selected by CDE and the executive director of the state board of education) to:

- Make information available on valid, reliable, and appropriate school climate surveys for purposes of helping local educational agencies better assess community needs stemming from the COVID-19 Pandemic and distance learning, including surveys for students, families, and educators.

- Of the total, $5 million shall be used to provide grants to local educational agencies to implement enhanced survey instruments and support start-up costs associated with conducting annual school climate surveys.

- Provide training for LEAs on interpreting data and using responses collected to inform continuous improvement efforts.

Suggested Questions:

- Has the Administration explored the possibility/ cost of creating a module related to the impact of the COVID-19 pandemic within the existing Healthy Kids Survey?

- How will the surveys developed differ from recent efforts by the CDE through the Cal-SCHLS to provide relevant survey tools during the pandemic?

Staff Recommendation:

Hold Open.

Issue 5: School Nutrition Update – Information Only

<u>Panel</u>:

- Elly Garner, Department of Education
- Kim Frinzell, Nutrition Services Director, Department of Education

<u>Background:</u>

School Nutrition Programs (SNP)

Local Educational Agencies are required to provide meals to students who are eligible for free and reduced price meals under California's education code.

Education Code Section 49550 requires school districts and county offices of education (COE) to provide nutritionally adequate meals to pupils who are eligible for free and reduced-price (F/RP) meals every school day. Education Code Section 47613.5 extends this requirement to charter schools. Charter schools offering nonclassroom-based instruction must also offer at least one nutritionally adequate meal for eligible pupils on any school day that the pupil is scheduled for educational activities lasting two or more hours at a school site, resource center, meeting space, or other satellite facility operated by the charter school.

Education Code Section 49550(c) defines "schoolday" as any day that pupils in kindergarten or grades 1 to 12, inclusive, are attending school for purposes of classroom instruction, including, but not limited to, pupil attendance at minimum days, state-funded preschool, transitional kindergarten, summer school including incoming kindergarten pupils, extended school year days, and Saturday school sessions.

Section 34 of the 2020 Budget Act established Education Code Section 43503 that adds distance learning as an instructional model and requires school districts, COEs, and charter schools to provide nutritionally adequate meals for eligible pupils during schooldays in which those pupils participate in distance learning. This requirement allows flexibility in how food is distributed as long as students eligible for F/RP meals have access to a nutritionally adequate meal during each school day.

A nutritionally adequate meal (breakfast and lunch) must meet the federal meal pattern requirements and qualify for federal reimbursements.

<u>Types of Meal Programs</u>

The California Department of Education (CDE) administers school meal programs overseen by the United States Department of Agriculture (USDA). The main programs are as follows:

National School Lunch Program (NSLP) – The National School Lunch Program is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The National School Lunch Program is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. State reimbursement is paid for all free and reduced price meals. Federal reimbursement is paid for all free, reduced price, and paid meals. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs.

School Breakfast Program – Local Educational Agencies may also choose to participate in the School Breakfast Program. The School Breakfast Program is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. If a child already qualifies for free or reduced-price lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. State reimbursement is paid for all free and reduced price meals. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were free or reduced-price). Sites must annually re-establish their eligibility for the Severe Need Breakfast Reimbursement.

Summer Food Service Program - The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites.

Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for free or reduced-price (F/RP) school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers. The camp receives reimbursement only for meals served to enrolled children who qualify for F/RP meals. Closed sited are open only to enrolled children or to an identified group of children, as opposed to the community at large. Closed enrolled sites must also establish their eligibility through the individual income eligibility of the children attending the site.

LEAs may also choose to operate a Seamless Summer Option through the National School Lunch (NSLP) or School Breakfast Programs (SBP). School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP "free" rates.

Eligibility

Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child's immigration status. The family-size income levels are prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and free milk. The free guidelines are 130 percent of the Federal poverty guidelines. The reduced price guidelines are 185 percent of the Federal poverty guidelines.

LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

Community Eligibility Provision (CEP) - The CEP was implemented by the Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. Schools that have implemented the CEP have experienced striking increases in school meal participation, and many reported improved attendance. The CDE highly encourages participation in the CEP for a school or group of schools with an Identified Student Percentage (ISP) over 40 percent, and can include directly certified children.

Identification of children for free and reduced price meals is also important as the data is used as a proxy for low income in the state's school funding formula, the Local Control Funding Formula (LCFF) and generates additional education funding.

COVID -19 Related Changes

Typically an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above. During the current pandemic, the USDA has issued nationwide waivers, that now extend through June 30, 2021, to allow non-congregate feeding and meal service time flexibility during the school year, consistent with flexibilities typically allowable under summer meal programs.

As reimbursement based programs, school meal programs rely on the scale of meals served to generate revenues to cover program costs, food, labor, and equipment/operations. During the initial shut down of schools starting in mid-March 2020, LEAs reported significant drops in meals served as they struggled to adjust to serving meals to students in new formats. Many LEAs began to serve more meals during the summer and into the fall, but most have not reached the levels served during the regular school year in 2019-20.

In response to the concerns that LEAs' nutrition programs were struggling to cover costs, the 2020-21 budget provides $192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

More recently, on January 26, 2021, the USDA released a policy memo announcing a special emergency reimbursement funding for Child Nutrition Programs for March- June 2020. The intent of this funding is to help addressed lost meal reimbursement and increased operational costs due to COVID-19. Funding will be based on a specific formula that accounts for the difference in meal claims in March, April, May and June 2019 compared to the same months in 2020. The difference in meals served is then multiplied by 55 cents to determine the reimbursement amount for each eligible sponsor. Once USDA approved a state plan for the funds (due April 2021) reimbursement funds will be allocated to the CDE to distribute. The USDA expects state agencies to begin releasing the funding by June 2021. CDE notes that while these funds will provide some relief to LEAs, they only cover costs through June 2020 and not the remainder of the pandemic.

California Department of Education Update:

The Nutrition Services Division of the CDE oversees the state and federal meal programs. CDE has provided the following information:

Reduced Participation in Meal Programs: A 2019-20 comparison of breakfast and lunches under the National School Lunch, School Breakfast, Seamless Summer Option and Summer Food service Programs shows a drastic reduction in meals served. On average there is a **30 percent reduction** in meals served. Summer months are usually much lower in meal counts, as evidenced by the 2019 meal totals provided below. However CDE believes there was an increase in meals served in the summer months during the pandemic due to the federal flexibilities provided around meal service, including area eligibility and non-congregate waivers, in addition to the state of the economy.

Month	2019 Total Meals	2020 Total Meals	% Reduction
January	74,199,286	75,708,926	2.03%
February	81,434,836	81,251,374	-0.23%
March	88,108,268	65,024,210	-26.20%
April	79,303,159	54,954,369	-30.70%
May	98,600,711	54,216,387	-45.01%
June	24,961,165	41,640,607	66.82%
July	7,906,222	36,367,146	359.98%
August	51,306,254	26,863,861	-47.64%
September	89,217,546	43,862,514	-50.84%
October	99,420,874	56,544,564	-43.13%
November (still have one month to submit claim)	68,865,226	48,171,600	-30.05%
December (still have 2 months to submit claim)	63,702,236	30,967,018	-51.39%
Grand Total	827,025,783	615,572,576	

CDE Comments:

LEAs continue to need funding to help address the lost meal reimbursement due to COVID-19. Overall schools statewide are experiencing an average of a 30 percent decrease in the number of meals claimed for reimbursement. Not only is access to healthy meals a concern, but also the financial deficit school food service operations are experiencing. The $192.2 million ($112.2 million in federal ESSER funds and $80 million in Prop 98 State Funds) provided in the 2020 Budget for the months of March-August helped cover increased food, personnel, equipment and supply costs. And while child nutrition programs will further benefit by the forthcoming federal funds, which will cover 55 percent of the difference in meals served between 2019 and 2020, these funds only cover the months March through June 2020.

CDE will utilize approximately $20 million that remains from the FY 2019 budget, pursuant to SB 820, to help fill the remaining gap for the months March through August 2020. CDE does not currently have an estimate on the amount of funding needed, but does believe a gap will remain between costs that programs have incurred compared to the reimbursements they have or will receive for this time period.

Schools are still experiencing a shortfall. Prior to COVID-19 approx. 40 percent of our schools participating in the federal meal programs encroach on their district's general fund to help support their food service operations. Unfortunately COVID-19 continues to strain the school food service accounts.

Finally, these are not single year issues, CDE notes that it will take several years to help level the impact of COVID-19 on the Child Nutrition Programs. In addition to the 30 percent decrease in meal reimbursement, LEAs are facing potential declines in public school enrollment, changes in learning models, and federal waivers set to expire June 30, 2021 that make future funding of these programs uncertain. In addition, entitlements for access to USDA foods that LEAs use to reduce food costs are based on meals served in prior years, and these years of low meals will impact those entitlements in future years.

Staff Recommendation:

Information Only

Issue 6: Transitional Kindergarten Incentive Programs

Panel:

- Sarah Burtner, Department of Finance
- Jennifer Kaku, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Elly Garner, Department of Education
- Sarah Neville-Morgan, Department of Education

Background:

Transitional Kindergarten (TK). SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten (TK) program, beginning in 2012-13, for children who turn five between September 2 and December 2. TK is the first year of a two-year kindergarten program that uses a modified, age and developmentally appropriate curriculum. It is intended to be aligned with California Preschool Learning Foundations developed by the California Department of Education. Each elementary or unified school district must offer TK and kindergarten for all eligible children, regardless of family income. TK is funded through the Local Control Funding Formula (LCFF) allocation. In 2018-19, 91,000 students in California were enrolled in TK. In addition to an elementary teaching credential, starting August 2021, TK teachers are required to have either 24 units in early childhood education and/or child development, a child development permit, or comparable experience in a classroom setting.

Early Transitional Kindergarten. Starting in the 2015-16 school year, local education agencies (LEAs) were allowed to enroll children in TK that do not meet the age criteria if they will turn five by the end of the school year. However, these students do not generate state funding until they turn five. LEAs are not required to provide early TK, and if they do, they are allowed to set their own age criteria. Uptake of this optional program varies widely; some LEAs enroll all children who will turn five by the end of the school year, and some do not offer it at all.

Preschool for four-year-olds. Currently, four-year-olds are served by a mixture of State Preschool (for income-eligible students) and early TK (if provided). In 2018-19, 143,000 three- and four-year-olds were enrolled in State Preschool. Four-year-olds make up 63 percent of that enrollment. Aside from income eligibility, these programs vary in other ways, including teacher credentialing requirements and length of school day (see table below from the LAO[3]). Income-eligible four-year-olds end up in either preschool or TK due to combination of these factors, availability of early TK in their area, and available State Preschool slots.

The Governor's Master Plan on Early Learning and Care set a goal to provide all income-eligible three-year-olds and all four-year-olds with preschool. The initial step is aligning preschool and TK standards. Eventually, all four-year-olds would be eligible for TK programs, and all income-eligible three-year-olds would be served by state preschools.

[3] https://lao.ca.gov/reports/2021/4350/Transitional-Kindergarten-Proposals-020521.pdf

	Transitional Kindergarten	State Preschool
Age	Four-year olds with birthdays between September 2 and December 2, with option to serve some younger students.	Three- and four-year olds.
Income Eligibility	None.	A family of three must generally earn at or below $73,885.
Program Duration	Must operate at least 180 days per year, at least three hours per day but determined by district.	Must operate at least 246 days per year, 6.5 hours per day for full-day program; at least 175 days per year, 3 hours per day for part-day program.
Work Requirement	None.	None for the part-day program. Working families are prioritized for the full-day program.
Staffing Ratio	1 to 33 maximum teacher-child ratio.	1 to 24 maximum teacher-child ratio and 1 to 8 maximum adult-child ratio.
Funding Source	Proposition 98 General Fund.	Proposition 98 and Non-Proposition 98 General Fund.
Providers	School districts.	School districts, county offices of education, community colleges, and community-based organizations.
Teacher Requirements	Bachelor's degree, multiple subject teaching credential, and a Child Development Teacher Permit or at least 24 units of ECE/CD or comparable experience.[a]	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units).

[a] Child Development requirements effective August 1, 2021.
ECE/CD = Early Childhood Education/Child Development.

Source: Legislative Analyst's Office

Full-day kindergarten (FDK) facilities grants. TK and Kindergarten facilities have additional requirements compared to other school facilities, such as restrooms that must be self-contained in the classroom or separate from those of older students and an easily supervised play area. A lack of space meeting these requirements may prevent schools from expanding their kindergarten offerings. The 2018-19 budget provided $100 million in one-time non-Proposition 98 General Fund for the Full-Day Kindergarten Facilities Grant Program. The Office of Public School Construction, with approval by the State Allocation Board, allocated grants to LEAs for schools that did not have enough classroom space to provide FDK or had an existing FDK space that did not meet regulations. Priority for the grants was provided to districts with financial hardship or districts that have a high population of low-income students. The grants required a local match of 50 percent of the cost of new construction and 40 percent of the cost of renovation, except for those districts that met the financial hardship requirements. Savings from projects awarded as a result of this funding were available for professional development or instructional materials to build capacity for the implementation of a full-day kindergarten program or for other high priority local facility needs. Applicants had to provide anticipated and three preceding years of enrollment data to verify need for new construction. Participation in the Full-Day Kindergarten Facilities Grant Program did not impact a school district's participation in the School Facilities Grant Program. According to administration, the Office of Public School Construction received over $405 million worth of applications during the second and final application round for this program. In 2019-20, another $300 million in funding was provided to support three additional rounds. However, this money was rescinded in spring 2020, at the beginning of the COVID-19 pandemic.

Governor's Budget Proposal:

The Governor's proposal includes three sources of one-time funding intended to expand TK offerings: $250 million Prop 98 funding for an incentive grant program for early TK, $50 million Prop 98 for a TK and kindergarten teacher training program, and $200 million General Fund for facilities grants for TK and FDK programs.

The California Transitional Kindergarten Incentive Grant Program. The proposed budget includes $250 million one-time Proposition 98 General Fund to provide grants to LEAs that increase early access to transitional kindergarten, to help them cover up-front costs associated with expanding programs. Schools would plan and apply in 2021-22, and funding would be released in 2022-23 and 2023-24. Grants would be distributed through a competitive process, prioritizing schools that plan to increase early TK enrollment. Additional priority would be given based on factors such as the proportion of dual language learners, a plan to create inclusive classrooms, and the ability to connect the TK program with extended-day services. Selected LEAs would receive funding based on the amount of increased enrollment between 2021-22 and 2022-23. The funding would be equivalent to half of the LCFF rate for each additional early TK student. Schools that achieve their early TK expansion goals would be eligible for additional funding in 2023-24, depending on availability of funds.

Early Education Professional Development Grants Program. The Governor's budget includes $50 million one-time Proposition 98 General Fund to support the preparation of transitional kindergarten teachers and provide both transitional kindergarten and kindergarten teachers with training in providing instruction in inclusive classrooms, support for English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit biases. The funding is one-time in nature but will be available for encumbrance through 2023-24 and available for expenditure until 2027. Grants would be allocated to LEAs through a competitive process. LEAs applying would need to demonstrate a need for TK teachers or TK or kindergarten development, a plan to create inclusive classrooms, and the ability to connect the TK program with extended-day services. Additional priority factors are similar to those for the incentive grants program and include the proportion of dual language learners, children with disabilities, or children in special education served by the LEA, as well as the proportion of full-day kindergarten programs, among others. Allowable uses for these funds include both direct educational costs such as tuition, supplies, or coaching, as well as incident costs such as transportation, childcare, and substitute teacher pay.

Facilities Funding for TK and FDK. The proposed budget includes $200 million one-time General Fund for school districts to construct new facilities or retrofit existing facilities to support TK. The program is based on the Full-Day Kindergarten Facilities Grant Program described above. Grants would be competitive, and the allocation process would be the same as described for FDK, except that in the first year, priority will be given to LEAs intending to offer and expand TK programs. Further priority will then be given to LEAs qualifying for financial hardship and then LEAs with high populations receiving free or reduced-price lunch. After the first year, priority will be given to LEAs intending to either offer and expand TK programs or convert a part-day kindergarten program to a full-day kindergarten program.

Legislative Analyst's Office Comments:

TK versus State Preschool. The Legislature has historically taken action to expand access to preschool. The Governor's proposal differs from recent legislative action by expanding access through

TK instead of State Preschool. In addition, expanding TK could significantly affect State Preschool enrollment. In some cases, capacity may simply shift from preschool to TK, rather than increasing overall capacity, especially in school districts that currently use classrooms on elementary school campuses for State Preschool. Whether the Legislature wants to expand preschool access through the State Preschool or TK depends on its own specific goals. For example, if the Legislature wants to offer one year of public preschool to all students, then TK could be a better path to expansion. The state could use school district catchment areas as a way to ensure that all eligible children have access to a TK program. If the Legislature wants to offer preschool to three- and four-year-olds from low-income families, then the State Preschool program could be a better path to expansion. Either way, clarifying the role of State Preschool program and making associated programmatic changes would ensure the state's existing programs operate in alignment to best serve children and their families.

TK Expansion Requires Ongoing Funding. School districts expanding TK likely would incur some one-time costs, such as making facilities suitable for TK instruction, helping additional teachers meet the statutory requirements for TK teachers, and making programmatic changes as alluded to in the Governor's master plan. However, most of the costs associated with TK (such as paying for additional teachers) are ongoing. Under the Governor's proposal it is unclear how school districts would sustain programs after 2023-24, when the proposed one-time incentive grants expire. Furthermore, based on our conversations with several school districts, limited-term funding is unlikely to be an incentive for school districts to expand their TK programs. A much greater incentive to achieve universal preschool for four-year-olds would be to allow school districts to generate a full year of attendance-based funding for children born after December 2, including children who turn five after the school year ends. At full implementation, we estimate this approach would cost roughly $3 billion more than current spending on TK. Based on the Administration's multi-year outlook and associated projections of the Proposition 98 minimum guarantee—and accounting for changes in attendance and cost of living—we think the state would be able to cover the costs of TK expansion within growth in the minimum guarantee. Were the state to take such an approach, however, it likely would be unable to cover the cost of any other major ongoing programmatic K-12 augmentations during the forecast period.

Suggested Questions:

- DOF: How many children are enrolled in early TK now? How many more children, in both TK and early TK, does the Administration hope to serve with these programs?

- DOF: One of the requirements of the incentive grant program is a plan for a financially sustainable, ongoing TK program. How will the LEAs do that using one-time funding?

- DOF: How does the Administration envision State Preschool and early TK aligning? Why is the Administration interested in expanding TK instead of State Preschool?

Staff Recommendation: Hold Open

Senate Budget and Fiscal Review—Nancy Skinner, Chair

JOINT HEARING SUBCOMMITTEES No. 1 and 3

Subcommittee No. 1	Subcommittee No. 3
Senator John Laird, Chair	Senator Susan Talamantes Eggman, Ph.D, Chair
Senator Dave Min	Senator Melissa Melendez
Senator Rosilicie Ochoa Bogh	Senator Richard Pan, M.D.

Tuesday, February 16, 2021
9:00 a.m.
State Capitol - Room 4203

Consultant: Elisa Wynne

AGENDA PART A

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

Issue 1: Child Care Overview

Panel:

- Sara Cortez, Legislative Analyst's Office
- Sarah Burtner, Department of Finance
- Carlos Aguilera, Department of Finance
- Sarah Neville Morgan, Deputy Superintendent, Department of Education

Background

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

The administration of child care programs is currently in transition as SB 98 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2020, established the Early Childhood Development Act to transfer the administrative responsibility of all state child care programs, with the exception of the California State Preschool Program, from the Department of Education (CDE) to the Department of Social Services (DSS), commencing July 1, 2021.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during "Stage One" (when a family first enters CalWORKs) and "Stage Two" (once a county deems a family "stable", defined differently by county). In the past, the state has funded "Stage Three" (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA's Local Control Funding Formula allocation. LEAs may enroll children in transitional kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

State Child Care and Preschool Programs

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.
Preschool	
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.
Transitional Kindergarten	Part-year program for children who turn five between September 2 and December 2. May run part day or full day.

Source: Legislative Analyst's Office

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2016 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. The current standard reimbursement rate (SRR) is $49.54 per child per day of enrollment for General Child Care and $49.85 for State Preschool. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool was budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers received General Fund through the General Child Care program to support wrap-around care. The 2019-20 Budget Act changed this structure and funded all non-LEA state preschool and wrap care with non-Proposition 98 and retained LEA state preschool and wrap care within Proposition 98.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. CalHR is currently negotiating with Child Care Providers United - California (CCPU) to establish a Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers.

Pandemic Impacts and Response:

The pandemic has affected child care providers and families. The COVID-19 emergency, has placed increased fiscal pressure on child care providers. The Center for the Study of Child Care Employment conducted a survey of 953 California child care providers at the end of June 2020. The vast majority of child care providers reported they were serving fewer children compared to before the pandemic and 77 percent of open providers reported they experienced a loss of income from families. Providers are also reporting higher costs. Of open providers, 80 percent reported higher costs for cleaning, sanitation, and personal protective equipment. Families receiving child care also have been affected, particularly due to school and child care closures that have required families to find new child care arrangements.

The LAO has provided the following table that shows an estimate of providers that remain open, and those that are closed permanently or temporarily. This data is from Community Care Licensing (CCL) and reflects both private and subsidized providers. This would not reflect license exempt providers and is a point-in-time snapshot before the most recent pandemic surge over the winter of 2020.

CCL Child Care Licenses and Closures
As of October 2020

	Small Family Homes	Large Family Homes	Child Care Centers	Total
Open and Operating[a]				
Facilities	12,238	10,909	9,787	32,934
Slots	97,496	151,779	532,271	781,546
Temporarily Closed				
Facilities	1,889	1,209	4,947	8,045
Slots	15,000	16,786	262,571	294,357
Permanently Closed Since March 2020				
Facilities	1,289	516	355	2,160
Slots	10,232	7,174	15,981	33,387

a) Represents licenses that are not inactive or temporarily closed.

The state has taken several actions to support child care programs during the pandemic. The vast majority of these actions were provided on a temporary basis and are only available during the current fiscal year. Most of these actions were funded with one-time federal funds provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In addition to the $350 million in CARES Act funding specifically for child care, the state also used $110 million from the Coronavirus Relief Fund (CRF) to support child care programs. The state had substantial discretion to allocate CRF for various programs related to the COVID-19 emergency. The figure describes the pandemic-related actions in more detail.

Pandemic-Related Child Care Actions

(In Millions)

Policy	Description	Total
Alternative Payment Voucher Slots for Essential Workers	Provided $50 million one time in 2019-20 to provide temporary vouchers and $47 million ongoing federal funds in 2020-21 to transition families to permanent vouchers. Provided an additional $138 million on a one-time basis for 2020-21.	$235
Voucher Reimbursement Flexibility	In 2020-21, voucher-provider payments are based on a child's authorized hours of care instead of the amount of care used. This holds voucher providers harmless if a child temporarily does not attend child care.	63

Family Fees	From April 2020 through August 2020, the state temporarily waived family fees for those receiving subsidized care. From September 2020 through June 2021, the state has waived family fees for families not receiving in-person care.	62
Cleaning Supplies and Protective Equipment	The state provided funds for gloves, face coverings, cleaning supplies, and labor costs associated with cleaning child care facilities.	50
Voucher Paid Operation Days	Provides an additional 14 paid non-operation days. Funds used so child can attend another provider while the original provider is closed.	40
School-Aged Care	Funds were to cover the additional cost of providing care to school-aged children. During the school year, school-aged children would typically receive care before and/or after school. As schools in most of the state remain closed, many school-aged children participating in distance learning also are receiving care from a child care provider during the school day.	38
Voucher Stipends	Stipends to voucher providers based on the number of subsidized children enrolled.	31
Direct Contract Reimbursement Flexibility	Direct contract providers were provided reimbursement flexibility in 2020-21. To receive this flexibility, providers must have opened to begin the school year or have been closed due to local or state public health guidance. Providers also must provide distance learning services to children enrolled in its programs and submit a distance learning plan to CDE. For providers that meet these conditions, reimbursement will be the lesser of their contract amount or program costs. Typically, provider reimbursement is also generally based on the attendance of eligible children.	—
Attendance Record Requirements	Trailer legislation allows voucher providers to submit attendance records during 2020-21 without a parent signature if the parent is	—

	unable to sign due to the COVID-19 pandemic. Typically, providers are required to submit attendance records with a parent signature to receive reimbursement.	
Total		**$518**

Source: Legislative Analyst's Office

Governor's Budget Proposal:

The Governor's Budget includes the following adjustments and proposals:

- **Non-CalWORKs Child Care.** The proposed budget includes $19.9 million for a 1.5 percent COLA adjustment for non-CalWORKs child care. The proposed budget also includes an increase of $21.5 million ongoing in 2020-21 and an additional $44 million ongoing for 4,700 additional Alternate Payment Program slots due to updated Proposition 64 cannabis tax revenues.

- **CalWORKs Child Care.** The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net decrease of $141 million, reflecting a $62 million decrease in Stage 1, a $112 million decrease in Stage 2, and a $33 million increase in Stage 3.

- **COVID-19 Related Support.** The proposed budget includes $55 million one-time General Fund to support child care providers' and families' needs as a result of the pandemic.

The following table reflects available slots for child care and preschool, including the proposals above and any other workload changes:

Child Care and Preschool Subsidized Slots

				Change from 2020-21	
	2019-20 Revised	2020-21 Revised	2021-22 Proposed	Amount	Percent
CalWORKs Child Care					
Stage 1	32,454	36,590	37,477	887	2.4%
Stage 2	55,054	55,484	45,231	-10,253	-18.5%
Stage 3	59,290	66,073	68,939	2,866	4.3%
Subtotals	**(146,799)**	**(158,147)**	**(151,647)**	**(-6,500)**	**(-4.1%)**
Non-CalWORKs Programs					
Alternative Payment Program	54,340	78,749	63,185	-15,563	-19.8%
General Child Care	32,190	32,190	32,191	1	0.0%
Migrant Child Care	3,018	3,018	3,018	—	—
Care for Children with Severe Disabilities	102	102	102	—	—
Subtotals	**(89,650)**	**(114,059)**	**(98,496)**	**(-15,562)**	**(-13.6%)**
Preschool Programs					
State Preschool— part day	124,525	110,469	110,469	—	—
State Preschool— full day	60,752	53,894	53,894	—	—
Transitional Kindergarten	90,188	89,701	89,216	-484	-0.5%
Subtotals	**(275,465)**	**(254,064)**	**(253,579)**	**(-484)**	**(-0.2%)**
Totals	**511,914**	**526,269**	**503,723**	**-22,547**	**-4.3%**

Notes: Generally based on appropriation and annual average rate per child. Slot numbers reflect DSS estimates for CalWORKs Stage 1; DOF estimates for CalWORKs Stage 2 and 3, General Child Care, Migrant Child Care, and Care for Children with Severe Disabilities; and LAO estimates for all other programs. Table reflects actuals for all stages of CalWORKs child care in 2019-20 and updated DSS estimates for Stage 1 in 2020-21. Stage 2 does not include certain community college child care slots (900 to 1,200 slots annually). Transitional Kindergarten reflects preliminary estimates because enrollment data is not yet publicly available for 2019-20, 2020-21 or 2021-22.

Source: Legislative Analyst's Office

Suggested Questions:

- When will the additional Proposition 64 slots in the current year be available to families? How will they be distributed to providers?
- Did the Administration or Departments have any commentary about the reductions in CalWORKs child care, particularly in Stage 2?
- Does the LAO or CDE have data on the number and type of providers that have closed permanently or temporarily during the pandemic? And how this may impact re-opening of the state and economy?

Staff Recommendation:

Hold Open.

Issue 2: Federal Stimulus Funds and Child Care Needs

Panel:

- Sarah Burtner, Department of Finance
- Carlos Aguilera, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Sarah Neville Morgan, Deputy Superintendent, Department of Education

Background:

With the recent passage of H.R. 133 in December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, the state has received an additional $964 million in supplemental CCDBG funds. This additional funding can be used for most of the priorities outlined in the 2020-21 budget package, as well as any other child care purposes related to the COVID-19 emergency. Funds will be available for appropriation in the current and budget year.

SB 820 (Committee on Budget and Fiscal Review) Chapter 110, Statutes of 2020, contemplated the receipt of additional federal funds for child care during the 2020-21 fiscal year. The language included a trigger that dedicated the first $300 million of new federal funds for the following priorities:

- Up to $30 million for reimbursing child care providers for family fees waived for families enrolled, but not receiving in-person care, from September 1, 2020, to June 30, 2021, inclusive.

- Up to $35 million to support alternative payment programs, including migrant alternative payment programs, to reimburse providers for providing short-term child care to eligible children when a provider is closed. (The 2020-21 budget allowed an additional 14-paid non-operational days for providers, for a total of 24 days per year. These funds would cover costs for families to receive alternate childcare during the closures)

- Up to $100 million for alternative payment providers to extend access to child care for children of essential workers, at risk children, and other eligible children, as specified, in order of priority.

- Up to $30 million to increase capacity for up to two years for general child care programs and state preschool programs.

- Up to $15 million in stipends to assist child care providers with the costs of re-opening.

- Up to $90 million in stipends to assist all subsidized child care providers with costs related to the pandemic.

While the above priorities reflected potential additional needs at the time SB 820 was enacted, since then needs have shifted, other funds have been used to cover some of these needs, and the realities of the impact of the pandemic may require different uses of federal funds.

Staff notes that stakeholders have weighed in with a request for immediate action to move federal funds out and with priority needs from the field including, but not limited to the following:

- Extending and expanding vouchers for essential workers
- Stipend funds for all types of providers to cover additional costs related to the pandemic
- Family fees waivers for all families
- Additional paid non-operational days to stabilize providers who close temporarily due to the pandemic.
- Continued hold harmless policies to ensure providers are paid based on enrollment rather than attendance
- Increased reimbursement rates and related reforms, including the establishment of a "crisis factor" rate
- Additional slots across the system.
- Technology upgrades
- Facilities and re-opening funds to assist with expansion and costs to re-open closed providers.
- A "Whole Child Equity Need Index" to allocate dollars more effectively and equitably across child-focused systems.
- Professional development funds

Staff notes that CalHR and the Child Care Providers United - California (CCPU); have reached a Tentative Agreement/MOU to address COVID relief funding that includes:

- A one-time stipend of $525 per child enrolled in a subsidized child care program will be provided to all subsidized childcare providers operating Alternative Payment Programs, Migrant Child Care and Development Programs, Child Care, Family Child Care Home Education Networks, Child Care and Development Services for Children with Special Needs, and Child Care under the CalWORKs Program

- An additional 16 paid non-operational days for voucher-based providers applicable from September 1, 2020, through June 30, 2021, to provide up to a total of 40 paid non-operational days in 2020-21. These additional authorized non-operational days will reimburse providers while they are closed for COVID-19 related reasons and will provide short-term child care to eligible children impacted by those closures. Eligible providers include those participating in alternative payment programs pursuant to Alternative Payment Programs, Migrant Alternative Payment, Family Child Care Home Education Networks, and Child Care under the CalWORKs Program.

Staff notes that the details of the agreement were received on February 9th and the agreement is currently under review. Upon legislative approval, the Tentative Agreement/MOU will be effective through June 30, 2022.

Legislative Analyst's Office Comments:

The LAO recently released their analysis, *The 2021-22 Budget: Child Care Proposals*, and noted that the Legislature will want to prioritize actions the state can implement quickly to get support to child care providers as soon as possible. Such actions could include the following:

- ***Use Existing Systems and Programs.*** While there is merit to considering new ideas for supporting child care providers and families, using existing systems and programs will deliver funding to providers more quickly and make implementation easier. Creating new programs and processes takes time, as the state would have to develop regulations and/or guidance, collect relevant data, and communicate program rules to providers. The state could use existing programs and systems to avoid these delays in implementation. For example, in spring 2020, the state used Resource and Referral agencies to distribute personal protective equipment to subsidized and nonsubsidized providers. The state could use these agencies in the future if it is interested in providing similar support.

- ***Extend Existing Pandemic Actions.*** Virtually all pandemic actions for child care providers were enacted by the state on a temporary basis, ending June 30, 2021. Extending these flexibilities would be administratively simple, as the guidance has already been written and implemented. Child care providers are already clear on how these actions impact their local programs.

- ***Use Simple Allocation Methodology.*** The state may want to allocate one-time funds by using a simple formula instead of opting for a more sophisticated approach. Although complex formulas can more effectively target funding, allocating funds can be delayed as state agencies spend time developing models and collecting the appropriate data. For example, calculating stipends to providers based on a percent of their total contract would be simpler and quicker than temporarily increasing rates based on the regional market rate survey.

Consider Spreading Funds Across the Current and Budget Year. Given the one-time nature of the General Fund and federal funds being provided, spreading funding over several fiscal years ensures the state can sustain the temporary support for a longer time period. For lump sum payments, such as stipends, spreading the funds over several years also gives providers more flexibility for spending the funds. However, the Legislature will want to ensure it fully expends federal funds during the allowable time period.

Consider Modifying Flexibilities to Ease Administrative Burden. Some of the policies implemented in the current year can be modified to ease the administrative burden for the state, local providers, and families. For example, family fees for September through July 2021 are waived for families not receiving in-person services or sheltering in place. Since pandemic-related child care closures and shelter-in-place requirements happen unexpectedly, this policy requires child care providers to revisit family fees throughout the month. Under typical circumstances, child care providers would only collect family fees at the beginning of the month. Waiving all family fees temporarily during the pandemic would be administratively simpler for all parties involved. We estimate this approach would have an annual cost in the high tens of millions of dollars.

Without Ongoing Funding, Temporary Slots Will Lead to Disenrollment Down the Line. During the pandemic, the Legislature has prioritized using one-time funds to provide temporary slots for essential workers. The Legislature may want to consider providing similar funding with the additional CCDBG funding to continue to provide subsidized child care for families. Without ongoing funding, however, families receiving temporary slots will eventually be disenrolled. Providing additional one-time funding for slots creates additional cost pressure to create ongoing slots that allow families to continue receiving child care. Although the temporary slots are intended to address temporary increases in the need for care, we would note that demand for subsidized child care from low-income families has exceeded state funding for decades. As a result, we do not expect that demand for slots will decrease notably when the pandemic is over.

Applying Same Flexibilities to State Preschool Will Require General Fund Spending. During the pandemic, the state has so far provided the same flexibilities to State Preschool as it has for other child care programs. If the state wants to continue this practice in the budget year, it would likely need to fund the flexibilities with one-time General Fund. This is because State Preschool programs do not meet all of the eligibility requirements to be funded with CCDBG.

<u>Suggested Questions:</u>

- Can the Administration, Departments, or LAO comment on potential priority uses for the funds?

<u>Staff Recommendation:</u>

Hold Open

Issue 3: Transition of Child Care Programs to the Department of Social Services

Panel:

- Kim Johnson, Director, Department of Social Services
- Jennifer Troia, Chief Deputy Director for Children, Families, and Adult Programs, Department of Social Services
- Salena Chow, Chief Operating Officer, Department of Social Services
- Sarah Neville Morgan, Deputy Superintendent, Department of Education
- Leisa Maestretti, Director, Fiscal and Administrative Services Division, Department of Education
- Sara Cortez, Legislative Analyst's Office

Background.

Existing law provides for various programs, responsibilities, services, and systems relating to childcare and childhood development that are administered by the California Department of Education (CDE) and the Superintendent of Public Instruction. General childcare and development programs are state and federally funded programs that use centers and family child care home networks operated or administered by either public or private agencies and local educational agencies. The agencies deliver child development services for children from birth through 12 years of age, and for older children with exceptional needs. These programs provide an educational component that is developmentally, culturally, and linguistically appropriate for the children served. These programs also provide meals and snacks to children, parent education, referrals to health and social services for families, and staff development opportunities to employees. Approximately 1,300 contracts are dispersed through approximately 713 public and private agencies statewide to support and provide services to approximately 400,000 children.

The administration of the state's child care and preschool programs differs based on the type of program and the state level entity administering the program. The California Department of Social Services (DSS) administers California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 1 child care and the bridge program for foster children, while CDE administers all other child care and preschool programs such as CalWORKs Stage 2 and Stage 3 child care and General Child Care. Both departments work with a variety of local entities to provide services. For example, DSS provides funding for CalWORKs Stage 1 child care to county welfare departments that use this funding to determine eligibility and issue voucher payments to the child care provider of the family's choice, while for General Child Care and State Preschool, CDE directly contracts with the providers.

Recent Budget Action. SB 98 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2020, the education omnibus budget trailer bill, established the Early Childhood Development Act to transfer the administrative responsibility of all state child care programs, with the exception of the California State Preschool Program, from CDE to the DSS, commencing July 1,

2021. Having all child care programs administered within one agency is intended to allow for greater collaboration, including improved eligibility processes, across the various departments and programs in supporting the needs of young children and their families. Further, data from child care and development programs would be folded into the agency's overall data integration efforts. SB 98 also established the position of Deputy Director of Child Development within DSS, to be appointed by the Governor and confirmed by the Senate. The 2020-21 budget provided DSS with $2 million one-time General Fund to plan for the transition.

Pursuant to the Early Childhood Development Act, the following child care and development programs will be shifted from CDE to DSS:

- Stages Two and Three of the CalWORKs Child Care Programs
- General Child Care and Development Programs
- Alternative Payment Programs
- Migrant Alternative Payment Programs
- Migrant Child Care and Development Programs
- Child Care and Development Services for children with severe disabilities
- Child Care and Development facilities capital outlay
- The Early Learning and Care Workforce Development Grants Program
- Child Care Resource and Referral
- Local Child Care and Development Planning Councils
- The California Child Care Initiative Project
- Other Child Care Quality Improvement Projects
- The Child and Adult Care Food Program
- The Child Development Management Information System and other related data systems

Administration of the Child Care and Development Fund (CCDF) will also transfer to DSS on July 1, 2021. The CCDF is an aggregate of several funding sources that is distributed in block grants by the federal government to the states and territories. The purpose of the CCDF is to increase the availability, affordability, and quality of child care services. The majority of the funds are used to provide child care services to low income families. States and territories receiving CCDF funds must prepare and submit to the federal government a plan detailing how these funds will be allocated and expended. DSS and CDE are working collaboratively to develop the next CCDF State Plan which is due to the federal government June 30, 2021, and will cover 2022-2024. The draft plan will be released for stakeholder input and will be submitted to the Legislature for review. The DSS has recently noted that the review process may take longer than anticipated and review timelines may need to be adjusted, however the plan will still be completed by the federal deadline.

DSS maintains a Child Care Transition webpage where it publishes quarterly reports on the Child Care transition (https://www.DSS.ca.gov/inforesources/DSS-programs/calworks-child-care/child-care-transition). The most recent progress report was published in January 2021. The report details the significant stakeholder engagement opportunities that have occurred and plans for additional engagement, as well as information on the transfer of staff and recruitment of a new Deputy Director position. The department has been holding regular stakeholder webinars to provide information on the transfer process and topically based listening sessions. The department is also coordinating with the Early Childhood Policy Council to help inform the transition. CDE staff have met with DSS staff on multiple occasions to walkthrough the programs, their operations, and administrative components.

Governor's Budget Proposal:

The budget includes a transfer of $31.7 million ($900,000 General Fund) and 185.7 positions from CDE starting July 1, 2021, to support the transition of child care programs responsibilities, services, and systems from CDE to DSS. The corresponding local assistance shift reflects $2.8 billion in current service levels. The Governor's Budget also proposes to add $12.598 million and 82 positions for CDE's Early Learning and Nutrition services divisions.

CDE Division	Positions shifting to DSS	Positions added to CDE	Funds added to CDE
Audits and Investigations	17.0	7	0.684
Early Learning and Care	72.5	17	2.747
Fiscal and Administrative Services	19.0	6	0.567
Legal	1.5	0	0
Nutrition Services	69.0	53	8.6
Technology Services	6.7	0	0
Total	**185.7**	**83**	**$ 12.598**

As a result of the programs being shifted to DSS, CDE has submitted the following BCP's to replace a portion of the positions and funding that will be transferred:

- $1.8 million General Fund and 9 positions for continued audit services and support related to the State Preschool Program and various nutrition programs.
- $3.785 million General Fund and 16 positions in the Early Learning and Care Division to administer the State Preschool Program.
- $778,000 General Fund and 5.5 positions in the Fiscal and Administrative Services Division to administer the State Preschool Program.
- $186,000 General Fund for legal services related to the various programs that will be transferred.
- $8.6 million General Fund for continued support of the remaining federal school meal programs, including the National School Lunch Program and the Summer Food Service Programs.

- $1.5 million General Fund and 9.7 positions for the development, modification, maintenance, and management of new and existing information technology systems that support the State Preschool and child nutrition programs.

Legislative Analyst's Office Analysis:

Funds and Positions Shifting Not Based on Workload Analysis. The Governor's proposed shift is almost entirely based on the fund source associated with these positions. For example, the Governor proposes moving all state operations positions funded with federal CCDBG funds that are set aside for state administration. This is consistent with the proposed shift of all local assistance CCDBG funding from CDE to DSS. Aligning local assistance and state operations funding within the same department makes sense. However, the administration has not conducted a workload analysis to determine whether the funding and positions at DSS are in line with its new administrative responsibilities. As a result, it is uncertain whether the level of proposed resources is fully justified. Given the magnitude of the proposed backfill for CDE, it does appear that DSS would likely have more funding and positions under the Governor's proposal than required to address its new workload. Since there is no new workload across both departments, a cost neutral shift would be reasonable.

Cost of Shift Higher Than Anticipated, Full Cost Unclear. In his proposed 2020-21 budget last January, the Governor proposed providing $10.4 million to create a new Department of Early Childhood Development and having child care programs administered under this department. As part of the May Revision for 2020-21, the proposal was modified to instead shift child care programs to DSS. The Administration indicated it was modifying the proposal due to cost concerns. The amount of funding requested in 2021-22 ($13 million), however, now exceeds the cost of the initial proposal to create a separate department. Furthermore, the cost of the shift could grow in the future as the Administration is still determining the resources it needs. The Administration's draft transition plan released in early February 2021 states DSS is "continuing to assess the resources and staffing needed" to administer the new programs.

Other Elements of Transition Also Lack Detail. In addition to lacking key information about costs, the Administration also has not been able to answer several key questions regarding the administration of programs under DSS. For example, the plan is required to specify how the Administration plans to maintain existing provider flexibility to transfer funds across General Child Care and State Preschool contracts. This flexibility allows providers that have both of these contracts to effectively meet the enrollment needs of their communities. While the Administration indicates in its draft plan that it is "actively collaborating to develop processes to maintain these flexibilities," it has not disclosed any details to help the Legislature evaluate whether these new processes would be more or less burdensome for providers compared to current processes.

Lack of Detail Potentially Due to Large Workload in the Current Year. Based on our conversations with both CDE and DSS, planning for the shift of programs within the time line specified in statute has been a large administrative workload on existing staff at both departments. For example, both departments have been involved in key workload to administer child care programs, such as developing the state's Child Care and Development Fund Plan (a plan required by the federal government once every three years). In addition to the program shift, staff at both departments also have had higher-than-average workload as a result of the coronavirus disease 2019 (COVID-19) pandemic. The state has implemented a number of pandemic related policies, such as providing temporary child care slots, stipends, and reimbursement flexibility. (We describe these policies in more detail in the next section of this post.) Staff time has been split between these priorities (the transition and pandemic response). Moreover, the significant workload has likely made it difficult for staff to dedicate sufficient time to preparing for the transition.

Given These Concerns, the Legislature May Want to Reconsider Continuing With Transition. Although the Legislature approved shifting programs from CDE to DSS as part of the 2020-21 budget package, it may want to reconsider the shift given the various issues discussed above. The administrative costs associated with the shift are higher than anticipated and appear to result in administrative inefficiencies. Moreover, the Administration has yet to provide key details of several important elements of the transition. While the main rationale for the shift was to better integrate and coordinate programs, the Governor has not provided concrete examples to explain how this outcome will in fact be achieved. The LAO discusses the lack of specificity below.

- ***Child Care Programs.*** The Administration has not yet provided any specific examples of how the programs will be better integrated and coordinated at DSS. Rather, the Administration indicates it is in the process of engaging with stakeholders to identify options. The Administration also stated that under DSS, its implementation of child care programs will "build upon prior efforts," such as leveraging data-driven decisions to determine allocation of child care funds. It is unclear how these efforts under DSS will result in greater benefits to children and families compared to CDE's current efforts.

- ***CACFP.*** In addition to providing nutrition support to child care providers, CACFP supports adult day care, emergency shelters, and after school care. The Administration plans to "connect the existing CACFP with other nutrition and child care programs currently housed at DSS." However, it is unclear why these connections cannot be made within the current structure with CDE administering the program. CDE and DSS have collaborated on nutrition issues, the most recent example being the pandemic response to provide increased Cal Fresh benefits to families impacted by school closings. If the Administration has specific concerns with how CDE is administering the program, more cost effective solutions likely exist to address these concerns.

Legislature Has Several Options on How to Proceed. In view of the concerns raised above, the Legislature has a range of options it could consider. Specifically, the Legislature could:

- ***Stop Transition***. The Legislature could decide transitioning child care and CACFP to DSS is no longer a priority. This would "free up" $13 million in ongoing General Fund relative to the Governor's budget proposal that would be available to support legislative priorities.

- ***Delay Transition.*** The Legislature could delay the transition. This would allow the Administration to focus its entire attention on the pandemic response and plan for the transition on a slower time line. We think delaying the transition until a year after the COVID-19 emergency declaration has ended would be a reasonable approach.

- ***Modify Scope of the Transition.*** The Legislature could reduce the number of programs shifting to DSS. If the Legislature takes this approach, the LAO recommends keeping CACFP at CDE. The Legislature could further minimize the scope of the transition by also shifting certain child care programs to DSS, such as California Work Opportunity and Responsibility to Kids Child Care Stages 2 and 3.

Key Issues for the Legislature to Consider if it Decides to Move Forward With the Transition. If the Legislature does decide to move forward with the transition, the LAO has identified two issues that it will want to consider:

- ***Revisiting State Preschool Oversight and Support.*** The requested backfill of positions for CDE are intended to maintain the existing level of administration for State Preschool. Historically, the level of administration was based on federal and state requirements, as State Preschool was funded in part with CCDBG funding. Since 2019-20, however, State Preschool has been funded entirely from the state General Fund and no longer has to comply with federal CCDBG requirements. The state has an opportunity to revisit the state-level oversight and support providers receive. For example, instead of having staff conduct activities formerly required by federal law, the Legislature may instead want to redirect these positions to provide more programmatic support to providers. If the state does decide to revisit the level of support and oversight, staff levels should align with these oversight and support expectations.

- ***Maintaining Legislative Oversight.*** In order for the Legislature to maintain its oversight role, the LAO recommends modifying the proposed provisional language allowing the Administration to shift expenditure authority between CDE and DSS. If the Administration needs to make any budget revisions, the LAO recommends it notify the Joint Legislative Budget Committee prior to making any adjustments. The LAO further recommends amending the proposed budget bill so that funds are appropriated to child care in a similar structure as the 2020-21 budget act. Specifically, the LAO recommends that funding for each child care program be scheduled out in separate budget items instead of being consolidated together as proposed. This approach maximizes transparency and more effectively facilitates the ability of the Legislature to provide oversight of child care programs.

<u>Suggested Questions:</u>

- Can the Administration provide details on how the $2 million one-time funding provided to plan the transition has been expended up until this point?

- What work still needs to be done to finalize the assessment of resources and staffing needs? At what point will the Legislature have a full cost estimate of this transition?

- According to stakeholders, the child care contracting process begins in March, where are the Departments in transferring this responsibility? Are there backup plans if this workload cannot be operationally transferred in time to provide stability for the field?

- Given the significant additional workload related to the pandemic for all state agencies, but particularly for the DSS, is there a need to extend the timelines for the full transition of child care programs to DSS?

- How will the need to transfer responsibility and activities to DSS interact with the need to ensure immediate COVID relief can be provided through CDE during the current fiscal year?

- Can the Administration or Departments explain the rationale for transferring the proposed number of positions to DSS if workload remains at CDE?

- Can the Administration or CDE justify the increase for new positions at CDE if many of the administrative responsibilities will be shifted to DSS?

Staff Recommendation:

Hold Open.

Issue 4: Master Plan for Early Learning and Care

Panel:

- Kris Perry, Deputy Secretary and Senior Advisor to the Governor at California Health and Human Services Agency
- Jannelle Kubinec, Chief Administrative Officer, WestEd
- Sara Cortez, Legislative Analyst's Office

Background

The Budget Act of 2019 provided $5 million in one-time non-Proposition 98 General Fund to the Department of Health and Human Services to contract with one or more entities to complete designated research to inform the ultimate development of a Master Plan for Early Learning and Care. In developing the master plan, the Health and Human Services Agency was required to produce at least one report by October 1, 2020. The report must study several specified areas, including revenue options for expanding current programs, statewide facility needs, and the need for early learning and care among eligible families.

The Master Plan statute (Education Code Section 8207) specifically required the Secretary of California Health and Human Services (CHHS), in concurrence with the executive director of the state board, and in consultation with the Superintendent, to contract *"with one or more nongovernmental research entities to review existing research and data and to conduct research on priority areas of study identified pursuant to subdivision (d). This work shall be compiled in a report, or series of reports, released on a continuing basis and shall be completed on or before October 1, 2020, and provided to the Governor, the chairpersons of the relevant legislative policy and budget committees, the Secretary of California Health and Human Services, the executive director of the state board, the Superintendent, and the Director of Finance."* The legislation also called out specific areas of study that the funding in the Budget Act of 2019 was provided for in Education Code Section 8207 (d) (1-5). These include 1) Fiscal Framework; 2) Early Learning and Care Facility Needs; 3) Need for Early Learning and Care; 4) Quality Improvement; and 5) Universal Pre-Kindergarten as shown below:

"(1) A fiscal framework that provides options for ongoing funding to significantly expand early learning and care in the state, including options to generate needed revenues and examine alternate funding streams. This framework shall incorporate the principles of shared responsibility, fiscal sustainability, and regional variability, including by examining the appropriate role for government, businesses, and parents in meeting high-quality, affordable childcare and prekindergarten education needs.

(2) Early learning and care facility needs statewide, including surveys of subsidized early learning and care providers to collect information regarding ownership or rental of the facilities, monthly facility payments, ancillary costs, interest in expanding existing facilities, and

any associated challenges, including ongoing facility maintenance. This study shall identify areas of the state most in need of early learning and care facility expansion and shall recommend the most appropriate setting types given the unique geographic and capacity characteristics of the region. Additionally, this study shall also seek input from relevant regional entities to identify existing publicly owned facilities that could house early learning and care programs with modifications to meet health and safety requirements, including those facilities owned by school districts, county offices of education, cities, and counties.

(3) Need for early learning and care services by families eligible for subsidies, including those not currently receiving services. The study shall include, but not be limited to, surveys of parents to collect information on current early learning and care arrangements, hours of care needs, key considerations regarding choice of provider and setting, and data about the racial, ethnic, and linguistic diversity of eligible families. This study shall include the need for early learning and care with a priority focus on those children from birth through 5 years of age, but shall also include children from birth through 12 years of age, and shall highlight regions of the state with the lowest relative access to care. The study shall also make recommendations on how to support and promote types of early learning and care that meet families' cultural and linguistic needs.

(4) An actionable quality improvement plan that includes, but is not limited to, both of the following:

(A) A cohesive set of minimum quality and program guidelines for all subsidized childcare providers by and across settings that balances the improved social, emotional, cognitive, and academic development of children with the resources available to providers, and that takes into account gender, class, race, language access, implicit bias, and lived experience in the construction of quality.

(B) An accessible and cohesive career pathway for all types of childcare professionals, including those whose primary language is not English, that considers a ladder of mobility, aligned with the state's system of provider reimbursement, based on competencies that are evidence based and driven by characteristics of quality, and that may consider educational attainment to produce a trained and stable workforce.

(5) Necessary steps to provide universal prekindergarten education for all three- and four-year-old children in California, including by considering both of the following:

(A) Recommendations to address the overlap between the transitional kindergarten, state preschool, and Head Start programs, and ensure that all children, regardless of family income, have access to the same level of prekindergarten program quality.

(B) Recommendations to align prekindergarten education with the subsidized childcare system and the elementary and secondary education system, to ensure that children have access to a full day of care, as needed, and ensure seamless matriculation to elementary and secondary education."

Master Plan for Early Learning and Care. In November 2019, the CHHS engaged a team of researchers led by WestEd to develop the Master Plan and address five interrelated substantive issue areas within California's early learning and care system: access, quality, universal preschool, facilities, and financing. The Master Plan was eventually submitted on December 1, 2020. In addition to WestEd, a number of experts and practitioners collaborated on the plan, including the RAND Corporation, Child Trends, American Institutes of Research, Glen Price Group, the Neimand Collaborative, Low Income Investment Fund, Stanford University, and SparkPlace. The Master Plan builds upon the past work of the Assembly Blue Ribbon Commission and offers a roadmap for building a comprehensive, equitable early learning and care system over the next decade. Specifically, it indicates that 'the Master Plan is a framework with which to realize the vision of ensuring that all California children thrive physically, emotionally, and educationally in their early years, through access to high-quality early learning and care resources; equitable outcomes for children; and greater efficiencies to the state today and every day through structures for continuous improvement."

To achieve this vision by 2030, the Master Plan focuses on four key objectives:

- Improve the life outcomes of infants and toddlers by providing comprehensive early learning and care.
- Ensure that all families can easily identify and access a variety of quality early learning and care choices that fit the diverse needs of their children, their financial resources, and workday and nonstandard schedules.
- Promote school readiness through preschool for all three-year old children experiencing poverty and universally for all four-year old children.
- Advance better outcomes for all children by growing the quality, size, and stability of the early learning and care workforce through improved and accessible career pathways, competency-based professional development supports, and greater funding.

Master Plan Goals and Recommendations. To achieve these objectives, the Master Plan identified four policy goals that set high standards, create cohesion, fill gaps, and foster sustainability:

- Unify programs to improve access and equity. Streamline requirements for birth through age three programs, providing access to care and learning for all three-year olds experiencing poverty, and providing universal preschool access to all four-year olds.
- Support children's learning and development by enhancing educator competencies, incentivizing, and funding career pathways, and implementing supportive program

standards. Enhance standards and provide affordable and accessible pathways for the entire workforce to advance in their competency and compensation.

- Unify funding to advance equity and opportunity. Adopt a reimbursement and rate model that brings all types of care and learning support into one structure that acknowledges costs associated with quality, including characteristics of children and competencies of the workforce.

- Streamline early childhood governance and administration to improve equity. Design and implement data systems that support positive impacts on the results and quality of care for children through sharing and integration of data that impact the ways in which families and the workforce experiencing the system.

Specific recommendations include:

- Unify programs for infants and toddlers under the Child Care and Development Division of the Department of Social Services to help the state assess its child development services through an equity lens focused on better and more consistent outcomes for all young children.

- Improve access to Paid Family Leave so more low-income families can choose to spend more time with their newborns.

- Provide universal preschool for all four-year olds and income-eligible three-year olds or those with disabilities.

- Prohibit the suspension and expulsion of any child in state-subsidized early learning and care programs so that children are not deprived of opportunities to learn.

- Implement funding reform to address regional cost of care differences.

- Support stronger training for caregivers and teachers in the early learning workforce and provide opportunities for greater compensation and career advancement.

- Strengthen quality standards and technical assistance to programs so that they serve all children well in culturally and linguistically responsive settings.

Of the $5 million appropriated for Master Plan for Early and Care contracts, roughly $1.8 million may be available savings, based on conversations with CHHS.

Suggested Questions:

- What are the Administration's proposed next steps to achieve the Master Plan's goals and recommendations?

- How do the Governor's Budget proposals align with the Master Plan recommendations?

- The Master Plan contract ultimately came in under-budget. Did the Administration sweep the remaining funds as part of the Governor's budget?

- In the authorizing statute, the Legislature had some specific priorities for new research to fill knowledge gaps at the state level, related to:

    - Need for early learning and care services by families eligible for subsidies, including those not currently receiving services; and

    - Early learning and care facility needs statewide, including surveys of subsidized early learning and care providers to collect information regarding ownership or rental of the facilities, monthly facility payments, ancillary costs, interest in expanding existing facilities, and any associated challenges, including ongoing facility maintenance. This study shall identify areas of the state most in need of early learning and care facility expansion and shall recommend the most appropriate setting types given the unique geographic and capacity characteristics of the region.

  What type of research was done on these areas, and what were the outcomes of the specific research?

- The Master Plan recommendations include those around aligning State Preschool and Transitional Kindergarten Standards, and moving to Universal Preschool with a combined increase in Transitional Kindergarten and State Preschool. The budget proposal only addresses incentivizing (not fully funding) transitional kindergarten. What it the first step needed in this process? Why does the budget not address standards alignment or state preschool?

Staff Recommendation: Information Only.

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 17, 2021
9:00 a.m.
State Capitol - Room 4203

Consultant: Anita Lee

Items for Discussion

Public Comment

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

6870 CALIFORNIA COMMUNITY COLLEGES

The Board of Governors of the California Community Colleges was established in 1967 to provide statewide leadership to California's 73 community college districts, which operate 116 community colleges. The Board has 17 voting members and 1 nonvoting member as specified in statute. Twelve members are appointed by the Governor, require Senate approval for six- year terms, and must include two current or former local board members. Five members are appointed by the Governor to two- year terms and include two students, two faculty members, and one classified member. The Lieutenant Governor also serves as a member of the Board. The objectives of the Board are to:

- Provide direction and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5670	Apportionments	11.6	-	-	$8,293,801	$8,697,558	$8,850,669
5675	Special Services and Operations	134.2	138.9	138.9	1,756,832	1,783,336	1,911,717
5685	Mandates	-	-	-	33,894	33,442	33,678
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**145.8**	**138.9**	**138.9**	**$10,084,527**	**$10,514,336**	**$10,796,064**

FUNDING		**2019-20***	**2020-21***	**2021-22***
0001	General Fund	$35,950	$107,470	$18,651
0001	General Fund, Proposition 98	6,061,856	6,174,312	6,413,163
0342	State School Fund	5,112	5,112	5,112
0814	California State Lottery Education Fund	246,000	233,485	233,112
0925	California Community Colleges Business Resource Assistance and Innovation Network Trust Fund	25	25	25
0942	Special Deposit Fund	155	155	155
0986	Local Property Tax Revenues	3,192,225	3,413,859	3,597,791
0992	Higher Education Fees and Income	448,422	436,262	439,165
0995	Reimbursements	86,085	85,765	86,263
3085	Mental Health Services Fund	7,104	97	106
3273	Employment Opportunity Fund	-881	1,436	-
6028	2002 Higher Education Capital Outlay Bond Fund	179	-	10
6041	2004 Higher Education Capital Outlay Bond Fund	1,417	-	-
6049	2006 California Community College Capital Outlay Bond Fund	878	2,383	274
6087	2016 California Community College Capital Outlay Bond Fund	-	-	2,237
8505	Coronavirus Relief Fund	-	53,975	-
TOTALS, EXPENDITURES, ALL FUNDS		**$10,084,527**	**$10,514,336**	**$10,796,064**

The Legislative Analyst's Office chart below highlights the Governor's budget proposals, many of which will be discussed at today's hearing.

Changes in California Community Colleges Proposition 98 Spending
Reflects Governor's Budget Proposals (In Millions)

2020-21 Budget Act	**$8,365**
One Time	
Deferral paydown	$901[a]
Student emergency financial aid grants	250[b]
Student retention and enrollment strategies	20
Subtotal	**($1,171)**
SCFF baseline adjustments	$53
Total Changes	**$1,223**
2020-21 Revised Spending (Ongoing)	**$9,588**
COLA for apportionments (1.5 percent)	$111
Student mental health and technology	30
Enrollment growth (0.5 percent)	23
California Apprenticeship Initiative	15
COLA for select categorical programs (1.5 percent)[c]	14
Online education and support block grant	11
CENIC broadband	8
Adult Education Program technical assistance	1
Subtotal	**($213)**
2020-21 Revised Spending (One Time)	
Student basic needs	$100
Deferral paydown	81
Faculty professional development	20
Work-based learning	20
Zero-textbook-cost degrees	15
Instructional materials for dual enrollment students	3
AB 1460 implementation/anti-racism initiatives	1
2020-21 Subtotal	**($240)**
Remove 2020-21 one-time funding	($121)
SCFF baseline adjustments	127
Other technical adjustments	-36
Total Changes	**$423**
2021-22 Proposed Spending	**$10,011**

[a] Governor's budget also includes a deferral paydown of $145 million attributed to 2019-20.
b Of this amount, $100 million is proposed as part of the "early action" package.
c Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.
AB = Assembly Bill. COLA = cost-of-living adjustment.
CENIC = Corporation for Education Network Initiatives in California.
SCFF = Student Centered Funding Formula.

Issue 1: Apportionments and Deferrals

Panel

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

Background

Student Centered Funding Formula. For many years, the state has allocated general purpose funding to community colleges using an apportionment formula. Prior to 2018-19, the state-based apportionment funding for credit instruction almost entirely on enrollment. In 2018-19, the state changed the credit-based apportionment formula to the Student-Centered Funding Formula (SCFF), which includes three main components—a base allocation linked to enrollment (70 percent), a supplemental allocation linked to low-income student counts (20 percent), and a student success allocation linked to specified student outcomes (10 percent). For each of the three components, the state set new per-student funding rates. The rates are to receive a cost-of-living adjustment (COLA) each year.

- Base Allocation: The base allocation of the SCFF gives a district certain amounts for each of its colleges and state-approved centers. On top of that allotment, it gives a district funding for each credit FTE student (about $4,009 in 2020-21). A district's FTE student count is based on a three-year rolling average, which takes into account a district's current-year FTE count and counts for the prior two years. Enrollment growth for the budget year is funded separately.

- Supplemental Allocation: The supplemental allocation of the SCFF provides an additional amount (about $948 in 2020-21) for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year.

- Student Success Allocation: The SCFF also provides additional funding for each student achieving specified outcomes, including obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. The success allocation is about $559.

  Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater rates for the outcomes of Pell Grant recipients. In 2019-20, the student success component of the formula is based on a three-year rolling average of student outcomes data and only the highest award earned by a student is considered. In 2018-19, the formula was based on only one year of student outcome data and all degrees and certificates earned by a student were considered.

The 2019-20 budget package rescinded a previously scheduled increase in the student success share of the formula. The original 2018-19 legislation had scheduled to increase the student success share of the formula from 10 to 20 percent by 2020-21, with a corresponding reduction to the share based on enrollment.

Due to Disruptions Resulting From Pandemic, Certain Aspects of Formula Have Been Temporarily Modified. Statute specifies the years of data that are to be used to calculate the amount a district generates under the SCFF. State regulations, however, provide the Chancellor's Office with authority to use alternative years of data in extraordinary cases. Known as the "emergency conditions allowance," the Chancellor's Office has allowed colleges to use alternative years of data for 2019-20 and 2020-21. The 2020-21 budget also explicitly provided colleges with this flexibility for the base, supplemental and student success allocation in 2020-21. The purpose of the emergency conditions allowance is to prevent districts from having their apportionment funding reduced due to enrollment drops and other disruptions resulting from the pandemic.

In addition to the regulatory emergency conditions allowance, statute includes "hold harmless" provisions for community college districts that would have received more funding under the apportionment formula that existed prior to 2018-19 than the new formula. The 2020-21 budget extended the hold harmless provision through 2023-24. Under hold harmless, these community college districts are to receive the total apportionment amount they received in 2017-18 adjusted for COLA each year of the period. In 2020-21, 32 districts were held harmless under these provisions, and the state provided $170 million in total hold harmless funding (this funding is above what these districts would have generated based upon the SCFF).

The Administration notes that in the short-term, an immediate decline in enrollment is smoothed over because of the three-year rolling average in the computation of the base allocation and success allocation. Additionally, statute specifies that districts are entitled to the restoration of any reductions in their base allocation due to decreases in FTES during the three years following the initial year of decrease if there is a subsequent increase in FTES. Moreover, the Administration notes that statute provides for one year of revenue protection on any declines in total revenue.

Enrollment. Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula. Summer 2020 appeared to follow this trend, as enrollment ended up higher than the summer 2019 level by about 4,000 FTE students (3.3 percent). Enrollment was uneven throughout the state, though, with 40 districts reporting an increase and 31 districts reporting a decline. (As of this writing, one district has not yet reported summer 2020 enrollment.) The systemwide increase could be due in part to students re-enrolling in the summer to complete courses they had withdrawn from in the spring. It also could be due in part to students seeking transfer—or already enrolled at a university—deciding to take online courses to earn college credits over the summer

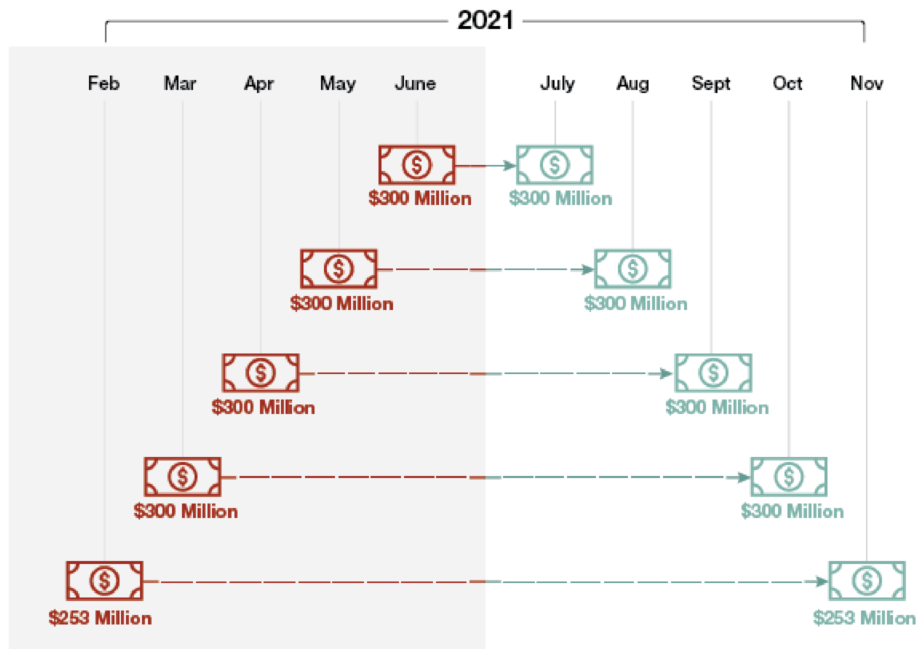
The Chancellor's Office is currently compiling and analyzing final fall 2020 enrollment data. Based on incomplete preliminary enrollment data, noting that 13 colleges have not submitted their complete fall term, overall enrollment is down by 11.5 percent, and ranges across colleges from 0.5 percent to 30 percent. The preliminary data indicates disproportional impact on African Americans, Native Americans and male students. Based on the Legislative Analyst's Office (LAO) discussions with various districts, spring 2021 enrollment is down similarly to fall 2020.

Community College Deferrals. The 2020-21 budget deferred $1.45 billion Proposition 98 General Fund payments from June to July, May to August, April to September, March to October and February to November. The LAO figure on the following page displays the deferral schedule.

Figure 1

Budget Relies Heavily on Deferring Payments to the California Community Colleges

Deferrals Included in 2020-21 Budget Package



Note: To achieve 2020-21 budget savings, the budget package delays certain community college apportionment payments from the latter part of 2020-21 to the first part of 2021-22. The state would rescind some of these deferrals under certain conditions. Specifically, if the state receives $14 billion or more in additional federal relief funding by October 15, 2020, $791 million in community college deferrals would be rescinded, starting with the earliest deferral (February). If the state receives between $2 billion and $14 billion in additional federal relief funding, the amount rescinded would be proportionally reduced. (Given the state received no additional federal relief funds by October 15, 2020, no payment deferrals were rescinded.)

LAO

Deferrals are to start in February 2021. For the February deferrals, districts are scheduled to wait nine months (until November) to receive their payments. Regarding which programs to pay late, provisional language directs the Chancellor's Office to defer districts' apportionment payments, and, if necessary, categorical program payments. In effect, the state is set to send a large amount of cash to districts in 2021-22 for programs they will have already operated in 2020-21.

The 2020 budget permits the state to exempt a community college district from deferrals if it meets certain financial hardship criteria. The qualifying criteria for such an exemption are the same as those used to qualify a district for an emergency loan from the state—generally that a district would otherwise be unable to meet its payroll expenses. Districts seeking an exemption must submit an application to the Chancellor's Office at least two months in advance of the scheduled deferral. The 2020 budget allows the state to provide a total of up to $30 million per month in exemptions (up to $60 million under certain circumstances). By August 1, 2021, the Chancellor's Office must notify the Joint Legislative Budget Committee of the districts requesting and receiving exemptions for 2020-21. As of February 6, 2021, no colleges have applied for the hardship waiver.

Apportionment and Some Categorical Payments Are Being Deferred. The Chancellor's Office notes that they helped districts address deferrals by ensuring that each district would receive at least 83 percent of their total apportionment amount from local and state sources combined, earlier in the year to assist with local cash flow.

To comply with the deferral amounts and months specified in the 2020-21 budget package, the Chancellor's Office plans to make no apportionment payments from February through June 2021 (unless a district receives a deferral exemption). This action results in a total of $1.1 billion in payment deferrals. To achieve the statutorily required $1.5 billion in deferrals, the Chancellor's Office is also deferring to 2021-22 just over $400 million in payments from the Student Equity and Achievement Program) The Chancellor's Office selected this program as it is the largest categorical program whose funds are allocated primarily based on enrollment. As a result, deferring associated program payments impact districts more or less proportionally.

The CCCCO notes that two thirds of districts are handling deferrals through spending unrestricted reserves or internal borrowing from restricted funds, and about a one-third of districts have applied for tax and revenue anticipation notes (TRANS) through the State Treasurer's Office – School Finance Authority, Community College League of California, California School Boards Association, or Foundation for CCC. TRANs are a short-term cash management tool used to even out temporary cash deficits in advance of the receipt of revenues, like the State's deferred apportionment payments or local property tax payments. Investors purchase TRANs, and districts pay them back with interest, typically within 13 months of issuance. A few districts have also worked with their county treasurer for short-term loans.

Vision for Success. In 2017, the Community College Chancellor's Office adopted the Vision for Success, which specifies systemwide goals to be achieved by 2022. The systemwide goals are to:

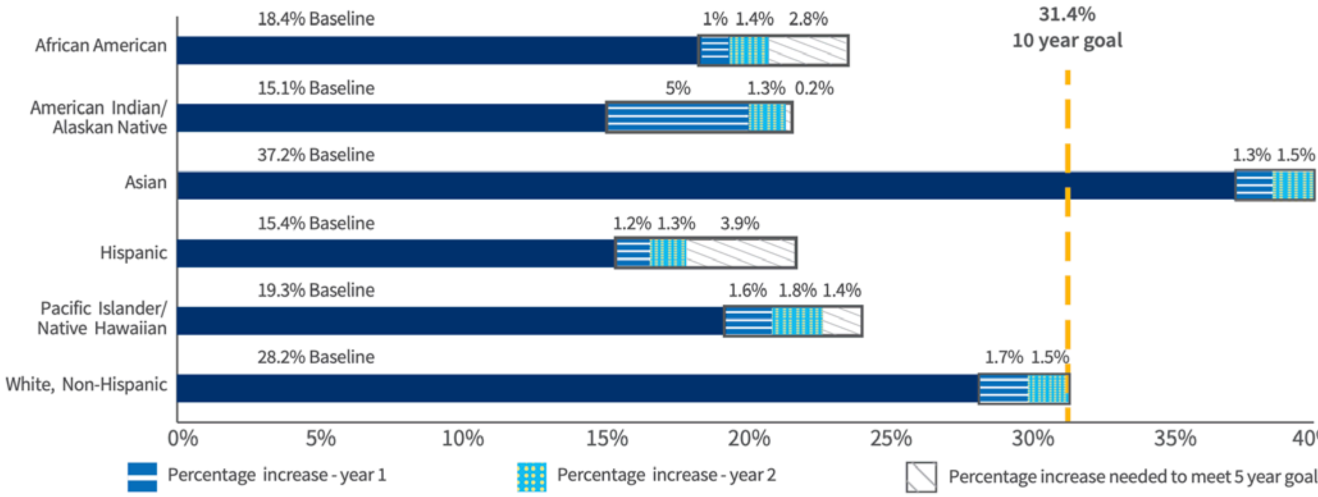
1. Increase by at least 20 percent the number of CCC students annually who acquire credentials. This measure includes associates degrees, credentials, certificates, or specific skill sets that prepare them for an in-demand job. In 2016-17, the system issued 116,991 with a 2021-22 goal of 140,389. According to the 2020 State of the System Report, as of 2018-19, the system issued 140,335 credentials.

2. Increase by 35 percent the number of CCC students transferring annually to a UC or CSU. The baseline 2016-17 was at 82,381, with a goal of 114,939 in 2021-22. As of 2018-19, there were 87,170 UC and CSU transfers.

3. Decrease the average number of units accumulated by CCC students earning associate's degrees, from approximately 96 units in 2016-17 to 79 total units—the average among the quintile of colleges showing the strongest performance on this measure.

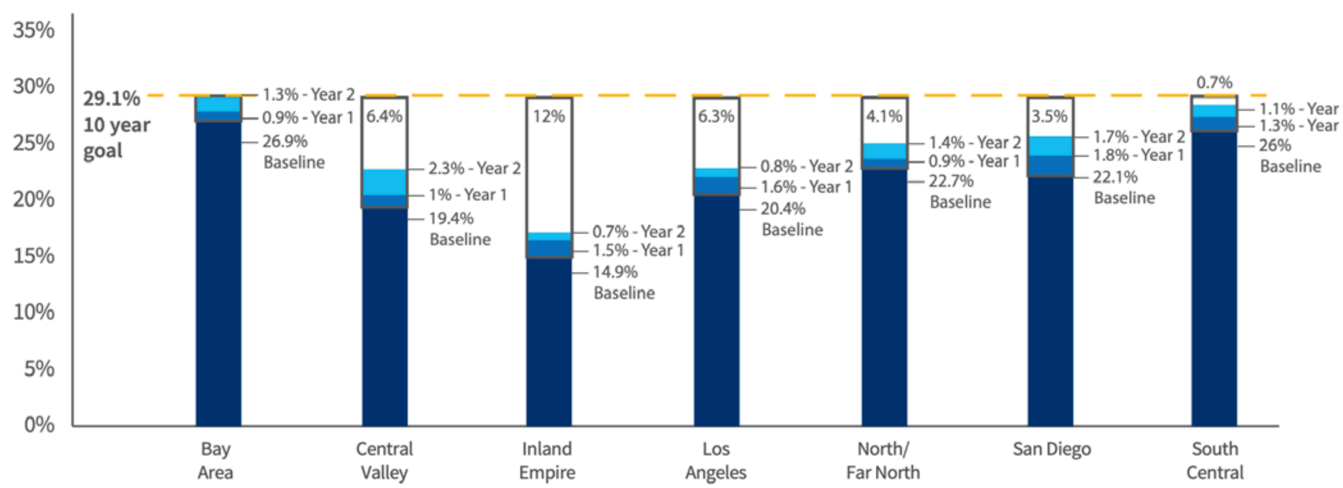
4. Increase the percent of exiting CTE students who report being employed in their field of study, from 69 percent to 76 percent—the average among the quintile of colleges showing the strongest performance on this measure. The 2016-17, 70 percent of CTE students report being employed in their field of study.

5. Reduce equity gaps across all of the above measures through faster improvements among traditionally underrepresented student groups, with the goal of cutting achievement gaps by 40 percent within 5 years and fully closing those achievement gaps within 10 years.



RATE OF COMPLETION BY ETHNICITY

6. Reduce regional achievement gaps across all of the above measures through faster improvements among colleges located in regions with the lowest educational attainment of adults, with the ultimate goal of fully closing regional achievement gaps within 10 years.



RATE OF COMPLETION BY REGION

Governor's Budget Proposal

Apportionment. The budget proposes an increase of $111 million Proposition 98 General Fund ongoing, which represents a 1.5 percent cost-of-living-adjustment (COLA) to apportionments. The proposed budget bill language specifies that this funding is provided on the condition that the Chancellor's Office:

1. Submit a report by June 30, 2022, detailing actionable, specific plans that each district currently implements, or will implement, to reduce equity gaps by 40 percent overall by 2023 and establishing an overall strategy for fully closing equity gaps by 2027 as established under the Vision for Success, and

2. Adopt policies by June 30, 2022 that require districts to maintain their online course and program offerings that is at least 10 percent higher than the amount offered in the 2018-19 academic year. (This will be discussed under Issue 3: online education).

Deferrals. The Administration proposes just over $1.1 billion one-time Proposition 98 General Fund to pay down deferrals in the budget year, and for 2021-22, $326 million in deferrals would remain in place. Specifically, a portion of CCC's May 2022 and June 2022 apportionment payment would be deferred to early 2022-23.

Enrollment Growth. The budget includes $23 million for 0.5 percent systemwide enrollment growth (equating to about 5,500 additional FTE students). Each district, in turn, would be eligible to grow up to 0.5 percent. Provisional language for the budget year allows the Chancellor's Office to allocate any ultimately unused growth funding to backfill any shortfalls in the apportionment funding, such as ones resulting from lower-than-estimated enrollment fee or local property tax revenue. The Chancellor's Office could make any such redirection after underlying data had been finalized, which would occur after the close of the fiscal year. This is the same provisional language that has been used in recent years.

<u>Legislative Analyst's Office Comments</u>

In December 2020, the Legislative Analyst's Office (LAO) released a report *CCCs- Managing Cash in a Time of State Payment Deferrals.* This report notes that while deferrals achieve one-time savings, as deferrals mount, being able to fill the gap between program spending and funding becomes less likely. If revenues and the Proposition 98 minimum guarantee do not grow enough the following year to fill the funding gap, program cuts or other budget solutions such as tax increases are required.

In this situation, the deferrals give only a one-year reprieve from program cuts, with cuts delayed but likely not avoided. Effectively, the state at that time is having to use available funds to support programs that districts already have provided rather than supporting new or expanded programs.

The LAO recommends the Legislature place a high priority on using these one-time funds to eliminate the K-14 deferrals. Eliminating all or part of these deferrals has several advantages: reducing districts' need for internal and external borrowing, reestablishing the link between ongoing program costs and ongoing funding, and giving the Legislature more budget tools to respond to future economic downturns.

Requiring Districts to Develop Equity Plans Would Be Redundant. This is because districts already develop and update every three years student equity plans. The state requires these plans as a condition of districts receiving Student Equity and Achievement Program funds. In these plans, districts are required to identify equity gaps by student race/ethnicity, age, and various other demographics. They also must identify strategies to close those gaps. These district plans already are aligned with the goals cited in the Governor's provisional language (that is, a 40 percent reduction in equity gaps by 2023, with equity-gap elimination by 2027), which originated in the CCC system's 2017 *Vision for Success* strategic plan.

<u>Staff Comments</u>

Cost-of-Living Adjustment. The 2020-21 budget did not provide a COLA on apportionments due to the COVID-19 pandemic and concerns about revenue. Under the Governor's K-12 budget proposal, the Local Control Funding Formula will receive a compounded combined cost-of-living adjustment of 3.84 percent, which includes the 2020-21 COLA of 2.31 percent and the 2021-22 COLA of 1.5 percent. The Administration notes that if the SCFF were to receive a similar COLA, it be an additional $171.5 million Proposition 98 General Fund ongoing beyond what is provided in the Governor's Budget.

Under the Administration's current proposal, the COLA would be implemented by increasing the rates of each SCFF allocations, this is approximately $77.4 million for Base/Basic Allocation, $21.4 million for Supplemental Allocation, and $12.3 million for Success/Success Equity Allocation. These allocations reflect an almost even 70/20/10 split of the SCFF.

Deferrals. Staff agrees with the LAO's assessment that paying of the deferrals will give the state more tools to respond to a future economic downturn. The Administration notes that by not fully paying off the deferrals, additional resources are freed up to support some of the other proposals included in this budget. The Legislature may wish until the May Revision, at which time the state will have updated data on its tax collections and available cash.

Equity Gaps. As the LAO notes, the state budget provides $475 million ongoing Proposition 98 General Fund for the Student Equity and Achievement Program, which seeks to increase student achievement and eliminate achievement gaps for students from traditionally underrepresented groups. The Chancellor's Office is required to annually report to the Legislature by April 1 of each year on the use funds and an assessment of the progress in advancing the goals of increasing overall student achievement and eliminating achievement gaps. The Legislature has not received a report in last four years.

<u>The subcommittee may wish to ask:</u>

1. DOF: Given the significant one-time resources available, why does the Administration not propose to fully pay off deferrals?

2. DOF: What is the rational for not providing CCC with the same COLA as K-12?

3. CCCO/ LAO: What fiscal pressures do you anticipate districts facing over the coming years? What can the state do in the short term to smooth out any fiscal uncertainty?

4. CCCO: Does the Administration's proposal on equity gaps align to the goals specified in the Vision for Success? Are the Administration's goals achievable? How impactful has the SEAP funding been in reducing achievement gaps?

<u>Staff Recommendation. Hold Open.</u>

Issue 2: Student Supports and Basic Needs

Panel

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

Background

Over the last several years, the Legislature has made significant investments to help address student basic needs such as hunger, mental health, homelessness, housing insecurity, and financial aid.

Student Hunger and Food Pantries. The 2017-18 budget appropriated $2.5 million one-time Proposition 98 General Fund to support Hunger-Free Campus projects. The 2019-20 budget provided $3.9 million one-time Proposition 98 General Fund to support student basic needs, and $500,000 one-time Proposition 98 General Fund to support a study of student hunger and effective practices to reduce student hunger. The 2020-21 budget package then added a requirement that districts operate on-campus food pantries or food distributions as a condition of receiving ongoing Student Equity and Achievement Program (SEAP) funds. The SEAP funds academic counseling and various other strategies aimed at improving student completion rates and closing equity gaps.

Mental Health. The 2017-18 budget appropriated $4.5 million one-time Proposition 98 General Fund to support mental health services and training CCCs. The budget required the Chancellor's Office to report to the Legislature by May 1, 2018 on the use of funds, types of activities supported, and an evaluation and recommendations for the expansion of programs. Regarding the mental health services funding, CCCCO notes this funding was distributed to 15 community college districts, representing 27 individual colleges. In addition, the 2018-19 budget provided $10 million one-time Proposition 98 General Fund to support mental health services and training, and authorized colleges to collaborate with community-based mental health services and county behavioral health department. The Chancellor's Office was required report to the Legislature by March 1, 2019 on use of the funds including recommendations on expansions of programs and services. This report was submitted to the Legislature on October 2020. The 2019-20 budget also provided $7 million one-time Proposition 63 state administration fund to support student mental health services.

The October 2020 report includes information regarding the 2018-19 and 2019-20 allocations. The report notes that the investments helped support 16 community college districts representing 27 individual colleges to build or expand student mental health programs, practices and policies. These 16 community college districts began implementing their proposed projects in May 2020. The report notes that this funding was distributed to colleges based on their prior-year student population data, and provided services to 42,450 students. During the six-month project period, colleges hosted 1,886 unique training events regarding suicide prevention, early intervention, and stigma reduction, sexual assault awareness, and substance use prevention and intervention; trainings engaged nearly 2,000 faculty and staff participants and more than 37,000 students. Colleges also established or expanded National Alliance on Mental Illness (NAMI) and Active Minds chapters or implemented other peer-to-peer mental health programs under the guidance of faculty/ staff advisors. In the first six months, colleges established 151 formal memoranda of understanding partnerships and 738 informal partnerships.

Homelessness and Housing Insecure. The 2019-20 budget provided $9 million ongoing Proposition 98 General Fund to support a rapid rehousing pilot program for homeless or housing insecure students. Colleges must establish ongoing partnerships with community organizations to provide wrap around services. The Chancellor's Office must annually report, starting in July 15, 2020, regarding use of funds as well as other specified outcomes. As of writing this agenda, the report has not been released. The Chancellor's Office notes that 14 CCCs received this funding and served 540 unique students.

2020-21 Budget. The 2020-21 budget provided $120 million one-time ($66.26 million Proposition 98 General Fund and $53.74 million Federal Funds) for the CCC COVID-19 Response Block Grant. This block grant funded activities that support student learning and mitigate learning loss. Allowable expenditures included professional development, information technology, mental health services, and cleaning supplies and protective equipment. The 2020-21 budget required the Chancellor's Office to submit a report to the Legislature by January 1, 2023, on the use and effectiveness of these funds.

Federal Assistance. The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided $14 billion in higher education emergency relief funds (HEERF). This funding was allocated to institutions based on a formula that included the number of full-time equivalent (FTE) undergraduate students receiving Pell Grants, and the number of FTE undergraduate and graduate students not receiving Pell Grants. Of this funding the CCCs received approximately $613.5 million. CCCs also received $33.4 million for campuses designated as minority serving institutions. Institutions are required to spend at least half of these funds on student financial aid. Students, in turn, could use their financial aid grants for expenses related to campus disruptions resulting from COVID-19. The remainder was available for institutional expenses associated with changes in instructional delivery due to the pandemic. Qualifying institutional expenses ranged from paying for technology and faculty professional development to providing student refunds for housing and dining programs as campuses shifted to remote operations. Awards amounts to students differed across campuses. For example, Cabrillo Community College student awards were $500, whereas at Irvine Valley awards ranged from $100 to $500, and at San Francisco City College awards ranged from $300 to $1,300.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed on December 27, 2020, provides the second round of HEERF to colleges and universities. CCCs is estimated to receive approximately $1.3 billion from the CRRSAA, of which $290.2 million must be spent on student aid.

CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. Whereas the CARES Act specified that institutional relief was for expenses related to changes in instructional delivery due to COVID-19, CRRSAA allows institutions to use their funds for expenses and lost revenues associated with COVID-19, as well as certain student support activities.

Traditional Financial Aid. The primary way the federal government, the state, and universities support living costs during the college years is through financial aid. Many students with financial need qualify for a federal Pell Grant (worth up to $6,345 annually) and a state Cal Grant access award (worth up to $1,648 annually for most students). The subcommittee will cover Cal Grants in greater detail at a future hearing. Federally subsidized and unsubsidized loan programs also are available to assist students. These grants and loans can be used for any cost of attendance, including housing, food, transportation, and books and supplies. In addition to federal and state programs, districts also have campus foundations and also various student support programs, such as Extended Opportunity Program and Services (EOPS) and NextUp, that provide additional financial supports such as meal assistance, college supplies, transportation (gas cards), and stipends for textbooks. The state alsoprovided CCC with $11 million non-Proposition 98 General Fund in the *2020-21 Budget Act* for emergency grants to undocumented students.

California Student Aid Commission (CSAC) Survey. In the Spring of 2020, CSAC conducted a COVID-19 student survey of approximately 61,000 currently enrolled college students who applied for financial aid across the higher education segments, including the private sector. Of the respondents, 42 percent were CCC students. After COVID-19, 85 percent of students worried about paying for tuition and fees, 84.4 percent worried about paying for housing and food, 90.4 percent worried about taking a full load of classes, and 92.3 percent worried a lot about their personal health or wellbeing. The survey found that over 70 percent of students lost some or all of their income as a result of the COVID-19 pandemic, and over 80 percent of students have changed some aspect of their plans for Fall of 2020 or were uncertain of their pans. The survey found that for many students, their plans changed due to reported financial hardship.

<u>Governor's Budget Proposals</u>

Emergency Grants. The Governor proposes trailer bill language to provide $250 million one-time Proposition 98 General Fund, of which $100 million is proposed for early action for emergency student aid. The proposed trailer bill language specifies that this funding will be allocated to community college districts based on the headcount number of students in the district that are eligible to receive a Pell Grant and AB 540 students who are eligible for the California Dream Act. The grants will be available to students who self-certify that they:

1. Enrolled on a full-time basis; or the student was employed full-time, for at least a total of one year over the past two fiscal years and not enrolled as a full-time student;
2. Are able to demonstrate an emergency financial aid need and that they either currently qualify as low-income by meeting requirements to receive a Board of Governors Fee Waiver, also known as the California Promise Grant; and
3. Earned a grade point average of at least 2.0 in one of their previous three semester terms or in one of their previous four quarter terms; or
4. Was employed full-time, or the equivalent of full-time, for at least a total of one year over the past two fiscal years.

Student Retention and Recruitment. The Governor proposes trailer bill language for early action to provide $20 million one-time Proposition to increase student retention. The language specifies that the funds be allocated to one or more community college districts to support a statewide community college effort, or as grants to local community college districts, to support efforts to increase student retention rates and enrollment by primarily engaging former community college students that may have withdrawn from college due to the impacts of COVID-19, as well as with current community college students that may be hesitant to remain in college due to the impacts of COVID-19 and prospective students that may be hesitant to enroll in a community college due to COVID-19.

Mental Health and Technology. The budget proposes to provide $30 million ongoing Proposition 98 General Fund to provide students with technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources. The Chancellor's Office shall submit a report to the Department of Finance and relevant policy and fiscal committees of the Legislature by January 1, 2025, and every three years thereafter, regarding the use of funds specified in this paragraph. The report shall include, but not necessarily be limited to, all of the following information: (1) the amount of funds provided for each community college district, (2) a description of how the funds were used for the purposes reflected in this paragraph, (3) a description of the types of programs in which districts invested, and (4) other findings and best practices implemented by districts.

Basic Needs. The budget proposes $100 million one-time Proposition 98 General Fund to address food insecurity, including meal donation programs, food pantries for students, CalFresh enrollment, or other means of directly providing nutrition assistance to students. The funds shall also be used to assist homeless and housing-insecure students in securing stable housing. This funding will be available for encumbrance until June 30, 2024. The budget bill requires the Chancellor's Office to submit a report by January 1, 2025 regarding the use of funds, including:

1. The amount of funds provided for each community college district,
2. A descriptive summary of how the funds were spent, including other funds used to supplement the amount allocated to this subdivision,
3. Description of the types of programs in which districts invested,
4. A list of districts that accept or plan to accept electronic benefit transfer,
5. A list of districts that participate or plan to participate in the CalFresh Restaurant Meals Program,
6. A list of districts that offer or plan to offer emergency housing or assistance with long-term housing arrangements,
7. A description of how districts leveraged or coordinated with other state or local resources to address housing and food insecurity, student mental health, and digital equity, and
8. A qualitative analysis describing how funds reduced food insecurity and homelessness among students, increased student mental health and digital equity, and, if feasible, how funds impacted student outcomes such as persistence or completion.

Cost-of-Living Adjustments for Categorical Programs. The budget proposes a $14 million increase for various categorical programs to reflect a 1.5 percent COLA. These programs include: Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant.

Legislative Analyst's Office Comments

Consider Creating a Basic Needs Block Grant. The LAO notes that the Governor's focus on students' basic needs is laudable, but it proposals in this area lack coordination and accountability. A more coherent approach the Legislature might consider would be to pool all or a portion of the proposed new funds and the existing rapid rehousing program into a basic needs block grant. Under such an approach, districts would have flexibility to use the funds for any combination of food, housing, mental health, and technology services, based on the needs of their students. A major component of such a block grant would be an accountability system that (1) identifies the state's expected levels of service and student outcomes and (2) includes regular reporting that tracks and measures districts' performance in meeting these objectives. For example, annual reports provided by districts could identify student enrollment in

CalFresh, the number of days students report being homeless, and average wait times to see a mental health professional, among other information.

Evaluate Emergency Grants Proposal in Light of New Federal Relief. The LAO recommends the Legislature direct the Chancellor's Office to report this spring on colleges' plans for the upcoming federal relief funds. These spring plans should (1) identify the amount of federal relief funds that colleges intend to use for student aid, (2) estimate the number of students likely to receive federal emergency grants, (3) describe the methods colleges are using to distribute funds among students, (4) estimate the amount of aid a student is likely to receive, and (5) identify students' remaining financial needs. After obtaining this information, the Legislature would be in a better position to make a decision on the proposed state emergency aid funds. For example, the Legislature could design state aid to supplement federal aid, such as by providing summer-term assistance to students who would receive federal aid in the spring. Alternatively, the Legislature could decide that federally funded emergency grants are sufficient in size and instead repurpose the proposed state funds for other one-time priorities.

Expand Efforts to Increase Student Utilization of Public Assistance Programs. In addition to increasing the number of students enrolled in CalFresh, there are likely opportunities to expand student enrollment in other public assistance programs, which could help students cover other costs, including housing, mental health, and technology costs. The Legislature could direct community colleges to partner with the relevant state and local agencies to explore strategies to increase utilization of other public assistance among college students.

Staff Comments

Basic Needs. Pre-COVID 19, 114 community colleges either had a food pantry or offered food distribution on a regular basis. Currently 90 colleges reported providing food security resources through drive-thru food distribution or grocery gift cards. Pre-COVID-19, 55 colleges had established campus-based basic need centers. The new federal relief legislation expands student CalFresh eligibility during the COVID-19 emergency by removing the standard work requirement for certain students who are very low-income or eligible for work-study. In addition, some students may also access various other public assistance programs such as Medi-Cal, the Earned Income Tax Credit, and unemployment insurance that students may be underutilizing. The subcommittee may wish to ask the Administration and the Chancellor's Office options or strategies the state could explore to increase utilization of other public assistance among college students.

Emergency Financial Aid. The Governor proposes trailer bill language to provide $250 million one-time Proposition 98 General Fund, of which $100 million is proposed for early action. The eligibility criteria for emergency financial aid is similar to the Governor's proposal for the University of California (UC) and the California State University (CSU). While the Chancellor's Office notes that they are supportive of the additional funding for emergency financial aid, they note that the eligibility criteria may need some refining. For example, the Chancellor's Office notes that they would like to prioritize students with the greatest financial need. As currently structured, the Administration's proposal targets currently enrolled full-time students or full-time employed students, however the proposal would miss students who lost their job, had to drop below a certain unit threshold due to illness or family responsibilities, or are low-income and looking to enroll for the first time.

The Administration's proposal allocates this funding to districts based on the headcount number of students in the district that are eligible to receive a Pell Grant and AB 540 students who are eligible for the California Dream Act. The Chancellor's Office notes that they would prefer that the distribution be based on the Board of Governor's (BOG) Fee Waiver, as there are many low-income students that get the BOG, but do not receive or even apply for the Pell Grant. The Chancellor's Office believes that using the Pell Grant eligibility could underestimate of low-income students at a district.

The Administration notes that the rationale for requesting only a part of the emergency aid funding in early action is in an effort to help stabilize enrollment and provide funding for students in need for this academic year.

Staff notes that additional information on how colleges plan to distribute the upcoming federal relief funds would be helpful in evaluating student need and the impact of these funds. This information may also be helpful to ensure that funds are targeted and coordinated. The Chancellor's Office notes that they do not have official authority to indicate how colleges should use federal stimulus funds, but they did release memos requesting that colleges to allocate more than the required minimum emergency aid.

Mental Health and Technology. Approximately 90 colleges report having some capacity to do crisis intervention for students experiencing a mental health crisis. The scope and scale of what services are available varies widely across the system, and is dependent on whether or not a health service fee is collected and/or if they received any of the recent Prop 63 funding. Of the 90 colleges that have capacity to provide crisis intervention, the majority provide limited mental health counseling services to students, and some colleges have stand-alone psychological services. Usually, colleges provide one to three counseling sessions per semester.

Similar to the Governor's proposals at UC and CSU, the Governor's proposes a new investment to provide students with technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources. As described above, not all colleges offer mental health services, and those who do offer them on a limited basis. The Legislature may wish to ask what the rationale of combining these different of investments, or if it is more appropriate to ensure that colleges are prioritizing specific issues such as mental health.

Cost-of-Living Adjustments for Categorical Programs. The budget proposes a $14 million increase for various categorical programs to reflect a 1.5 percent COLA for Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant. While these programs are important in supporting students, the Administration does not provide a COLA to other programs such as part-time faculty office hours, Fund for Student Success, which supports the Puente Program and Mathematics, Engineering, Science Achievement (MESA). The Legislature may wish to ask why some categorical programs are receiving COLAs, while others are not.

<u>Suggested Questions</u>

1. DOF/CCCO: Unfortunately, student basic needs such as hunger has been an ongoing issue for community college students. This is a $100 million one-time expenditure. How will this help students' long term? Does the state or the Chancellor's Office have a long-term strategy or plan to tackle student basic needs?

2. DOF/CCCO: What strategies or opportunities could state use to increase or leverage utilization of other public assistance among college students, such as CalFresh, Medi-Cal, the Earned Income Tax Credit, and mental health services offered through the counties?

3. DOF: What is the rationale for providing a COLA to some categorical programs, but not others?

Staff Recommendation. Hold Open.

Issue 3: Online Education

Panel

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

Background

Course Structure. Currently, there are two types of formats that online education is delivered:

- Hybrid/ blended courses: Hybrid courses provide interaction between the instructor and students, both online and in the classroom. Hybrid courses allow instructors to use computer-based technologies selectively. The online portion of the course might include: presentation of case studies, tutorials, self-testing exercises, simulations, and other online work in place of some lecture or lab material. Although the coursework is conducted online, an in-person course orientation may be required at the beginning of the semester. In some courses, on-site exams may be held on college campuses at the discretion of the instructor and the department.

- Fully online: Under the delayed/asynchronous interaction method, the student is self-paced in accessing instructional material, such that activities take place within a specified time frame. Under the simultaneous interaction model, the session is under the supervision of an instructor, using the Internet with immediate opportunity for exchange between participants, this includes satellite, and video conferencing.

The Chancellor's Office notes that the amount of students enrolled in distance education courses vary across the state, for example 78 percent of Coastline College's FTES are enrolled in distance education, whereas one percent of San Francisco City College's FTES are enrolled distance education.

How are online courses created? In June 2015, the Public Policy Institute of California (PPIC) released a report, Successful Online Courses in California's Community Colleges, which states that the development of online courses grew organically at each community college based on the interest of individual faculty and the creation of new technological resources. These courses are reviewed and approved according to the community college's district's course and program approval procedure, which typically consists of approval from the local academic senate, board of trustees, curriculum committee, and other college committees. Programs and some courses are sent to the Board of Governor's (BOG) for approval.

Community college faculty members have autonomy in course development, which not only provides flexibility, but also may require faculty to take on the roles of subject matter expert, course designer, media developer, and—sometimes—programmer. In addition, faculty collective-bargaining agreements and federal- and state-legal rules may require community colleges to rely on instructors to design courses.

Online Education Initiative. The Online Education Initiative (OEI) consists of several projects, including a common course management system for colleges (Canvas), resources to help faculty design high-quality online courses, and the California Virtual Campus Exchange. The exchange creates a more streamlined process for students at participating colleges to take online classes from other participating colleges. The state currently provides $20 million ongoing Proposition 98 General Fund for OEI. The Chancellor's Office has a grant with the Foothill-De Anza Community College District to administer OEI. Currently, 65 community colleges participate in the OEI consortium.

Common Course Management. Faculty use a course management system to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to submit assignments, collaborate with classmates, and communicate with instructors. Historically, each college or district had selected its own course management system from among several vendors. In 2015, a committee overseen by the Chancellor's Office selected the Canvas course management system to be the common system across colleges. Currently, all but one community college use Canvas. Calbright College, a fully online college, uses a separate system.

A suite of digital tools can be integrated into Canvas. This includes a platform that permits students and their academic counselors to meet virtually, a platform that enables students to participate in virtual science labs, a tool that gauges the accessibility of instructors' online course content, and telehealth services (which allow students to access third-party health care professionals for medical or mental health issues). Colleges can choose which of these digital tools they would like to integrate into their local Canvas configurations.

Using its state appropriation, OEI fully subsidizes Canvas subscription costs on behalf of colleges. OEI also fully subsidizes technical (help desk) support for Canvas users and subscription costs for certain digital tools. For other digital tools, OEI provides a partial subsidy for colleges (also using its state appropriation). The third type of price assistance involves negotiating a "bulk" discounted rate for certain digital tools that colleges use their own funds to purchase. To help it negotiate discounted rates, the Chancellor's Office typically partners with other agencies, including the Foundation for California Community Colleges.

Mass Migration to Online Instruction Led to Cost Pressures on OEI. Beginning in March 2020, OEI costs escalated primarily for two reasons. First, the Chancellor's Office decided to support colleges' transition to online courses by fully subsidizing certain online digital tools (such as the accessibility tool) that previously were the financial responsibility of colleges. In addition, colleges' largescale migration to online instruction resulted in higher usage rates of Canvas, the Canvas help desk (which OEI upgraded from limited technical support to 24/7 assistance for users), and various digital tools integrated with Canvas. Higher usage rates, in turn, resulted in higher subscription and maintenance costs.

Chancellor's Office Has Announced Some Costs Will Have to Shift to Colleges Absent Additional State Funding. The Chancellor's Office has responded to these higher OEI costs by redirecting unspent funds from certain other areas of CCC's budget, including funds previously set aside for in-person trainings. In addition, OEI has been scaling back some of its subsidies. For example, OEI began limiting the number of tutoring hours it will subsidize for an online tutoring service. As of January 2021, colleges that wish to exceed their initial allotment of hours must cover the costs using district funds. Recently, the Chancellor's Office notified colleges of plans to reduce the state subsidy for other online digital tools beginning in July 2021 absent additional state funding for 2021-22.

Student Success Rates for In-person and Online Courses. In the fall of 2019, Chancellor's Office data shows that the vast majority of online education courses are offered through asynchronous interaction. Datamart notes that online education course that was credit, degree applicable or transferable had a success rate of approximately 67 percent, whereas a similar in person courses success rate was 72 percent. For online vocational courses, the success was is 69 percent, whereas the in-person success rate was 80.3 percent. For online basic skills courses, the success rate is 57.7 percent, whereas the in-person success rate was 65 percent. Based on this information, that students are more likely to persist and succeed in an in-person course environment than in an online course.

In addition there are also achievement gaps across student demographic groups enrolled in online courses. For example, for credit, degree applicable or transfer online education courses, African American students and Hispanic students have a success rate of approximately 52 percent and 63 percent, respectively, compared to 73 percent of white students. There are also similar achievement gaps for online vocational courses.

For in-person credit, degree applicable or transfer courses, African American students and Hispanic students have a success rate of approximately 63 percent and 68 percent, respectively, compared to 78 percent of white students. For in-person vocational courses, African American students and Hispanic Students have a success rate of approximately 71 percent and 77 percent, respectively, compared to 85 percent of white students.

COVID-19 and Online Education. The CSAC COVID-19 student survey found that 90.25 percent of students were concerned about having to take college classes online during Spring 2020 because of COVID-19. Moreover, 80 percent of students have changed some aspect of their plans for Fall of 2020 or were uncertain of their plans. The survey found of students who changed their plans, 22 percent stated that they did so because they did not want to take online classes.

Calbright College. The 2018-19 budget established Calbright College, and provided $100 million one-time Proposition 98 General Fund and $20 million ongoing Proposition 98 General Fund for this purpose. The 2020-21 budget reduced funding for Calbright College by $5 million ongoing and $40 million one-time Proposition 98 General Fund from unspent prior year funds. Calbright College is administered and overseen by the California Community Colleges Board of Governors who act as the college's Board of Trustees. The college was established to create accessible, flexible, and high-quality online content, courses and programs with labor market value and provide industry-valued credentials for Californians. These pathways must not be duplicative of programs offered at existing community colleges and to be offered under a flexible calendar with open entry and exit times.

The proposal sought to help the 2.5 million Californians between the ages of 25 and 34 year olds whose highest educational attainment is either high school or some college. These courses and programs must lead to a pathway offered at a traditional college. Calbright College is currently offering programs in medical coding for professional services, introduction to cybersecurity (Security+), and introduction to information technology support (A+). Calbright notes that they are exploring other programs in IT and healthcare.

Calbright currently enrolls approximately 500 students as a part of their beta cohort. Since its creation, the college notes that it has issued 35 certificates to 29 individuals. Calbright currently does not have data on how long it takes for students to complete their programs, however the anticipated completion time is six to nine months of IT support and cybersecurity, and nine months to a year for medical coding. Calbright does not have data on the number of students who did not complete programs, or are no longer pursuing programs, and also has not established success goals or defined completion rate.

Calbright currently employs five full-time faculty and five part-time contractor faculty. The college has three full-time counselors and four part-time contractor counselors. The college has also formed a local academic senate and are also affiliated with the California Teachers Association as their bargaining representative. Calbright notes that in 2021, its planned expenditures for academic salaries and benefits is $3.5 million, this compares to $10.4 million for nonacademic salaries and benefits across Proposition 98 ongoing and one-time funds.

Calbright notes of the available $82 million in one-time Proposition 98 funds, it also receives $2 million in local revenue. Of this one-time funding, in 2021-22, Calbright plans to spend:

- $41.4 million on operating expenses:
  - $5 million for state workforce partnership,
  - $5 million to develop competency-based education and pathways with other colleges,
  - $10 million for partnerships with place-based agencies for Calbright to establish its own centers to provide facilities for in-person support of Calbright students,
  - $9.3 million to develop instructional, student support, workforce development, technology, external affairs, and research and development programs
  - $7 million to improve Calbright's existing programs and develop new pathways and student support, and
  - $5 million for student outreach and partnerships with labor organizations, community based organizations, and employment intermediaries.

- $12.8 million on capital outlay:
  - $5 million to implement the enterprise resource planning system, and to begin development of adaptive learning, simulated experience, and student support technologies,
  - $7.9 million for capital outlay expenses including headquarters buildout and equipment purchases for added staff and students.

- $616,000 on academic salaries and benefits, and

- $2.5 million on non-academic salaries and benefits, with a balance of $26.75 million one-time funds.

Of the $15 million available in ongoing funds, Calbright notes that it also has unspent funds of $2.1 million from 2020-21. Calbright's 2021-22 planned expenditure includes $2.9 million for academic salaries and benefits, $7.8 million for nonacademic salaries and benefits, $550,000 for supplies, $3.8 million for operating expenses. This leaves an ending balance of $2 million.

The California State Auditor is currently in the process of conducting a Joint Legislative Audit Committee approved audit of Calbright. This audit is scheduled to be released in May 2021.

Governor's Budget Proposal

Online Digital Tools. The Governor proposes an increase of $10.6 million to OEI, which will bring total funding for OEI to $30.6 million Proposition 98 General Fund. Although the proposal relates to OEI, the Governor's budget places the $10.6 million in a separate categorical program that supports various other systemwide technology projects, including electronic transcripts. The Governor's budget does not specify the specific digital tools that are to be supported with the additional funds, but provisional language states that the funds "may include, but are not limited to, access to online tutoring and counseling, ensuring available technical support, and providing mental health services and other student support services."

Online Education Policy - Base Requirement. As noted earlier in the agenda, the budget proposes an increase of $111 million Proposition 98 General Fund ongoing to the SCFF, which represents a 1.5 percent cost-of-living-adjustment (COLA). This increase is contingent on the CCC adopting two policies, one of which is to adopt policies by June 30, 2022 that require campuses to maintain their online course and program offerings that is at least 10 percent higher than the amount offered in the 2018-19 academic year.

Legislative Analyst's Office Comments

Reject Proposed Online Education Requirement. The LAO notes that online instruction is not suited for every student or educational program, though, and research suggests that online courses tend to have lower completion rates than in-person instruction, with greater gaps for African American and Hispanic students. In addition, all colleges, regardless of their baseline, would be expected to increase their online offerings by the same percentage point. A more refined analysis might indicate a higher or lower level of online education is desirable at any particular campus. Without a clearer rationale for setting online enrollment targets, colleges could make poor decisions that work counter to promoting student success. For example, arbitrary increases in online courses potentially could work counter to the Governor's proposed expectation to eliminate equity gaps.

The LAO recommends rejecting this proposal, and instead recommends the Legislature instead adopt budget bill language directing the Chancellor's Office to report on campuses' experiences with online education. Such a report should include: (1) analysis as to which courses are most suitable for online instruction, (2) an estimate of the fiscal impact of expanding online education, (3) a plan for improving student access and outcomes using technology, and (4) an assessment of the need for additional faculty professional development. To ensure this information is available to assist next year's budget deliberations, we recommend requiring the Chancellor's Office to submit this information by November 2021

Reject Proposal on Online Digital Tools. Given increasing vaccine deployments, colleges might be able to offer more in-person instruction during the 2021-22 academic year. Were this to happen, pressure on OEI would be reduced at least somewhat, if not significantly. Colleges are receiving approximately $1.4 billion in federal campus relief funds—considerably more than the reported adverse fiscal impacts of the pandemic on colleges to date. Based on the LAO's discussions with districts, this federal relief funding remains available to cover extraordinary costs associated with the pandemic, such as higher subscription and usage costs from online tools. Colleges have until next year (2022) to use these funds. Given that the out-year costs to support OEI are unknown and federal relief funding remains available, providing an ongoing augmentation for the program at this time is premature. (Colleges may have even more federal relief funds should Congress approve the Biden Administration's recovery proposal now under consideration.) The LAO recommends the Legislature reject the Governor's proposal. Instead of providing an augmentation in 2021-22, the LAO recommends directing the Chancellor's Office to report in spring 2022 on the status of campus reopenings and what the implication is for the usage rates and costs of Canvas and the suite of associated online tools. With that information, the Legislature could make a better determination of whether to provide additional funding for OEI for 2022-23.

Staff Comments

Online Digital Tools. The Chancellor's Office 2021-22 System Budget requested $23.5 million ongoing Proposition 98 General Fund for online education and supports infrastructure, as follows:

1. **Expand Canvas Daytime Support to Colleges Without Daytime Coverage**: With a significant portion of faculty moving courses to Canvas, coupled with the fact that their students in remote instruction courses have the highest need, local daytime help desk resources are being overwhelmed. Additional daytime telephone Canvas support is necessary and will address this capacity gap, which acts as a barrier to student accessing online education. ($2.2 million)

2. **Increase Access to Online Tutoring for to All CCCs:** Many colleges do not currently have an online tutoring option available to students. Online tutoring services would provide 24x7 tutoring, including multi-lingual tutoring in core subjects such as English and math, and integrate directly into Canvas. ($3.4 million)

3. **Extend Counseling, Student Services, and Mental Health Delivery to Online Platforms for All CCCs:** Canvas includes a fully integrated platform for counseling and general student services use that is available at 57 colleges. This platform also provides a HIPAA-compliant method for mental health or telemedicine sessions. Without downloading any software, a student can have access to virtual drop-in or scheduled services with counselors, Financial Aid staff, Admissions and Records staff, mental health services, tutors, and professors. ($4.7 million)

4. **ADA/508 Compliant Remediation Support:** Colleges and faculty are struggling with ensuring that courses and instructional materials converted to online instruction meet the Americans with Disabilities Act and Section 508 compliance requirements. Many colleges have a single individual on campus tasked with assisting faculty with web accessibility and/or alternate media for students. A critical, yet often overlooked, way to support students and faculty is to enable an automated tool to detect non-accessible content and remediate it. This software would be available to all colleges and become integrated into Canvas to immediately index and convert uploaded content to accessible formats. ($3.2 million)

5. **Extend Online Proctoring Platform to Unlimited Use for All CCCs:** Colleges are grappling with instructional continuity and a core consideration is academic integrity of exams and student authentication of identity. Online proctoring service use will be in higher demand than anticipated and all colleges would be provided with access.

The Administration notes that the goal of this funding is to provide CCCs with flexibility on how to use funds on an ongoing basis, but they generally expect the funds to be used to expand Canvas daytime support, increase access to online tutoring, and extend counseling, student services and mental health delivery to online platforms at all CCCs, as described in the provisional budget bill language. The Chancellor's Office notes that they are no longer pursuing the proctoring platform.

The Chancellor's Office also requested $8 million ongoing for broadband access. This will be discussed at a future hearing.

<u>The subcommittee may wish to ask:</u>

1. CCCO: The Administration has a proposal in the UC and CSU's budget to provide funding to the segments to adopt the same learning management system as the community colleges. What has been the community colleges' and students' experience with Canvas now that almost all community colleges are using it? Are there any cost savings associated with this?

2. DOF: What is the rationale for the policy to increase online courses by 10 percent? What is this increase based on?

3. DOF/ CCCO: Given the achievement gaps between online courses and in-person classes, as well as the equity gaps for students enrolled in online courses, has there been any analysis done on which courses are more suitable for the online environment, and how we can help close the achievement gaps for online courses?

Staff Recommendation. Hold Open.

Issue 4: Workforce Development

Panel

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

Background

Traditional Apprenticeships. The state has about 93,000 apprentices, mostly in the construction trades and public safety (including firefighting) sectors. Apprenticeships in these sectors are commonly referred to as "traditional apprenticeships." Apprenticeship programs consist of two key components: (1) on-the-job training completed under the supervision of skilled workers and (2) classroom learning, known as related and supplemental instruction (RSI). Traditional apprenticeships typically are sponsored by employers and labor unions. These sponsors are largely responsible for providing on-the-job training. It is also common for sponsors to directly provide RSI, taught by their employees at stand-alone training centers.

State Reimburses Apprenticeship Sponsors for Instruction. Sponsors typically cover the majority of the costs of instructing and training apprentices, often maintaining a training trust fund to support those costs. However, the state has a longstanding CCC categorical program that reimburses sponsors for a portion of their instructional costs. Sponsors are reimbursed at the hourly rate set for certain CCC noncredit instruction (currently $6.44). Sponsors must partner with a school or community college district to qualify for these funds. To receive reimbursement, the sponsor submits a record of RSI hours to the partnering district, which in turn submits those hours to the Chancellor's Office. The Chancellor's Office provides RSI funds to the district, which takes a small portion of the funds off the top and then passes the remaining funds to the sponsor.

California Apprenticeship Initiative (CAI)

In 2015-16, the state created California Apprenticeship Initiative (CAI) to support new apprenticeship programs in high-growth industry sectors—such as health care, information technology, and clean energy—that have not traditionally used the apprenticeship model. The state has provided $15 million annually—a total of $90 million to date—for CAI. To be eligible for funding, applicants must demonstrate a commitment from one or more employers to hire participating apprentices. Applicants also must submit a description of their program and a budget, among other criteria. Grant funding is intended to cover program start-up costs such as curriculum development and outreach to employer partners. As CAI funds are only available for a limited term, grantees are expected to find other fund sources to cover ongoing program costs once the grant expires.

Grantees Are Expected to Meet Certain Program Standards and Enroll Apprentices. CAI grantees are required to have newly created apprenticeship programs approved by the Division of Apprenticeship Standards (DAS), the entity within the California Department of Industrial Relations that oversees state-approved apprenticeship programs. In addition, they are required to enroll at least one apprentice for every $20,000 in grant funds awarded. The Chancellor's Office reports that CAI-funded programs have enrolled 2,867 apprentices from 2015 through 2020. Of these apprentices, 973 have completed their program to date. While most CAI grants have focused on new apprenticeship programs, a few grant rounds have supported pre-apprenticeships. Based on the most recently available data, the programs had enrolled a total of 5,101 pre-apprentices, of which 2,092 had completed.

Initial Grantees Participated in Evaluation of Early Outcomes. The Chancellor's Office designated $1 million from the initial 2015-16 CAI allocation toward technical assistance and evaluation. As part of these activities, the Chancellor's Office partnered with the Foundation for California Community Colleges and Social Policy Research Associates on an evaluation of CAI's implementation and early outcomes through February 2018. As of that date, the first two rounds of apprenticeship grantees had established 17 new apprenticeship programs, with the largest number of programs in manufacturing, health care, and transportation and logistics. As the grant period had only recently ended for the first round of grantees, little information was available at the time of the evaluation on whether these programs could cover ongoing costs moving forward.

Work-Based Learning

Defined broadly, work-based learning refers to activities that promote career exploration and preparation. Schools choose what specific work-based learning opportunities to provide their students. Common opportunities include guest classroom speakers, job shadowing, internships, and apprenticeships. Work-based learning opportunities can be incorporated into high school and college curricula across disciplines. Several existing CCC initiatives include work-based learning components, including the Strong Workforce Program, which was created in 2016-17 and receives $248 million ongoing Proposition 98 General Fund, the Guided Pathways Initiative, which was created in 2017-18 and received $150 million-one. Work-based learning also is an important component of CCC's Guided Pathways Program, which aims to develop structured, efficient academic course sequences for entering students. State law defines Guided Pathways programs to include "group projects, internships, and other applied learning experiences to enhance instruction and student success." The Guided Pathways program funds are available through 2021-22.

CCC System Recently Completed Work-Based Learning Pilot. In 2017, the Chancellor's Office partnered with the Foundation for California Community Colleges to launch an 18-month pilot to expand access to work-based learning opportunities. Six community colleges, one community college district, and two Strong Workforce regional consortia participated in the pilot. Through a series of workshops and other activities, participants identified several systemwide opportunities for enhancing and expanding work-based learning. The identified opportunities included establishing a common understanding of work-based learning among stakeholders (including colleges, employers, and students), aligning work-based learning with colleges' broader student support efforts, and breaking down silos between general education and CTE. Participating colleges also adopted several services and technology platforms intended to facilitate career exploration, enable paid work experiences, and assess students' employability skills. The Chancellor's Office provided $200,000 in Strong Workforce Program funding for this pilot. Participating colleges, districts, and regional consortia also contributed a total of $325,000.

Governor's Budget Proposal

Proposes COLA for Traditional Apprenticeship Programs. The Governor's budget provides $1 million for a 1.5 percent COLA on the RSI rate. This would increase the hourly reimbursement rate from $6.44 to $6.54. The Governor's budget would not change the number of RSI hours that are funded (a total of about 10 million hours in 2020-21).

Apprenticeship Initiative. The Governor proposes an increase of $15 million ongoing Proposition 98 General Fund for the California Apprenticeship Initiative pursuant, which would bring total annual funding to $30 million. Funds appropriated pursuant to this subdivision shall be available for encumbrance or expenditure until June 30, 2027.

Work- Based Learning Models. The Governor proposes $20 million one-time Proposition 98 General Fund to "expand work-based learning models and programs at community colleges, with the goal of ensuring that students complete programs with applied work experiences." These funds shall be allocated through a competitive grant process developed by the Chancellor's Office to award funds to colleges. Grants shall expand the use of work-based learning instructional approaches that align with the Guided Pathways framework, including, but not limited to, internships, for both career technical education and non-career technical education disciplines. This funding is available for encumbrance or expenditure until June 30, 2026.

At this time, the Chancellor's Office has not decided, but is considering providing $1 million each to 20 colleges, with a focus on funding additional apprenticeships, internships, clinical practicums, and applied learning experiences within the classroom.

The Governor requested the same proposals in the 2020-21 budget, however both proposals were withdrawn in the Governor's May Revision.

Legislative Analyst's Office Comments

Reject CAI augmentation due to Lack of Justification. The LAO notes that there appears to be insufficient demand among colleges, K-12 agencies, and employers to fully utilize even the *current level of funding* for CAI. Based on data from the Chancellor's Office, it appears grant awards fell short of available
funds in both 2018-19 and 2019-20. Though the data provided by the Chancellor's Office for this program is very limited, it suggests that only $12.5 million of the $14 million set aside for grants in 2018-19 was awarded due to a lack of eligible applications. It appears no grants were awarded in 2019-20.

In addition to lack of unmet demand, it is unclear the financial sustainability of CAI-funded apprenticeships. While CAI is intended to create lasting programs that will serve apprentices for many years to come, the state does not yet have data on how many past CAI grantees have continued their programs beyond the grant period. The Foundation for California Community Colleges has partnered with Social Policy Research Associates on a follow-up study on this topic. The study was originally expected to be completed by summer 2020, but the Foundation indicates its release was delayed due to disruptions caused by the pandemic. The study's release date is anticipated for March or April 2021.

With Several Programs Already Focused on Work-Based Learning, Another Is Not Warranted. Work-based learning is explicitly part of the Strong Workforce Program and Guided Pathways Program. The state also supports apprenticeships—one form of work-based learning—through both a categorical program that reimburses sponsors for instructional hours and a competitive grant program that provides seed funding for new apprenticeships. The LAO recommends the Legislature reject the work-based learning proposal, and to redirect the associated one-time funds to other Proposition 98 priorities. For example, the Legislature could consider providing more one-time funding to pay down additional deferrals and smooth out future district pension cost increases.

The subcommittee may wish to ask:

1. DOF: The LAO notes that work-based learning is explicitly a part of the Strong Workforce Program and the Guided Pathways Initiative. What is the rationale to create a new program separate from these other programs?

2. DOF/CCCO: Can the Administration respond to the LAO's questions on whether there is unmet eligible demand for CAI grant, and if these programs are sustainable beyond the term of the grant? Does the Administration or the Chancellor's Office have outcome data on people who participated in the program?

Staff Recommendation. Hold Open.

Issue 5: Instructional Materials

Panel

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

Background

Zero-Textbook-Cost Degrees. The 2016-17 budget provided CCC with $5 million one-time Proposition 98 General Fund to create full degrees and certificates that students can earn entirely through the use of open educational resources (OER) and other free instructional materials. OER are instructional materials that educators and others can freely use and repurpose. OER come in many forms—ranging from course readings, videos, and tests, to full textbooks. The use of free content in place of textbooks and other instructional materials sold by publishers has several benefits, including reducing students' costs to earn a degree and increasing access to materials.

The $5 million was for a competitive grant program aimed at helping CCCs develop zero-textbook-cost associate degrees and certificates. Budget trailer legislation required grantees to prioritize the development of such degrees and certificates using existing OER materials before creating new content. The Chancellor's Office was permitted to provide colleges with grants of up to $200,000 for each degree or certificate developed. It could allocate up to 10 percent of the total appropriation for program administration and technical assistance. Grantees were to "strive to implement degrees" by fall 2018. The Chancellor's Office was required to report to the Legislature and Department of Finance by June 30, 2019 on (1) the number of degrees developed by each grantee, (2) the number of students who completed a zero-textbook-cost degree or certificate program, (3) the estimated annual savings to students, and (4) recommendations to improve or expand zero-textbook-cost degrees. As of this writing, the Chancellor's Office had not yet submitted this report.

The 2018-19 budget provided $6 million one time for the CCC Academic Senate to lead an additional OER effort. Thus far, the Academic Senate has funded two new rounds of OER development, with additional rounds planned over the next three years. The Academic Senate's focus for every round of funding is to prioritize OER that is needed to complete a new zero-textbook-cost degree for students, with an emphasis on associate degrees for transfer. During the first grant round, colleges created new OER content for courses in 18 disciplines. For the second round, new OER is in the process of being finalized for 18 additional disciplines. After faculty review of the newly created OER, the Academic Senate provides corresponding professional development to faculty throughout the state on integrating the OER into their teaching.

Dual Enrollment/ Concurrent Enrollment. Dual enrollment allows high school students to take college-level courses, typically at a community college. Credit from these college-level classes may count toward both a high school diploma and an associate degree. By graduating high school having already earned college credits, students can save money and accelerate progress toward a postsecondary degree or certificate. All 72 locally governed districts have at least some dually enrolled students. In 2019-20, community colleges served about 48,000 FTE students through traditional dual enrollment. Statute permits community colleges to charge an enrollment fee for regular dual enrollment students, which colleges typically waive. Students, however, typically are required to cover textbook and other instructional material costs. Community colleges can claim apportionment funding for high school students taking CCC classes (funded at $5,622 per FTE student in 2020-21). Courses allowing for dual enrollment (like other CCC courses) generally must be open to the public for colleges to claim apportionment funding.

College Access and Career Pathways (CCAP) program. The CCAP program is another form of dual enrollment and was created in 2015. CCAP allows for partnerships between school and community college districts such that high school students dual-enroll in up to 15 community college units per term; students may enroll in no more than four courses per term. Unlike traditional dual enrollment, CCAP allows cohorts of high school students to take college-level classes on a high school campus. Community colleges may still claim apportionment funding (at the same rate of $5,622 per FTE student) for such instruction. Unlike traditional dual enrollment, CCAP students only need to attend their high school classes for 180 minutes (three hours) for school districts to claim ADA funding. Existing law prohibits students in a CCAP program from being charged either enrollment fees or fees for textbooks and other instructional materials. To form a CCAP program, school and community college districts must agree to a memorandum of understanding (MOU). These MOUs contain information such as the courses to be offered, the number of students to be enrolled, and which partner (the school or community college district, or both) is to cover program costs, including the cost of providing instructional materials.

Existing law requires the Chancellor's Office to prepare a summary report to the Legislature by January 1, 2021. This report will include an evaluation of the CCAP partnerships, an assessment of trends in the growth of special admits systemwide and by campus, and recommendations for program improvements, including need for additional student assistance or academic resources to ensure the overall success of the CCAP partnerships. The CCC Chancellor shall ensure that the number of FTES generated by CCAP partnerships is reported. As of writing this agenda, the Legislature has not received this report.

The Chancellor's Office notes that there are 53 districts and 76 colleges the participate in CCAP, and notes that CCAP dual enrollment courses had an 86 percent successful completion rate, defined as completion with a grade of A, B, C, or P. In the fall of 2019, 6,811 FTES enrolled in credit and noncredit courses through CCAP, this equates to 28,030 unduplicated headcount. This compares to just 586.57 FTES in fall of 2017, which is approximately 3,614 unduplicated headcount.

<u>Governor's Budget Proposals</u>

Dual Enrollment Instructional Materials. The budget provides $2.5 million one-time Proposition 98 General Fund for instructional materials for high school students enrolled in a community college course through a College and Career Access Pathways partnership. The Chancellor's Office shall determine the methodology for allocating these funds to community college districts. Statute currently does not permit school or CCC districts to charge CCAP students for textbooks or other instructional materials. This Governor's 2020-21 budget proposed $5 million for the same purpose, however this proposal was withdrawn by the Governor in the May Revision.

Zero-Textbook-Cost Degrees. The budget proposes $15 million one-time Proposition 98 General Fund to develop zero-textbook-cost degrees using open education resources pursuant to existing law. As a condition of receiving funding to develop and implement zero-textbook-cost degrees, a community college district shall strive to implement degrees by the first term of the 2023–24 academic year, or sooner, as determined by the Chancellor's Office. The trailer bill language also requires the Chancellor's Office to submit a report to the Legislature by June 30, 2024 regarding the number of degrees developed or implemented, estimated savings to students and colleges, number of students who completed a zero-textbook-cost degree programs and recommendations to increase, expand or improve program offerings. The Governor's 2020-21 budget proposed $10 million one-time Proposition 98 General Fund for Zero-textbook-cost degrees, however, this proposal was withdrawn in the Governor's May Revision.

Legislative Analyst's Office Comments

Withhold Recommendation Pending Receipt of Additional Information on Zero-Textbook-Cost Degrees. The LAO notes that that providing another round of funding is premature since the Legislature has not received information regarding 2016-17 initiative, such as the number of degrees and certificates were developed, the cost to develop them, the challenges were encountered in developing them, the number of students completed or are on track to complete a zero-textbook-cost degree, and how much savings to students was generated. The LAO recommends the Legislature give the Chancellor's Office until early April to submit the required report. Based on that information, the Legislature can decide whether additional funding is warranted and, if so, how best to structure another round of grant funding. Any new proposal submitted in 2022-23 or thereafter should be based on lessons learned from earlier grants and incorporate insights and recommendations made by the Chancellor's Office and Academic Senate. The LAO also notes that the Governor's proposal is silent on how the proposed initiative would build on current OER efforts by the Academic Senate. The LAO notes that any future zero-textbook-cost initiatives should be coordinated with and not duplicative of the Academic Senate's existing OER initiative.

Reject the Proposal for Instructional Materials for CCAP. Given the marked increase in CCAP enrollment, the LAO notes that there is no sign that instructional material costs serve as a program barrier. This trend does not appear to support the administration's argument that having to cover textbook costs has been a barrier for schools and community colleges in offering CCAP programs. CCAP funding policies can work to the benefit of schools and colleges. This is particularly the case when students take CCAP courses in place of their regular high school coursework. In such cases, schools can receive ADA funding even though they may only be providing three hours (rather than the standard six hours) of instruction per day. In addition, when courses are held at a high school site, community colleges can claim full apportionments from the state typically without incurring facility and other related costs. The LAO recommends the Legislature reject this proposal.

The subcommittee may wish to ask:

1. DOF/ CCCO: How much funding to school districts and community colleges receive for dual admissions and CCAP students? How are school districts and community colleges currently paying for instructional materials for these students, and how much does this cost?
2. DOF: Why is the proposal to provide instructional materials for dual admission students limited to CCAP students?
3. CCCO: How many zero-text-book cost degrees have been created? How many students have completed a zero-textbook-cost degree or certificate program? What is the estimated annual savings to students?
4. DOF/LAO: Can the federal relief funds be used for these purposes?

Staff Recommendation. Hold Open.

Issue 6: Professional Development

Panel

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

Background

Professional Development. Common types of faculty professional development at the colleges include workshops, conferences, and department- and campus-wide seminars. These trainings allow faculty time to work individually or in groups to develop or revise curriculum and learn new teaching methods, among various other professional activities. Campuses support faculty professional development through a mix of fund sources, most commonly using their state apportionments. Since 2014-15, the state also has funded the statewide Institutional Effectiveness Partnership Initiative (IEPI), which provides technical assistance and professional development to colleges seeking to improve student learning and overall operations. The largest program within IEPI consists of regional workshops and other trainings that are open to faculty and staff. The Chancellor's Office, which administers IEPI, has wide discretion to select workshop and training topics. The Academic Senate for CCC also conducts various institutes, workshops, and webinars throughout the year for faculty on course design, teaching methods, and various other topics.

State Funds Various Initiatives Aimed at Improving Online Instruction at CCC. As mentioned earlier, the state provides $20 million ongoing Proposition 98 General Fund support for OEI. Through OEI's Online Network of Educators program (more commonly known as "@ONE"), faculty and staff can participate in courses, webinars, workshops, and other forums focused on developing and teaching online courses. In 2019-20, the state also provided the Office of Planning and Research with $10 million ongoing for the California Education Learning Laboratory, an intersegmental program that similarly aims to expand online and hybrid course offerings.

Federal Relief Funds Are Also Available to Support Professional Development for Online Classes. Since the onset of the pandemic and the rapid transition to primarily online instruction, community colleges have offered online-focused professional development and other related support to faculty. Based on data collected by the Chancellor's Office, community colleges are on track to spend about $40 million through 2020-21 in extraordinary costs for faculty trainings on how to convert courses from in person to online and how to deliver those new online courses effectively. In addition to the state funds mentioned above, federal relief funds are available to support these types of costs.

Governor's Budget Proposal

Professional Development. The Governor proposes $20 million one-time Proposition 98 General Fund for CCC faculty professional development related to online education. The Administration indicates the proposal is intended to support faculty as they continue to adapt to teaching online during the pandemic. The provisional language specifies that the funds are to support "culturally competent professional development," which the administration suggests would mean integrating principles of equity into the training. The Chancellor's Office would have flexibility to provide the funds to one or more districts to support systemwide training or directly to districts for their own local trainings.

Legislative Analyst's Office Comments

Further Needs Assessment Is Important to Obtain. Given the professional development programs the state already funds at the colleges, the considerable flexibility CCC has to choose training topics, and the federal relief funds colleges are receiving, the need for additional professional development funding for online instruction is unclear. Moreover, the Administration has not undertaken a full assessment of the need for additional professional development in this area. Lacking such an assessment, some key information remains unknown. Most notably, it is unknown how many CCC faculty still need additional support with online instruction, what types of support they would benefit from, and the cost of providing that support.

The LAO recommends the Legislature reject the Governor's proposal to provide additional one-time funding for faculty professional development, as various state-funded programs and federal relief funds are available for this purpose in the budget year. Though we recommend not providing a state augmentation at this time, the Legislature could revisit this issue upon learning more about faculty professional development needs. More information about faculty professional development needs could allow the Legislature to determine whether existing professional development programs and their associated funding levels are sufficient or if program modifications and an augmentation (one time or ongoing) might be warranted in the future.

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Monday, February 22, 2021
9:00 a.m. State Capitol - Room 3191

Consultants: Elisa Wynne and Nora Brackbill

AGENDA

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

6100 DEPARTMENT OF EDUCATION

Issue 1: School Accountability Update

Panel:

- Sara Pietrowski, State Board of Education
- Elly Garner, Department of Education
- Michelle Valdivia, Department of Finance
- Sujie Shin, Deputy Executive Director, California Collaborative for Educational Excellence
- Karla Estrada, Deputy Executive Director Systems Improvement and Innovation, California Collaborative for Educational Excellence

Background

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

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

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

COEs must address the following two priorities, in addition:

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

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

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

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

California School Dashboard. Pursuant to LCFF statute, the SBE developed an online tool and interface for an evaluation rubric, called the California School Dashboard (Dashboard), which was launched at the end of 2017. This tool includes the state and local performance indicators that reflect performance on the LCFF priorities, such as test scores, graduation rates, and school climate surveys. The data in the dashboard relies on the CDE data system, CALPADS, as well as locally reported indicators.

The Dashboard also includes performance standards for each indicator allowing LEAs and schools to identify both progress and needed improvements. The Dashboard uses a color-coded indicator to show how an LEA scores on a particular indicator. For example, blue means that the LEA is in the highest performance category, while red means that an LEA is in the lowest performance category. Additional functionality allows for the user to look at school and student group data and understand if an LEA is improving in any indicator area. The LCAP template was updated in 2017 to include a description of those indicators for which the LEA scored orange or red and the actions and services an LEA is undertaking in these areas.

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

Overview of Statewide System of Support

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

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

In the first few cohorts of LEAs identified for differentiated assistance or intervention, the majority were identified related to their students with disabilities, with the other significant student groups being homeless student and foster youth students where LEAs need additional support.

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

Statute also established a formula for providing funding for COEs to support school districts. Under this formula, COEs would receive base funding plus additional funding determined by the number of school districts identified as in need of differentiated assistance on the dashboard.

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

- **Geographic Lead Agencies.** The 2018-19 budget provided $4 million in ongoing Proposition 98 funding to establish COEs as geographic lead agencies in their region. There are now 9 geographic leads across the state. The responsibilities of the lead COEs include building the capacity of other COEs in the region, coordinating and collaborating technical assistance across the region, providing technical assistance to a school district if a COE is unable to, and identifying existing resources and developing new resources upon request of the CCEE or the SPI. As of Mar, seven geographic lead agencies have been established.

- **Special Education Local Plan Areas (SELPAs) Lead Agencies.** The 2018-19 budget also included $10 million in ongoing Proposition 98 funding to establish (SELPAs) to serve as special education resource leads to work with COEs to improve outcomes for students with disabilities. There are three SELPA Improvement Leads and four SELPA Content Leads that focus particular areas of need, such as universal design for learning, or autism support.

- **Expert Lead Agencies.** The 2018-19 budget also included funding from a variety of sources for lead agencies with different expertise.

California Collaborative for Educational Excellence (CCEE). The CCEE was created as part of the new LCFF accountability framework, with its goal to advise and assist school districts charter schools, and COEs to achieve identified outcomes in their LCAPs under the LCFF. Statue allows the CCEE to accept requests or referrals for technical assistance after consulting with the SPI. The CCEE may contract with individuals, LEAs, or organizations with expertise in the LCAP state priority areas and experience in improving the quality of teaching, improving school and district leadership, and addressing the needs of student populations (such as unduplicated students or students with exceptional needs.)

The CCEE has played a key role in transitioning LEAs statewide to the new accountability system, initially conducting statewide training for LEAs and education stakeholders on the LCAP and the school dashboard, with a focus on improving student outcomes and closing the achievement gap. Statewide trainings and webinars focusing on different components of the accountability system are continuing, as well as training for individual LEAs by request, or groups of stakeholders. In addition, the CCEE has facilitated the development of Professional Learning Networks (PLNs) made up of COEs, statewide organizations, and non-profits led by facilitators to support collaborative efforts to build capacity, some of these activities have been ongoing. The CCEE also initially conducted a pilot program to develop and design their ongoing work in providing technical assistance and intervention to LEAs. The ongoing work of the CCEE has been focused to a greater extent on capacity building through the regional leads and providing support for LEAs in differentiated assistance or intervention, as needed.

CCEE Pandemic Response. At the onset of the COVID-19 pandemic, CCEE consulted with all 58 county offices of education (COE) to determine the most urgent support for the high-need LEAs identified in the Dashboard. The collective goal was to collaborate on the rapid response necessary to address student engagement, assess learning progress, expand professional learning, and transition to the safe return for in-person instruction. From March 2020 through January 2021, CCEE developed professional learning resources in collaboration with LEAs and System of Support partners (e.g., geographic leads, statewide agencies, and stakeholder groups). For example, the CCEE provided free professional learning resources such as the Continuity of Learning Playbooks, Distance Learning Consortium, Accelerated Learning Series, and Field Guide for Accelerating Learning, Equity, and Well-being support LEAs with maximizing equity, strengthening systems and structures, and leveraging high-quality instruction. In addition, CCEE launched the Leading Forward Initiative on January 25th. This CCEE virtual professional learning initiative provides tools for educators, leaders, and school community stakeholders to re-engage students and accelerate learning while advancing equity for vulnerable student groups and ensuring that we are addressing the whole child.

Accountability System Changes Related to the COVID – 19 Pandemic

The closure of schools across the state in March of 2020, prevented LEAs from completing their regular spring assessments of students. California applied, and the U.S. Department of Education approved, a request to waive statewide accountability and reporting requirements for the 2019–2020 school year.

In June 2020, Governor Newsom approved SB 98 (Committee on Budget and Fiscal Review) Chapter 24, Statutes of 2020, which prohibits the California CDE from publishing state and local indicators in the 2020 Dashboard. Therefore, the 2020 Dashboard will reports only:

- LEA and school details (e.g., LEA/school address)
- Student population data (e.g., enrollment data)
- A link to DataQuest or a CDE web page that reports the 2019–2020 data collected in the California Longitudinal Pupil Achievement Data System (CALPADS) (e.g., graduation data)

In addition, SB 98 specified that the CDE shall not identify LEAs, which includes charter schools, during the 2020–21 school year for differentiated assistance. As a result, LEAs identified for support in 2019–20 will continue to receive differentiated assistance in 2020–21. In addition, schools identified for federal support and intervention measures in 2019-20 remain eligible through the 2020-21 school year. 365 LEAs were identified for differentiated assistance prior to the COVID-19 pandemic.

Finally, SB 98 specified that the CDE shall identify LEAs for differentiated in December 2021, by using performance data on the state and local indicators from the December 2019 Dashboard and the December 2021 Dashboard.

The SBE and CDE are aware that there are discussions within the U.S. Department of Education (ED) and with stakeholders about possible flexibilities that may be made available to states in order to satisfy the federal assessment, accountability, school identification and federal funding requirements in Fiscal Year (FY) 2020–2021, and will provide updates when more information is made available.

Governor's Budget Proposal:

The Governor's Budget proposes the following:

An increase of $183,000 ongoing Proposition 98 General Fund for the CCEE responsibilities, bringing the total budget for the CCEE to $12.5 million.

Maintains funding for county offices of education to support LEAs at $72.4 million Proposition 98 General fund to support the existing LEAs identified for targeted assistance

Suggested Questions:

- What specific needs/trends has CCEE noticed among LEAs reaching out for assistance?

- How has the work or LEAs in differentiated assistance changed during the pandemic?

- How is CCEE working with lead COEs in the statewide system of support to adapt resources during the pandemic?

- Have CDE and SBE discussed how LEAs will be identified for technical assistance in December 2021? What are the challenges / decisions that will need to be made in order to make these identifications and ensure struggling LEAs are supported with limited state data?

Staff Recommendation: Hold Open.

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 2: Budget Adjustments and Trailer Bill Proposals

Panel:

- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Kim Leahy, Department of Finance

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators.
- Enforcing standards of practice and conduct for licensed educators.
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers.
- Evaluating and approving teacher and school service provider preparation programs.
- Developing and administering competency exams and performance assessments.

Major Activities. In 2018-19, the CTC processed approximately 23,109 new teaching credentials (including preliminary and intern credentials), a 3.1 percent increase over the prior year. The CTC also processes other types of teacher authorizations including short term teaching permits, internship permits, and teaching waivers. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

The CTC is also responsible for misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications.

Lastly, the CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California.

State Operations. The CTC is a “special fund” agency whose state operations are largely supported by two special funds – the Test Development and Administration Account and the Teacher Credentials Fund. Of the CTC’s $31.1 million state operations budget proposed for 2019-20, about $23.1 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund; $6.4 million is from educator exam fees, which fund the Test Development and Administration Account and $1.6 million in reimbursements. Accreditation fees have been suspended through the 2021-22 to mitigate cost impacts to teacher preparation programs. The chart on the next page outlines the CTC's expenditures in 2019-20, 2020-21 and the Governor's proposed expenditures for 2020-21.-

Commission on Teacher Credentialing Expenditures and Positions (Dollars in Thousands)

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2019-20	**2020-21**	**2021-22**	**2019-20***	**2020-21***	**2021-22***
5381	Preparation & Licensing of Teachers	109.4	109.4	110.4	$17,180	$18,179	$19,326
5382	Attorney General Legal Services	-	-	-	2,757	3,389	3,389
5383	Accreditation Streamline Project	-	-	-	237	310	310
5384	Educator Performance Assessments	-	-	-	1,235	710	2,000
5388	Classified School Employee Teacher Credentialing Program	-	-	-	-	25,000	-
5397	Educator Preparation	-	-	-	-	100,000	-
5399	Administration	40.7	37.7	37.7	5,504	5,518	6,034
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**150.1**	**147.1**	**148.1**	**$26,913**	**$153,106**	**$31,059**

FUNDING		**2019-20***	**2020-21***	**2021-22***
0001	General Fund	$100	$-	$-
0001	General Fund, Proposition 98	-	125,000	-
0407	Teacher Credentials Fund	20,931	21,895	23,123
0408	Test Development and Administration Account, Teacher Credentials Fund	5,474	4,653	6,378
0995	Reimbursements	408	1,558	1,558
TOTALS, EXPENDITURES, ALL FUNDS		**$26,913**	**$153,106**	**$31,059**

Source: Department of Finance

Teacher Credentials Fund (Credential Fees). The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law requires, as a part of the annual budget review process, the DOF to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the Commission plus a prudent reserve of not more than 10 percent.

In 2012-13, the CTC increased the credential fee from $55 to $70 due to fund instability primarily due to a decrease in credential applications. This action restored the fee to the statutory maximum. In the 2015-16 budget trailer bill, AB 104 (Committee on Budget, Chapter 13, Statutes of 2015), the credential fee was further increased to $100 per applicant, with the additional revenue generated intended to support processing of teacher misconduct caseload.

Test Development and Administration Account (Exam Fees). The Test Development Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), and the California Subject Examination for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has the authority to review and approve the examination fee structure to ensure that the examination program is self-supporting. To determine fees for these testing programs, the CTC staff projects the number of exams, based upon their most recent figures, and compares these figures with projected examination program costs.

Governor's Budget Proposal:

The Governor's January proposal includes the following adjustments to the CTC's operations:

- An increase of $2 million one-time Test Development and Administration Account to support updates to educator testing.

- An increase of $1.3 million one-time reimbursement authority to support activities outlined in the federal Preschool Development Grant Renewal award including development of a teaching performance assessment for candidates seeking a teacher level child development permit.

- Other workload adjustments, including revenue adjustments to decreased credential and examination revenues due to COVID-19 Impacts.

The Governor's January proposal includes the following trailer bill proposals related to the work of the CTC:

- **Demonstrations of Competence for Teacher Basic Skills and Subject Matter Knowledge.** This language would expand the list of allowable exemptions from the basic skills proficiency test to include applicants that earn at least a specified grade in qualifying coursework to demonstrate subject matter proficiency or are designated proficient by a credential program. This language would also specify that the minimum requirements for a preliminary single or multiple subject teaching credential include verification of subject matter competence, though through specified means.

Suggested Questions:

- Does the CTC need additional resources to support implementation of the proposed trailer bill language? If so, has this been built in to the Governor's Budget? Or is the Administration considering for the May Revision?

- Does the Administration or the CTC have concerns about reductions in revenues due to the pandemic? Will the CTC be able to absorb any reductions, or will other solutions be needed?

- Can the CTC comment on some of the potential barriers to entry for teacher candidates that the trailer bill language appears to address? Were some of these changes considered in the past?

- Can the CTC comment on the impact of the COVID-19 pandemic that they are seeing in their various programs?

Staff Recommendation:

Hold Open

6100 DEPARTMENT OF EDUCATION
6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: Teacher Recruitment and Retention

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Elly Garner, Department of Education
- Amy Li, Legislative Analyst's Office

Background:

Teacher shortages. In 2018-2019, California's public school system had about 295,000 full-time equivalent teachers, with a statewide student-to-teacher ratio of 21:1. However, roughly three percent of the teacher workforce (around 8,700 teachers) had an emergency credential, suggesting that school districts have trouble finding credentialed teachers. This is more common for certain subject areas, including special education, science, and math, and for certain types of schools, including low-income urban schools and rural schools.

Early retirement of teachers. The California State Teachers' Retirement System (CalSTRS) recently noted that teacher retirements have increased 26 percent during the second half of 2020 as compared to the same period in 2019[1]. Of retirees surveyed by CalSTRS, 62 percent had retired earlier than planned, and 56 percent cited the challenges of teaching during the COVID-19 pandemic.

Previous state efforts to address teacher shortages. Since 2016-17, the state has spent $190 million to address teacher shortages, outlined in the table below from the LAO. The Governor's proposal includes additional funding for three of these programs: the Teacher Residency Program, the Classified School Employees Credentialing Program, and the Golden State Teacher Grant Program (which will be discussed separately). The first two are described below:

- **Teacher Residency Program.** The Teacher Residency Grant Program funded the development, implementation, and expansion of residency programs in special education, bilingual education, and science, technology, engineering, and math (STEM) fields which provided teacher candidates more support and classroom experience by teaching alongside an experienced mentor teacher. Up to $20,000 per teacher candidate was allocated through a competitive application process to LEAs, who worked in partnership with institutions of higher learning that had teacher preparation programs. In return, the candidates supported by these grants committed to teach for the grant recipient district for at least four years after the program. The program was funded with $75 million in 2018-19, including $25 million for STEM and bilingual education, which was exhausted, and $50 million for special education, of which only $27 million was spent. The remaining $23 million was swept in spring 2020 before a second round of funding could be allocated, although 17 LEAs had already applied. In the

[1] https://www.calstrs.com/blog-entry/understanding-increase-teacher-retirements

2019-20 year, 309 teachers enrolled in these programs[2], and 38 programs in 32 LEAs were funded. Current funding will support approved programs through June 2023.

- **Classified School Employees Credentialing Program**. This program provided financial support (up to $4,000 per year for five years) for classified staff, such as instructional aides, to pursue their teaching credential. Classified staff at grantee LEAs who are selected to participate in the program received financial assistance for expenses such as tuition, fees, books, and examination costs; academic guidance; and other forms of individualized support to help them complete the undergraduate education, teacher preparation program, and transition to becoming credentialed teachers for the public schools.

  This program was funded with $20 million in 2016-17 and an additional $25 million in 2017-18. The initial two rounds of funding provided enough financial assistance to support 2,260 classified employees. A total of 770 credentials have been issued to classified staff, the most common being Education Specialist (369 credentials) followed by Multiple Subject (253 credentials). 367 participants have earned a teaching credential and are now serving as a teacher. These numbers will increase as participants, who are now in the third or fourth years, complete the five-year program. The program was oversubscribed, as an additional 6,000 classified employees requested to participate, and applications from 27 school districts and COEs remain unfunded.

[2] https://www.ctc.ca.gov/docs/default-source/commission/agendas/2020-12/2020-12-2d.pdf?sfvrsn=a23028b1_2

Figure 2

State Has Provided $190 Million Since 2016-17 to Address Teacher Shortages

General Fund Unless Otherwise Indicated (In Millions)

Program	Year	Description	Funding Allocation	Amount
Teacher Residency Grant Program	2018-19	Supports establishing and expanding teacher residency programs in special education, STEM, and bilingual education.	CTC competitively awards grants to districts, COEs, and school-university partnerships. There are two grant types: (1) planning grants of up to $50,000 and (2) residency grants of up to $20,000 per resident in the new or expanded program.	$51[a]
Local Solution Grants	2018-19	Provided funding to local efforts to recruit and retain special education teachers.	CTC competitively awarded grants of up to $20,000 per participant to districts, COEs, and schools. Grantees required to provide a dollar-for-dollar match.	50
Classified School Employee Teacher Credentialing Program	2016-17 and 2017-18	Provides financial assistance to classified school employees, such as instructional aides, to pursue teaching credentials.	CTC competitively awarded grants of $4,000 per participant per year for up to five years to districts, COEs, and schools.	45
Golden State Teacher Grant Program	2020-21	Provides financial assistance to students enrolled in teacher preparation programs who commit to working in special education at a school with a high share of teachers on emergency credentials.	CSAC awards funds to participating teachers. This program was federally funded.	15[b]
Integrated Undergraduate Teacher Preparation Grants	2016-17	Supported expanding integrated programs that allow participants to earn a bachelor's degree and a teaching credential within four years. Programs focused on special education, STEM, and bilingual education received funding priority.	CTC competitively awarded planning grants of up to $250,000 to universities.	10
California Educator Development Program	2017-18	Assisted districts with recruiting and preparing teachers, principals, and other schools leaders.	California Center on Teaching Careers competitively awarded grants to 26 districts, COEs, and schools. This program was federally funded.	9
California Center on Teaching Careers	2016-17	Established a statewide teacher recruitment center to recruit qualified and capable individuals into the teaching field, particularly to low-income schools in special education, STEM, and bilingual education.	CTC competitively awarded grant to Tulare COE to operate center.	5
Bilingual Teacher Professional Development Program	2017-18	Supported teachers pursuing authorization to teach bilingual and multilingual classes.	CDE competitively awarded grants to eight districts and COEs.	5
			Total	**$190**

[a] Program initially received $75 million. The *2020-21 Budget Act* swept $23 million in unused funds.

[b] Program initially received $90 million in 2019-20 budget, but funds were swept as part of 2020-21 budget.

STEM = science, technology, engineering, and math; CTC = Commission on Teacher Credentialing; COE = county office of education; CSAC = California Student Aid Commission; and CDE = California Department of Education.

Source: Legislative Analyst's Office

Federal relief. The March CARES Act allocated $1.5 billion to California public schools based on numbers of low-income and disadvantaged children, which are available until September 30, 2022. The December federal aid package allocated an additional $6 billion using the same formula, available until September 30, 2023. These funds have a broad range of allowable uses.

Governor's Budget Proposal:

The Governor's proposal includes the following programs and funds to recruit, retain, and support educators:

- **Teacher Residency Program.** The proposed budget includes $100 million one-time Proposition 98 General Fund to expand the Teacher Residency Program, including establishing new programs and expanded existing programs. The proposal expands the eligible subject areas beyond special education, bilingual education, and STEM to include any other shortage area identified by CTC. Unlike previous funding, the Governor's proposal does not allocate a specific amount of funding for each shortage area. Schools where the majority of students qualify for free or reduced lunch or schools located in either rural or densely populated regions would have priority. The proposed $100 million allocation would support 1,000 residents each year for five years at a rate of $20,000 per resident. Funding would be available until June 2025.

- **Classified School Employees Credentialing Program**. The proposed budget includes $25 million one-time Proposition 98 General Fund to expand the Classified School Employees Credentialing Program, which provides grants to local educational agencies to recruit non-certificated school employees to become certificated classroom teachers. Funding would support at least an additional 1,041 participants with grants of up to $24,000 over five years. Priority would go to LEAs that did not previously receive grants through this program.

Legislative Analyst's Office Analysis:

Teacher Residency Programs May Improve Preparation but Are Challenging to Initiate and Sustain. Research suggests that teachers prepared through residency programs tend to feel more prepared than other beginning teachers and typically remain teaching in the same district for a longer period of time. Despite these potential benefits, however, residency programs can be difficult to develop and financially sustain. For example, the districts we spoke to mentioned they had challenges establishing a reliable partnership with the university, attracting residents due to the appeal of other preparation pathways (such as internship programs) that allow teacher candidates to earn a teaching salary while completing their program, and sustaining funding for the program after the residency grant ends. We recommend the Legislature provide $50 million (half the amount proposed by the Governor) for new residency programs in 2021-22—roughly equivalent to the amount of funds awarded thus far. Given the challenges in building and sustaining these programs, we believe this amount is sufficient to address additional demand for new residency programs. We also believe the current program rules are more appropriately targeted than the Governor's proposed change in addressing long-standing shortage areas. As such, we recommend the Legislature reject the proposed change to broaden the funding to other subject areas as identified by CTC.

Classified Program Is in High Demand but Is Not Targeted to Statewide Shortage Areas. The Classified Program is oversubscribed. Administrators we spoke to viewed the program as a long-term recruitment and "grow-your-own" retention strategy. Administrators also noted that, compared to the current teacher workforce, the participants in the Classified Program are more likely to be from the local community and share the same racial and ethnic backgrounds as the students they serve. However, although applicants were required to demonstrate a need for credentialed teachers in their applications, those with greater need did not receive priority in the application process. As a result, several districts participating in the program have relatively low shares of underprepared teachers. Of the 23 districts that applied individually (not part of a larger consortium), 14 had a lower percentage of teachers on emergency credentials than the statewide average. Seven districts have both lower shares of teachers on emergency credentials and lower shares of low-income students than the statewide averages. This differs from most other teacher-related state programs, which target resources to subject areas and school districts where teacher shortages are most pronounced. An evaluation of this program is expected by July 1, 2021, and CTC shared with us their intent to incorporate any notable evaluation findings into the next application process. Given the substantial demand for the Classified Program, we recommend the Legislature approve the Governor's proposal to provide $25 million for this program. In addition, we recommend several modifications to ensure the program is more directly targeted toward addressing teacher shortage areas. Specifically, we recommend giving priority to districts with higher shares of teachers on emergency credentials and higher shares of low-income students. After reviewing the findings of the forthcoming evaluation, the Legislature also may want to revisit program rules in subsequent years.

Recent Federal Funds Could Also Support These Activities. With a total of $7.5 billion in flexible and locally-controlled funding available across the two federal emergency relief packages, California public schools will have significant one-time resources available to spend in 2021-22. These funds could be used to attract and retain qualified teachers through awards and bonuses, and/or support a wide variety of professional development activities, similar to the ones proposed here. The Legislature should consider whether federal funding should be used to cover these areas, and/or how the Governor's proposals could complement these federal funds.

Suggested Questions:

- Given the one-time nature of most of these funds, can the Administration elaborate on a long-term and sustainable strategy for teacher recruitment and training?

- What is the estimated demand for the Teacher Residency program, given that the previous round was not fully exhausted? Do you expect more demand for STEM and bilingual subject areas? For the shortage area extension, does CTC have any areas in mind? Do these programs need ongoing funding, or are one-time infusions sufficient?

Staff Recommendation: Hold Open

6100 DEPARTMENT OF EDUCATION
6980 CALIFORNIA STUDENT AID COMMISSION

Issue 4: Golden State Teacher Program

Panel:

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Elly Garner, California Department of Education
- Amy Li, Legislative Analyst's Office

Background:

Teacher shortages. In 2018-2019, California's public school system had about 295,000 full-time equivalent teachers, with a statewide student-to-teacher ratio of 21:1. However, roughly three percent of the teacher workforce (around 8,700 teachers) had an emergency credential, suggesting that school districts have trouble finding credentialed teachers. This is more common for certain subject areas, including special education, science, and math, and for certain types of schools, including low-income urban schools and rural schools.

Early retirement of teachers. The California State Teachers' Retirement System (CalSTRS) recently noted that teacher retirements have increased 26 percent during the second half of 2020 as compared to the same period in 2019[3]. Of retirees surveyed by CalSTRS, 62 percent had retired earlier than planned, and 56 percent cited the challenges of teaching during the COVID-19 pandemic. Grant programs like this have been shown to be effective at recruiting teachers into high-need schools[4].

Golden State Teacher Grant Program. This program was funded with $15 million in federal funding, after the planned allocation of $90 million in the 2019-20 budget was swept in spring 2020. Grants of $20,000 were provided to students in teacher preparation programs who committed to working for at least four years in special education at a school with a high share of teachers with emergency credentials. CSAC reported receiving approximately 380 applications from students indicating they will pursue a credential in special education. They will be accepting applications through the rest of the year, but they are unlikely to use all $15 million. These grants have not yet been disbursed.

Governor's Budget Proposal:

The Governor's proposal includes $100 million one-time non-Proposition 98 General Fund for continued investment in the Golden State Teacher Grant Program. There are two main changes compared to the previous version of this program. First, this proposal expands the definition of high-

[3] https://www.calstrs.com/blog-entry/understanding-increase-teacher-retirements
[4] https://learningpolicyinstitute.org/product/how-effective-are-loan-forgiveness-and-service-scholarships-recruiting-teachers

needs field from just special education to include bilingual education, STEM, and multiple subject instruction. Second, a priority school would now be defined as one that has at least 55 percent unduplicated pupil rate as defined through the Local Control Funding Formula, which includes students who are English language learners, qualify for free or reduced lunch, and/or are foster youth, as the previous definition (based on emergency credentialed teachers) was unstable. After accounting for funding that can be used for administration and outreach, the proposed funding would support up to 4,925 grants.

Legislative Analyst's Office Analysis:

Impact of Golden State Teacher Grant Remains Unknown, Could Be Limited. At the time of this analysis, the first round of Golden State Teacher Grants had not been awarded. As such, the state cannot yet measure the effect of the program on teacher supply. Several programmatic elements of the grants, however, could limit their effects. Although teacher candidates agree to teach in a low-income school to receive funding, there is no guarantee they will ultimately teach at a low-income school. For instance, the teacher candidate may not be able to secure employment at a low-income school due to reasons beyond their control. Furthermore, there is no guarantee the teacher candidates would repay grant funding if they are unable to meet the program requirements. Moreover, the effectiveness of this grant as a recruitment incentive is limited. For example, it is possible that the program might provide grants to some teachers who would have taught at a low-income school even without the grant.

The LAO further recommends:

Reject Golden State Teacher Grant Proposal. We recommend the Legislature reject the Governor's proposal to augment the Golden State Teacher Grant Program. Given that the first round of grant funding has not yet been allocated in the current year, the effect of the program on teacher supply remains uncertain. Moreover, by mainly focusing on teacher candidates still in preparation programs prior to securing a teaching job, the proposal cannot guarantee that grant funds will effectively address recruitment challenges in low-income schools. Furthermore, the low-income schools intended to benefit from this program have access to significant one-time federal funding that provides broader flexibility to address these long-standing recruitment challenges. Should the Legislature be interested in incentive funding for teachers, we suggest focusing efforts on expanding the total supply of teachers in shortage areas. For instance, the Legislature could instead consider targeting funding to expand enrollment in the integrated teacher preparation programs at the undergraduate level. Many other states currently offer this route into teaching. Under this approach, the state could increase the total supply of teachers by encouraging more undergraduate students to pursue teaching in a high-need subject when they might have otherwise pursued another profession.

Suggested Questions:

- How much of the original $15 million is expected to be left over?

- Does the Administration anticipate higher demand in the expanded target areas? How much overall demand does the Administration anticipate?

- How will the teaching requirement work, in terms of ensuring grantees do teach at target schools and tracking their progress? What is the anticipated proportion of grantees that will not complete the four year teaching requirement?

Staff Recommendation: Hold Open.

6100 DEPARTMENT OF EDUCATION

Issue 5: Professional Development Proposals

Panel:

- Kimberly Leahy, Department of Finance
- Elly Garner, Department of Education
- Amy Li, Legislative Analyst's Office

Background:

Professional development for teachers. Professional development is typically controlled and funded at the local level, using general purpose funding. The federal government also provides California with $210 million annually to support teacher professional development. The state also provides some funding for specific trainings and curriculum development for teacher training, including:

- *Educator Effectiveness Block Grants.* In 2015, $490 million in one-time Prop 98 funding was provided for Educator Effectiveness Block Grants. The funding was allocated to LEAs in an equal amount per full-time equivalent certified staff. LEAs had flexibility to use these grants on a number of professional development activities, such as mentoring, coaching, and trainings. CDE allocated funds for nearly 294,000 full time equivalent educators, while LEAs reported providing professional development for nearly 1.1 million educators. LEAs were able to spend this money through July 2018.

- *Subject Matter Projects at the University of California*. The University of California receives $7.6 million ongoing (state and federal funds) to support professional development in core subject areas through the Subject Matter Projects. There are currently nine projects: arts, global education, history-social science, mathematics, physical education-health, reading & literature, science, world languages, and writing. For each project, there is a statewide office, and regional sites that host professional learning programs in their areas. In 2018-19, approximately 25,000 educators from more than 1,200 school districts attended California Subject Matter Project programming.

- *California Early Math Initiative.* The 2018 Budget Act included funds available through 2020-21 to develop resources and implement professional development for pre-K through grade 3 educators. These funds have been used to build educator knowledge, enthusiasm, and comfort in teaching math, as well as to provide coaching on math strategies. Through 30 different organizations, over 1,400 educators participated in the initiative.

Learning loss and student re-engagement after distance learning. Although it is difficult to measure, students have likely not learned as much during the past year as they would have in a normal year. This "learning loss" has disproportionately affected students in earlier grades and students who are low-income or English language learners[5]. Ensuring that these students do not fall behind permanently poses a significant challenge to educators as schools move towards reopening.

[5] https://edpolicyinca.org/newsroom/covid-19-and-educational-equity-crisis

MTSS and SUMS. Multi-tiered systems of support (MTSS) refers to integrated support for social-emotional, academic, and behavioral needs of all students at the school and district level. In April 2016, Orange County Department of Education, in partnership with Butte County Office of Education and other partner organizations, was awarded a large grant to implement MTSS statewide, an effort called Scale Up MTSS Statewide (SUMS). This provides a process for Local Education Agencies (LEA) to assess their strengths, coordinate supports to their Local Control Accountability Plans (LCAP), and align their MTSS efforts with the state priority areas[6]. Since 2015, the state has provided $45 million for the SUMS initiative.

Governor's Budget Proposal:

- **Educator Effectiveness Block Grants.** The proposed budget includes $250 million one-time Proposition 98 General Fund for a new Educator Effectiveness Block Grant to provide LEAs with flexible resources to expedite professional development for teachers, administrators, and other in-person staff. This would be similar to the 2015-16 program, but with a new focus on areas that are immediately relevant given COVID-19, distance learning, student and staff stress and anxiety, and social equity issues. These high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training. Funds could be used through the 23-24 school year. DOF estimates a funding allocation for approximately 300,000 certificated staff, which would provide around $833 per full time equivalent educator.

- **Professional Development in Social-Emotional Learning.** The proposed budget includes $50 million one-time Proposition 98 General Fund to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices. This includes:

    - $30 million for grants to LEAs to implement services or practices aligned with the MTSS framework developed under the SUMS project, with a focus on addressing the mental health and social and emotional needs of students who have been adversely impacted by the pandemic response. These funds could be used for a variety of purposes related to training and implementing the MTSS framework and practices at the school and district level. Priority would go to LEAs with a high number of unduplicated pupils, as defined through the Local Control Funding Formula.

    - $20 million to build the state's capacity to support LEAs in several key areas, including social emotional learning, by creating a centralized set of resources, providing ongoing training and coaching, etc. This would be managed by the Orange County Department of Education, the Butte County Office of Education, and contracted partners.

- **California Early Math Initiative.** The Governor's proposed budget includes $8.3 million one-time Proposition 98 General Fund for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade through the statewide system of support. The funding would be available over three years. Additional funding could also support state-level capacity to broaden the

[6] https://www.cde.ca.gov/fg/aa/lc/stateprioritysresources.asp

reach of the Early Math Initiative among California State Preschool and other programs across the state.

- **UC Subject Matter Project on Learning Loss**. The proposed budget includes $7 million one-time non-Proposition 98 General Fund to the University of California Subject Matter Projects to create high-quality professional development. $5 million would go to a project on learning loss in core subject matter content areas like reading and math and $2 million would go to a project on ethnic studies.

- **Ethnic Studies Professional Development.** The proposed budget includes $5 million one-time Proposition 98 General Fund to fund professional development and instructional materials for local educational agencies who are offering, or would like to offer, courses on ethnic studies.

Legislative Analyst's Office Analysis:

Recent Federal Funds Could Also Support These Activities. With a total of $7.5 billion in flexible and locally controlled funding available across the two federal emergency relief packages, California public schools will have significant one-time resources available to spend in 2021-22. These funds could be used to attract and retain qualified teachers through awards and bonuses, and/or support a wide variety of professional development activities, similar to the ones proposed here. The Legislature should consider whether federal funding should be used to cover these areas, and/or how the Governor's proposals could complement these federal funds.

Most Targeted Proposals Are Addressing Specific Gaps in Training. Given most decisions about professional development are made locally, we think directing most professional development funding to districts makes sense. To the extent the Legislature wants to dedicate state-level funding to develop additional training resources, we think it should consider whether the additional resources are addressing existing gaps in training. Most of the targeted proposals in the Governor's budget address existing gaps. The Early Math Initiative, for example, provides training resources in an area where relatively few training resources exist. Providing training on the forthcoming ethnic studies model curriculum is reasonable, given elements of the guidance will be new to schools. We are less clear, however, on how the funding for Subject Matter Projects would address existing gaps. The proposal includes $5 million for learning recovery in core subject areas, but it is unclear how this would differ from other training currently provided through the program. Furthermore, the $2 million provided to the Subject Matter Projects for ethnic studies appears duplicative of the Governor's other proposal on ethnic studies.

Consider Requiring Clear Deliverables and Expectations Tied With Funding for Targeted Proposals. The Governor's budget includes very few details on the deliverables and expected activities to be funded under the subject-specific proposals. For instance, the Early Math Initiative proposal does not specify the types of activities to be supported with additional funding. The Subject Matter Projects proposal does not clarify how the proposed one-time augmentation would be used differently than ongoing funding currently provided to the program. The proposed funding for social-emotional learning also lacks detail regarding the level of support this funding would provide for schools. The Legislature may want to establish a clear set of deliverables and expectations for each proposal that is approved to ensure funds are spent as intended and achieve the desired outcomes.

Suggested Questions:

- What is the relationship between the Subject Matter Projects and the related professional development funding? For example, the $5 million for ethnic studies PD and the $2 million for a Subject Matter Project in ethnic studies?

- Can you elaborate on what the Early Math Initiative funding would be used for? Does the program need ongoing, instead of one-time, funding?

- How does the Administration intend to use federal funds to complement these programs?

Staff Recommendation:

Hold Open

Issue 6: Community Schools Grant Program

Panel:

- Liz Mai, Department of Finance
- Elly Garner, Department of Education
- Michael Alferes, Legislative Analyst Office

Background:

The final 2020-21 Budget Act authorized the California Community Schools Partnership Program grants and appropriated $45 million in one-time federal relief aid from the Elementary and Secondary School Emergency Relief Fund, with the intent to support existing Community School models during the COVID-19 pandemic. School districts, county offices of education, and charter schools, excluding non-classroom-based charter schools, are eligible to apply for the Program, and awards are expected in February 2021. According to CDE and the Budget Act, grant funding may be used for any of the following purposes:

- Expanding and sustaining existing community schools
- Coordinating and providing health, mental health, and pupil support services to pupils and families at community schools
- Providing training and support to local educational agencies (LEAs) personnel to help develop best practices for integrating pupil supports.

Applicants are also required to include four key pillars in their community school model, which are aligned and integrated into high-quality, rigorous teaching and learning practices and environments:

- Integrated support services;
- Family and community engagement;
- Collaborative leadership and practices for educators and administrators; and
- Extended learning time and opportunities.

In addition, CDE recommends that an LEA application should also include strategies to address learning loss and support student-centered learning, based on research findings outlined as ‘the science of learning and development.’ These include, but are not limited to, the following: student engagement, social-emotional learning, trauma-informed approaches, peer-to-peer support, positive school climate, and ‘just-in-time’ academic and social-emotional supports. According to CDE, 102 LEAs have applied for this program, for a total of $167.5 million in funding.

Trailer legislation adopted as part of the 2020-21 budget package allows the State Superintendent of Public Instruction (SPI) to set aside one percent of the funding ($450,000) to provide technical assistance to potential applicants, as well as provide program oversight and technical assistance to grantees. As part of the oversight, this funding can also be used toward the comprehensive report that the SPI must provide to the Governor and the Legislature by 2025.

Prior Community School Investments. The Healthy Start Support Services for Children Act (Healthy Start Initiative) was established in 1991 through SB 620, and provided comprehensive, school-community integrated services and activities to improve the lives of children, youth, and families. The services included health, dental, and vision care; mental health counseling; family support and parenting education; academic support; health education; safety education and violence prevention; youth development; employment preparation; and others—serving as the seed funding for most existing Community School models in California. The Healthy Start Initiative provided grants to local education agency partnerships for program development and implementation. Schools with 50 percent of the students eligible for free and reduced meals in the lower grades, and 35 percent eligible in middle through high schools were eligible for the competitive grant. In addition, English learners were a targeted population. Planning, operational, and combined grants that included planning and implementation activities were awarded to local educational agencies and their collaborative partners for locally coordinated, school-linked services. The Healthy Start Initiative was designed to do the following:

- Ensure that each child receives the physical, emotional, and intellectual support that he or she needs-in school, at home, and in the community-to learn well.
- Build the capacity of students and parents to be participants, leaders, and decision-makers in their communities.
- Help schools and other child and family-serving agencies to recognize, streamline and integrate their programs to provide more effective support to children and their families.

The CDE administered Healthy Start and awarded two-year planning, five year operational, and seven-year combined planning and operational grants to LEAs. Healthy Start developed community partnerships with public and private partners to deliver coordinated physical and mental health services to children and their families. These services were provided to students at the school site or at other district locations. After the Healthy Start grants expired, LEAs were expected to sustain the partnerships, programs, and services through other funding sources. State funding for the Health Start Initiative funding was eliminated in 2007. Some community school models found other funding sources to maintain services, including MediCal LEA billing (MAA), local First 5 funding, and other local health and community partnership funding. A total of 823 Healthy Start planning grants, 651 operational grants, and 19 combined grants were awarded during the Initiative's existence, impacting over 1,500 school sites.

Governor's Budget Proposal:

The January Budget provides an additional $265.2 million in one-time Proposition 98 General Fund to provide additional grants through the Community Schools Grant program, as authorized in the 2020-21 Budget Act, and would expand the program to support the establishment of new community schools in addition to expanding and enhancing existing community school models.

Applicants would be prioritized using the same criteria as in the first round. Under the Governor's proposal, the new round of grants would be available until June 30, 2026—providing grantees about four years to spend the funding. In contrast, grantees receiving awards in the current year have about a year and a half to spend the funds. As with the first round of funding, the SPI can set aside up to one percent of the total funding proposed ($2.7 million) to provide technical assistance to potential applicants and oversight and technical assistance to grantees. Grantees awarded funding under this second round of grants would also be evaluated as part of the SPI's comprehensive report required in the first round of grants.

Legislative Analyst's Office (LAO) Analysis:

Community Schools Are Associated With Improved Outcomes… Formal evaluations of community schools tend to find positive results for student and school outcomes, such as higher attendance and graduation rates, narrower academic achievement gaps as measured by standardized tests, and decreases in instances of disciplinary incidents. By prioritizing grants for high-poverty schools, the proposal prioritizes the grants for LEAs that would most benefit from implementing such a model. In turn, these LEAs would be able to provide comprehensive services and supports for their high-needs students.

…But Implementation Can Be Challenging. Although adopting a community schools model can lead to improved outcomes, particularly for disadvantaged students with the greatest needs, successful adoption requires fundamental changes that can be a complicated for LEAs to implement. Experts say the following elements are critical for successful implementation:

- ***Community Partnerships.*** The lead educational agency behind the implementation of a successful community school may spend a year or more developing its implementation strategy before putting it into action, as well as establishing strong relationships with potential service providers and community partners.

- ***Funding.*** Community schools typically require a variety of long-term funding streams. This can include public funding sources, such as reimbursement for health care services from Medi-Cal, as well as private philanthropic support. Because community schools frequently rely on philanthropic support, establishing a sustainable community school in a region where relatively few nonprofits or private foundations operate may be more difficult.

- ***Support.*** Researchers emphasize that successfully implementing the community school model requires a substantial amount of technical assistance—sometimes over the course of several years. LEAs without prior experience operating community schools may need help learning how to develop external partnerships, collaborate with other public agencies, identify ongoing funding streams, and rebuild existing governance structures to align with the community schools model.

Technical Assistance for First Round Still Being Developed. With the exception of hosting webinars to inform potential applicants about the grant, CDE has not yet provided technical assistance to applicants or grantees. Rather, CDE has indicated they are in conversation with one of their existing technical assistance contractors to begin providing assistance to the first round of community school grantees, as well as to complete the required report to the Legislature. As part of these conversations, CDE expects to come to an agreement on the specific technical assistance the partner will conduct.

Second Round of Grantees Will Likely Need Greater Support. Given CDE does not yet have a plan for providing technical assistance to the first round of grantees, it is not possible to determine whether the level of technical assistance is sufficient to help grantees successfully expand their community schools programs. The first round of grantees, however, were LEAs with existing community schools that were likely to have already conducted some of the more challenging aspects of implementing a community schools model, such as developing partnerships and conducting a community needs assessment. By contrast, the second round of grantees will include LEAs that are new to the community schools model. They are likely to need more support during the application process and after receiving a grant award. Since existing community schools already provide some level of services and supports to their students, we think the proposed grant program would have the greatest statewide benefit if it provided sufficient support to address the needs of LEAs that do not currently have a community schools model.

Prioritization Favors Applicants With Existing Community Schools. The Governor's proposal would create one application process that would include LEAs interested in establishing new community schools, as well as those interested in expanding their existing community schools. In addition, the proposal requires the SPI to prioritize applicants that have taken initial steps to implement a community schools model, such as partnering with other agencies and creating a long-term plan for financially sustaining their community schools when grant funds expire. This prioritization criteria would likely work against new programs and result in existing programs receiving the bulk of new grant funds. This would limit the effectiveness of the grant program in expanding the community schools model to benefit a greater number of students across state

The LAO recommends the following:

Set Specific Expectations for Technical Assistance. Given the need for technical assistance in developing a successful community schools model—particularly for those establishing new community schools—we recommend the Legislature modify the proposal to set clear and specific expectations for the type of technical assistance that prospective applicants and grantees will receive. At a minimum, we recommend the state technical assistance be available to assist schools with (1) conducting a community needs assessment, (2) improving community engagement, (3) creating community partnerships, and (4) developing sustainable funding sources. We recommend the assistance be available for prospective applicants and grant recipients. CDE could contract with one or more entities with expertise in these areas to ensure sufficient capacity to support all interested LEAs. Clear expectations for technical assistance would particularly be beneficial for interested applicants that have less experience with implementing the community schools model.

Consider Increasing Set-Aside for Technical Assistance. To the extent the specific technical assistance requirements listed above would require spending more than 1 percent of the total grant, the Legislature could consider increasing the amount that can be set aside for technical assistance. The proposed new grant would provide about $2.7 million for technical assistance that could be spent over four years—$662,000 per year. This is somewhat higher than the $450,000 available over one year under the first round of grants. To assess whether that amount is sufficient, the Legislature could ask CDE to report in the spring on whether the amount of technical assistance available in the current year has been sufficient to address the needs of the first round of grantees.

Modify Grant Process to Benefit New Programs. To ensure grants are awarded to applicants interested in establishing new community schools, we recommend the Legislature modify the proposal to split funding into two separate grants—one for those seeking to expand existing community schools and one for applicants seeking to establish new community schools. This approach would expand the model more equitably across the state and ensure funding can benefit communities that do not currently have the capacity to provide more comprehensive services to their students. To provide additional support for LEAs interested in establishing new community schools, the Legislature also could consider pushing back the application deadline for those seeking to establish new programs to later in the fiscal year. This would give LEAs more time to seek technical assistance and develop partnerships prior to the applications deadline.

Suggested Questions:

- How did the Administration determine the amount of funding for this grant program?
- How are successful community school models sustained over time and are any lessons from these built in to the current grant program?
- Who are the partners that CDE is working with to provide technical assistance to grantees from the first round of funding? Was their input used in developing this grant proposal?

Staff Recommendation: Hold Open

Issue 7: Other Budget and Trailer Bill Proposals

Panel:

- Melissa Ng, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Elly Garner, Department of Education

Governor's Budget Proposals:

The Governor's January proposal also includes the following funding proposals:

- $3.1 million in one-time federal funds for the Standardized Account Code Structure System. This funds the next phase of a multi-year project to replace and update this system for tracking and reporting of funds.

- $4 million in one-time General Fund for the Special Olympics of Northern and Southern California. These funds support various programs and would be available for expenditure through 2023-24.

Governor's Budget Trailer Bill Proposals:

The Governor's January proposal also includes the following trailer bill proposals:

- **AB 1200 Clean-up for County Offices of Education.** This language would make technical clarifying changes to process by which county office of education budgets are certified and overseen by the Superintendent of Public Instruction.

- **Revising Repayment Terms for Funds Owed to the School Facilities Program.** This language would change the maximum repayment period for funds owed by districts to the School Facilities Program from 5 years to 20 years, aligning with the repayment period for repaying emergency apportionments. In addition, this language updates the requirements to repayment of funds not expended in accordance with the terms of the School Facilities Program to include funds from the 2006 and 2016 State School Facilities Funds

- **School District Lapsation Process.** This language provides for additional control over the lapsation process at the local level, allowing lapsation to occur upon resolution of the local governing board of the school district with written concurrence of the county superintendent.

- **Adult Students in Charter Schools Program**. This language would narrow the eligibility for charter schools to enroll adult students in their programs and receive state funding. Additional reporting would also be required of charter schools operating these models. Schools previously serving adult students in 2019-20 would be grandfathered in at their 2019-20 funding level. Staff notes that a related proposal was made by the Governor in the past budget cycle, and was withdrawn by the Administration for future discussion.

- **Alignment of Distance Learning Attendance and Record-Keeping Penalties.** This language would revise the calculation of penalties associated with distance learning attendance to reflect penalties only for the specific number of days out of compliance with requirements.

- **School District Hold Harmless Language.** Adjustments to funding calculations for Pioneer Union School District and Paradise Unified School District to provide funding relief related to natural disasters.

- **Net Charter Shift Proposal**. This language suspends the calculation of allocating charter school average daily attendance (ADA) to a sponsoring school district in the 2021-22 fiscal year, to conform to other ADA changes made during the pandemic.

- **Charter Mid-Year Closure.** This language would allow the Superintendent of Public Instruction to reduce funding apportioned for charter schools that close during the 2020-21 school year if the school operated for 175 days or less.

- Other technical language changes.

Suggested Questions:

- Can the Administration share the process for determining which LEAs need additional support related to natural disasters or other extenuating circumstances? Will the Administration be considering assistance for other LEAs?

- How does the Administration's proposal for adults in charter schools differ from previous proposals? How does this proposal interact with the adult education program?

Staff Recommendation:

Hold Open

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, February 24, 2021
9:00 a.m.
State Capitol - Room 4203

Consultant: Anita Lee and Elisa Wynne

Items for Discussion

Public Comment

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

6610 HASTINGS COLLEGE OF LAW

Issue 1: Base Augmentation

Panel

- Brian Rutledge, Department of Finance
- David Faigman, Chancellor and Dean, Hastings College of Law
- David Seward, Chief Financial Officer
- Jason Constantouros, Legislative Analyst's Office

Background

California has five public law schools. The University of California (UC) operates four of these schools—at its Berkeley, Los Angeles, Davis, and Irvine campuses. The fifth school, Hastings, is affiliated with UC but operates independently in many respects, having its own governing board (known as the Board of Directors). Hastings was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. Hastings is the oldest law school and one of the largest public law schools in the United States. Hastings' board has similar responsibilities as the UC Board of Regents, including establishing policy, ratifying collective bargaining agreements, adopting budgets, and setting student tuition and fee levels. Hastings' affiliation with UC offers it certain benefits. For example, Hastings uses UC's payroll processing and investment management services. Additionally, Hastings' employees participate in UC's employee health and pension programs.

As shown in the Legislative Analyst's Office figure below, Hastings receives approximately 71 percent of its total operational funding from student tuition and fee revenue, the the remaineder from state General Fund, and a small amount from smaller sources such as state lottery and investment income.

Figure 1

Hastings' Core Budget Would Increase Under Governor's Proposal

(Dollars in Millions, Except Per-Student Amounts)

	2019-20 Actual	2020-21 Estimated	2021-22 Proposed	Change From 2020-21		Change From 2019-20	
				Amount	Percent	Amount	Percent
Core Funding							
General Fund[a]	$15.2	$14.7	$16.8	$2.1	14.3%	$1.6	10.2%
Student tuition and fees	42.7	43.1	47.3	4.2	9.7	4.6	10.8
Other[b]	1.8	1.5	1.7	0.2	15.3	-0.1	-7.3
Totals	**$59.8**	**$59.3**	**$65.8**	**$6.5**	**11.0%**	**$6.0**	**10.1%**
Full-Time Equivalent Students	944	963	1,054	91	9.5%	110	11.6%
Funding Per Student	$63,298	$61,587	$62,426	$839	1.4%	-$872	-1.4%

[a] Excludes ongoing General Fund for lease revenue bond debt service and one-time General Fund.
[b] Consists of numerous fund sources, including state lottery, investment income, and overhead charged to auxiliary programs.

Since 2015-16, Hastings has had an operating deficit due to a decision by the school to increase tuition discounts for students to about 40 percent. As the school's core funding levels could not support this higher level of tuition discounts, Hastings covered these costs by drawing down its core budget reservces. Though Hastings has since returned to its more traditional level of tuition discounting (30 percent) for new students, its operating deficit has persisted because previous student cohorts with the larger discounts are still enrolled.

The 2020-21 budget reduced Hastings operating budget by $536,000, which would have been backfilled if additional federal funds were provided. While the Hastings received a reduction in state funding in 2020-21, these reductions were partially offset by incrases in enrollment. As a result, Hastings core funding was $438,000 or 0.8 percent lower in 2020-21 compared to 2019-20. Hastings also received $859,671 in total federal relief funds (from the two higher education funding rounds to date), of which $583,053 is for offsetting campus revenue losses and covering extraordinary campus costs. The remaining $276,618 is for emergency student financial aid.

Hastings Has Largely Addressed Budget Shortfalls by Using Reserves. On its core budget, Hastings anticipates deficit spending of $2.2 million (3.6 percent of annual spending) in 2020-21, leaving $10.7 million in its core unrestricted operating reserve (about two months of annual spending). This deficit is notably smaller than the one Hastings had in 2019-20 (which was $9.1 million, or 13 percent of annual spending, this amount included $6.5 million in non-cash pension and retiree health care costs of $6.95 million). In addition to drawing down its core reserves, Hastings reports taking some other actions to mitigate the impacts on its budget. For example, the school reports laying off some core-funded employees. In addition, several Hastings employees voluntarily agreed to one-time salary reductions ranging from 5 percent to 50 percent. For its auxiliary programs, Hastings anticipates ending 2020-21 with a $849,667 deficit (18 percent of annual auxiliary spending) and $2.5 million in reserves (more than six months of annual spending).

<u>Governor's Budget Proposal</u>

The Governor proposes a $2.1 million General Fund (14 percent) base increase to Hastings. This increase is contingent on Hastings not increasing student tuition charges in 2021-22. According to the Administration, the proposed augmentation would avoid a seven percent increase ($3,044) in resident and nonresident tuition charges ($420) in 2021-22 initially adopted by Hastings' governing board in September 2020. In 2020-21 Hastings charges $43,486 in resident tuition, and an addition $6,000 for non-residents.

Though Hastings would not increase its tuition charges, it anticipates a 9.5 percent increase in enrollment, generating $4.2 million in additional tuition revenue. When factoring growth in other core funding, Hastings anticipates total unrestricted core funding to increase by $6.5 million (11 percent) in 2021-22 over its 2020-21 level.

Based on the Governor's budget proposal, Hastings has plans to spend this funding as follows: (1) $1.8 million on student financial aid, (2) $895,000 on a three percent employee compensation increase, (3) $181,000 to restore one-time salary reductions, (4) $201,000 on operating expenses and equipment, (5) $89,000 on pension and health care benefits, and (6) $3.6 million to build core reserves. As a result, Hastings would end 2021-22 with a $1.4 million budget surplus, and $12.1 million in core budget reserves.

Legislative Analyst's Office Comments

The LAO recommends the Legislature treat the Governor's proposed General Fund augmentation for Hastings as a maximum potential increase, even were the state's budget situation to improve in May. Similar to the recommendations for the other higher education segments, the LAO recommends the Legislature adopt an expectation that Hastings report on its experience with online education. Such a report should include: (1) data on pre-pandemic enrollment in its online courses, (2) analysis as to which courses are most suitable for online instruction, (3) an estimate of the fiscal impact of expanding online education, (4) a plan for improving student access and outcomes using technology, and (5) an assessment of the need for additional faculty professional development.

Staff Recommendation. Hold Open.

6120 CALIFORNIA STATE LIBRARY

The State Library's main functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, Internet services, and resource sharing, among other things.

In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. In 2018-19, 185 library jurisdictions with 1,119 library branches are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to information a core part of their mission. More than 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

Issue 2: Zip Books and Lunch at the Library

Panel

- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Jason Constantouros, Legislative Analyst's Office

Background

Zip Books. The Zip Books program purchases patron-requested books through Amazon and delivers them directly to patrons' homes. After completing a book, the patron gives it to the local library. The library can either keep the book, give it to another library, or sell it. Zip Books is often framed as an alternative approach to interlibrary loans and other forms of book sharing. In 2016-17 and 2018-19, the state provided $1 million in one-time General Fund through the Library Services Act to support Zip books. In 2019-20, staff at the State Library noted that 68 library jurisdictions (37 percent) currently participate in the program.

Lunch at the Library. Established in 1946, the National School Lunch Program provides public school children free or reduced-price lunches while they attend school. Under the program, the United States Department of Agriculture (USDA) reimburses schools for providing meals that meet certain nutrition standards. USDA also reimburses states for providing free summer meals. For school districts, the reimbursement rates for summer meals are the same as those provided during the school year. For summer-only meal operators, reimbursements rates are slightly higher (with the higher rates likely intended to account for these operators' higher administrative costs).

Whereas only schools provide meals during the academic year, many more organizations—including local government agencies and nonprofit organizations—are eligible to provide summer meals. Students are not required to demonstrate eligibility to receive a summer meal. Instead, organizations can provide summer meals to any individual under the age of 18 at an eligible site.

Eligible sites are those located in areas where at least 50 percent of students qualify for a free or reduced-price lunch during the school year. Third, all meals provided at eligible sites are free.

In 2016-17, the summer program received $46 million in federal funds. Of this amount, $25 million covered meals provided by 351 school districts (roughly one-third of all districts) at 2,390 sites, with $21 million covering meals provided by 199 local agencies, nonprofit organizations, and other providers at 2,571 sites. The state provided a small General Fund match ($2 million) to the federal funding, which increased the reimbursement rate for each summer meal slightly. Altogether, 16.2 million summer meals were provided in 2016-17—an average of 419,00 meals per summer day.

Initiated in 2013, Lunch at the Library was established as a partnership with the California Library Association (an association of California local libraries) and the California Summer Meal Coalition (a multisector group dedicated to increasing summer meal participation). Because the federal summer meal program supports the cost of providing meals to students, Lunch at the Library focuses on other services and initiatives that support summer meal sites. Specifically, the program funds: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites.

Governor's Budget Proposal

The Governor proposes making both initiatives ongoing. Under the Governor's budget, Zip Books would receive $1 million ongoing General Fund and the Lunch at the Library program would receive $800,000 ongoing General Fund.

Legislative Analyst's Office Comments

Given its projected out-year operating deficit, the state is constrained in its capacity to increase ongoing General Fund commitments. Given all the other calls on limited ongoing General Fund resources, the LAO questions whether these library proposals rank among the state's highest ongoing budget priorities. Local libraries already have funding and arrangements to facilitate book sharing, and the state and federal government already support student meal programs and after school programs. In both cases, patrons and students likely have other options for accessing the respective services. Moreover, no evaluations have been undertaken to assess the cost-effectiveness of the Zip Books and Lunch at the Library initiatives since receiving state funding.

The LAO recommends the Legislature revisit both of these proposals in May. Were the state to continue to have a projected out-year operating deficit, the LAO recommends the Legislature reject these proposals and redirect the associated funds toward higher budget priorities (for example, to help restore ongoing funding for the universities or provide more one-time funding for university facility maintenance).

The subcommittee may wish to ask:

1. Do local libraries coordinate with their local school districts to offer school lunches?
2. What percentage of local libraries offered Lunch at the Library this summer? Did local libraries experience an increase in demand for meals during the summer 2020? How were these programs funded?

Staff Recommendation. Hold Open.

Issue 3: Educational Enrichment Programs

Panel
- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Jason Constantouros, Legislative Analyst's Office

Background

In 2019-20, the state provided one-time General Fund for local assistance grants focused on: (1) early learning and after school library programs ($5 million); and (2) mobile library initiatives ($3 million). Mobile library initiatives focus on extending services to patrons who have difficulty visiting their local libraries for health or other reasons. The State Library had flexibility to determine key parameters for these grants, such as eligibility and local match requirements. The State Library allowed local libraries to apply for one or both of these grant opportunities using a single application. According to the State Library, it awarded grants to 75 projects, representing virtually all of the applications received. The State Library does not have a break out for each of the grant opportunities. Award recipients were required to match between 20 percent to 30 percent of their awards with their local funds, with the match depending on the average income levels of residents in their respective service areas.

Governor's Budget Proposal

Similar to the 2019-20 budget, proposes one-time General Fund for these initiatives—$5 million for early learning and after school programs and $3 million for bookmobiles. Similar to the proposal in 2019-20, the State Library would have flexibility to determine eligibility and local match requirements.

Legislative Analyst's Office Comments

The state provides billions of ongoing funds to early education providers and schools to provide instruction to California's pre-K and K-12 students. Schools also are receiving billions of dollars in one-time federal and state funding to address student learning loss during the pandemic. With these large amounts targeted for California students, the statewide impact of the Governor's small, one-time library proposals likely would be very limited. Furthermore, the state has not fully evaluated the outcomes of the last round of educational enrichment library grants to assess their success or compared their cost-effectiveness with school-based programs.

In contrast to the early learning and after school grants, the bookmobile grants appear to be more narrowly tailored specifically toward library services. The bookmobile proposal also could be viewed as having a loose connection to the effects of the pandemic, as some individuals likely have been less inclined to access on-site library materials. Having said that, the state provided funding for bookmobiles prior to the pandemic and other issues, such as learning loss, appear more strongly linked to the effects of the pandemic. In addition, similar to the grants for early learning and after school programs, the state has not fully evaluated the outcomes of the last round of bookmobile grants to assess their impact. For all of these reasons, the Legislature may wish to weigh funding for additional bookmobiles and extended library services against other high one-time priorities.

The LAO recommends the Legislature reject the proposed $5 million in grants for early learning and after school programs and redirect those funds for higher one-time budget priorities. The LAO recommends the Legislature consider the $3 million for bookmobiles, but still assess this request in light of the state's other pressing one-time priorities, such as initiatives to address learning loss at schools.

Staff Recommendation. Hold Open.

Issue 4: Corporation for Education Network Initiatives (CENIC)

Panel

- Jennifer Louie, Department of Finance
- Greg Lucas, California State Librarian
- Raul Rincon, Corporation for Education Network Initiatives in California (CENIC)
- Tony Nguyen, Corporation for Education Network Initiatives in California (CENIC)
- Jason Constantouros, Legislative Analyst's Office

Background on Internet Charges

The Corporation for Education Network Initiatives in California (CENIC) was formed in the 1990s to provide the state's public education agencies access to a high-speed internet network. Since 2014-15, the state has provided funding to the State Library to allow local libraries to use this network. The State Library pays its CENIC charges using General Fund and a special fund, the California Teleconnect Fund (CTF). Local library jurisdictions are responsible for covering the cost of annual internet service charges from the CENIC network to their local sites. Local libraries use their local funds and state and federal technology discounts to pay these costs.

Background on Recent Fee Increases. In May 2020, CENIC's Board of Directors approved three changes to its fee structure for member agencies, including the State Library. According to staff at CENIC, the changes are intended to cover a structural budget deficit at CENIC and bolster some of its services.

- New Circuit Deployment Fee. Beginning in 2020-21, all members will be required to pay a one-time fee of $6,333 for each new or upgraded circuit. (Circuits connect sites to the CENIC network. Circuits can be upgraded to provide more bandwidth, which in turn increases internet speeds.)

- New Administrative Pass-Through Fee. Beginning in 2021-22, all members will be required to pay a 7.2 percent administrative fee on all pass-through costs and bulk purchases conducted by CENIC of their behalf. CENIC intends to use a portion of the resulting fee revenue to improve internet security for its members.

- Higher Membership Fee. Beginning in 2022-23, participants' membership fee (currently $4.6 million for the State Library) will increase by 3 percent annually.

Governor's Budget Proposal

For 2020-21, the Governor proposes providing $300,000 one-time General Fund to support the first year of local library circuit deployment fees. For 2021-22, the Governor proposes providing $500,000 ongoing General Fund to help cover ongoing costs resulting from the new administrative pass-through fee. In addition to these amounts, the Governor proposes reappropriating unspent funds for local library broadband grants. The 2018-19 budget provided $5 million one-time General Fund for this purpose, of which $1.3 million remains unspent.

Legislative Analyst's Office

Assessment of Fee Increases. In late January, the LAO office met with staff at CENIC to discuss its activities and fee increases. While CENIC staff explained the planned fee increases, they were unwilling to share complete data on CENIC's revenues, expenditures, surpluses/deficits, and reserves. Without knowing CENIC's budget situation, the LAO was not able to assess the merits of CENIC's planned fee increases.

Assessment of Proposed Funds to Cover Fee Increases. The LAO has three concerns with the specific State Library broadband proposals.

- The LAO is still working with the State Library to understand the basis for the proposed $300,000 for circuit deployment fee costs in 2020-21 and the Administration's plan to fund circuit deployments in future years.
- The state has $1.3 million in unspent local library grant funds that could be used to help cover the costs of establishing and upgrading circuits.
- The proposal would continue a recent state practice of overbudgeting for State Library CENIC costs. In 2021-22, the state would be providing $57,580 more than the State Library's estimated costs. According to staff at the State Library, this overbudgeting is intended to provide a cushion to help cover unexpected associated cost increases. The LAO does not think such a cushion is warranted, as the state can address changes in costs annually through budget action.

The LAO recommends the Legislature take the following actions:

1. Direct the Administration to explain its plans for the $1.3 million in unspent local library broadband grants. To the extent these funds are available to cover projected circuit deployment fee costs in 2020-21, the LAO recommends the Legislature reject the proposed $300,000 in 2020-21 and direct the State Library to use its unspent broadband funds to cover circuit deployment fee costs in 2020-21 and 2021-22, revisiting any remaining funds thereafter.

2. Modify the proposed ongoing augmentation in 2021-22 from $500,000 to $443,000. The lower level would align General Fund support with projected programmatic costs. Were the State Library to experience higher or lower costs than projected, the Legislature could accordingly adjust this funding level in the future, as is regular budget practice for most state agencies.

<u>The subcommittee may wish to ask:</u>

1. The LAO notes that additional information regarding CENIC's revenues, expenditures, surpluses/deficits, and reserves is needed to be able to assess the merits of CENIC's planned fee increases. CENIC, can you describe this information to the committee now, and also submit it in writing?

2. DOF: What is the plan for the $1.3 million in unspent local library broadband grants?

<u>**Staff Recommendation. Hold Open.**</u>

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 5: Adult Education Program

Panel:

- Jen Kaku, Department of Finance
- Elly Garner, Department of Education
- Carolyn Zachry, Department of Education
- Representative from the Community College Chancellor's Office
- Paul Steenhausen, Legislative Analyst's Office

Background

Adult Education Program. The Adult Education Program was created in 2015-16 and was provided $500 million in ongoing Proposition 98 funding annually for the provision of adult education through the K-12 and community college systems and their local partners. This new program was built on two years of planning to improve and better coordinate the provision of adult education by the Chancellor of the California Community Colleges and the Superintendent of Public Instruction. The program restructured the provision of adult education through the use of regional consortia, made up of adult education providers, to improve coordination and better serve the needs of adult learners within each region.

There are currently 71 regional consortia with boundaries that coincide with community college district service areas. Formal membership in consortia is limited to school and community college districts, county offices of education (COEs), and joint powers agencies (JPAs). Each formal member is represented by a designee of its governing board. With input from other adult education and workforce service providers, such as local libraries, community organizations, and workforce investment boards, the consortia have developed regional plans to coordinate and deliver adult education in their regions. Only formal consortia members may receive adult education funding directly. However, under a regional plan, funds may be designated for, and passed through to, other adult education providers serving students in the region.

Adult Education Areas of Instruction. Block grant funds may be used for programs in seven adult education instructional areas:

1) Elementary and secondary reading, writing, and mathematics (basic skills).

2) English as a second language and other programs for immigrants.

3) Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.

4) Short-term career technical education with high employment potential.

5) Pre-apprenticeship training activities coordinated with approved apprenticeship

programs.

6) Programs for adults with disabilities.

7) Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

Consortia Funding. In changing to the new program, past funding levels for school districts and COEs that operated adult education programs were retained, and then additional funds above this level were designated for regional consortia based on each region's share of the statewide need for adult education, as determined by the chancellor, superintendent, and executive director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy. In 2016-17, and future years, the CCC and CDE distribute block grant funding based on (1) the amount allocated to each consortium in the prior year, (2) the consortium's need for adult education, and (3) the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year. In practice, each year's allocation has provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. However beginning in 2018-19, the adult education program received a cost-of-living-adjustment (COLA), except for the 2020-21 fiscal year due to budget constraints as the result of the pandemic. Each consortium may choose a fiscal agent to receive state funds and then distribute funding to consortium members, or opt out and have members receive funds directly. Inclusive of the proposed COLA in the 2021-22 Governor's budget as notes below, the total funding for the adult education program is $552.6 million.

In addition, according the LAO, the state provides approximately $300 million annually in noncredit apportionment funding for community college adult education programs.

Commencing with the 2019-20 fiscal year, the members of a consortium must develop and adopt a three-year adult education plan that addresses a three-year fiscal planning cycle, updated at least once each year. This additional requirement is intended to provide greater regional collaboration and stability and to support long term partnerships between consortium members. However, the adult education program has only grown by COLA since its creation, limiting program expansion. Recently, stakeholders have raised the issue of consortium members with large carryover balances without a consortium-approved plan for expenditure of those funds. Stakeholders have requested that the Legislature, CDE, and CCC review this practice to ensure that carryover within individual members of consortia does not resulting in funding not being used to serve students within the budget year as adult education needs grow.

Adult Education Reporting

Progress in Serving Adult Students. Consortia are in their sixth year of providing services under the adult education program. The most recent complete year of data is 2018-19, and adult education consortia served 897,325 unduplicated adult students. An unduplicated adult student is an adult who received any services or enrolled in any course provided by the adult education program, including one or more hours in a noncredit course or receipt of support services. As noted in the chart below, not all of these students were enrolled in adult education program areas, 293,812 received only services, which could include workshops, educational or career planning, assessment, or were referred to an outside supportive service (received at least one hour of instruction in adult education), leaving 603,513 as the official number for students enrolled in a program receiving 12 or more contact hours of instruction per year.

The highest enrollment category are English as a Second Language (ESL) and Civics as shown below, followed by Career Technical Education (CTE), Adult Secondary Education (ASE), and Adult Basic Skills Education (ABE).

Enrollment category trends are generally consistent across both adult schools and community colleges with the exception being that adult schools serve a higher proportion of students in ASE while the community colleges and adult schools are serving about an equal number of students in ABE.

Adult Education Outcomes. Finally, while data is lagged, there is some information on outcomes for students in the adult education program.

For 2018-19, approximately 40 percent students enrolled in ABE, ASE, and ESL completed one or more educational functional levels (measured by exit tests). Of total adult students in the program, 26 percent completed a noncredit career education or workforce preparation course or had 48 hours or more of contact hours in these courses. Approximately 19,259 adult students earned a diploma, GED, or high school equivalency. For degree and certificate completion, limited data is available and in 2018-19, 57,772 adult education students earned a post-secondary CTE certificate and 5,932 adult students earned a post-secondary credential.

Governor's Budget Proposal:
The Governor's budget proposal includes an increase of $8.1 million in ongoing Proposition 98 funding for a cost-of-living-adjustment (COLA) of 1.50 percent. The funds would be distributed to consortia based on their current allocation.

The Governor's budget proposal also includes an increase of $1 million ongoing Proposition 98 General Fund to support technical assistance for the Adult Education Program.

Suggested Questions:

- CCC/CDE: What impacts from the pandemic have consortia reported? Are any trends being reported that track with state or regional unemployment data?
- CCC/CDE: Have the departments looked at the issue of carryover by individual consortia? What data is available on the amount of carryover for individual members of each consortia?
- DOF: Has the Administration considering providing additional COLA funds to the adult education program, similar to what was provided in 2018-19, and the current "super" COLA provided for the K-12 Local Control Funding F1ormula, to make up for the foregone COLA in 2020-21?
- DOF: What additional technical assistance needs are covered in the additional $1 million in funding for this purpose?

Staff Recommendation. Hold Open.

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 6: Free Application for Federal Student Aid Proposals

Panel:

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

Background:

In general, more than half of high school seniors complete a financial aid application. Most students (US Citizens, permanent residents, or other qualifying non-residents) may use the Free Application for Federal Student Aid (FAFSA) to apply for federal, state, and institutional aid. Undocumented students (who are ineligible for federal aid) use the California Dream Act Application (CADAA) to apply for state and institutional aid. The California Student Aid Commission (CSAC) helps students complete these forms through its outreach programs, including the Cash for College program, which provides financial aid application workshops for students and their families. Fifty-eight percent of California public high school seniors submitted a FAFSA or CADAA for the 2020-21 award year. Applications for the 2021-22 award year opened on October 1, 2020. As of late fall, CSAC was reporting that application rates among incoming freshmen were down compared to the same time in the previous year, with declines notably larger among CADAA filers (46 percent) than FAFSA filers (9 percent).
AB 2015 (Reyes), Chapter 533, Statutes of 2018 requires school districts to ensure that all students receive information on how to complete a FAFSA or CADAA before entering their senior year. (The fiscal and programmatic impacts of this new requirement are not yet known, as it is taking effect in 2020-21.) Other states have gone one step further to require high school students to submit a FAFSA. At the federal level, the recent Consolidated Appropriations Act, 2021, reduces the amount of information required of financial aid applicants. According to federal estimates, the new rules could decrease the number of FAFSA questions from 108 to 36. These changes are scheduled to take effect in the 2023-24 award year.

Governor's Budget Proposal:

The Governor's budget includes trailer bill language to require school districts to confirm that all high school seniors complete a FAFSA or CADAA, unless the student chooses to opt out or the district exempts the student due to extenuating circumstances. Districts would also be required to direct students to support services provided by CSAC's outreach programs. These requirements would take effect for seniors in the 2021-22 academic year (applying for the 2022-23 award year). The trailer bill language provides districts with "complete discretion on how to implement" the requirements. The administration indicates this proposal is intended to increase financial aid utilization rates, as well as potentially increase college participation among low-income students. The proposal has no associated funding.

Legislative Analyst's Office (LAO) Analysis:

The LAO recently reviewed this proposal in their most recent publication, *The 2021-22 Budget: California Student Aid Commission.* The LAO had the following comments:

Proposal Would Likely Leverage More Federal Financial Aid. Based on the limited outcome data available from other states, we expect that the Governor's proposal would lead to an increase in financial aid application and utilization rates among recent high school graduates. One key benefit is that this would leverage additional federal Pell Grant funding to support students with their total cost of attendance. The size of this effect would increase over the course of several years, as additional cohorts are impacted by the policy. (Students may renew Pell Grants for up to six years of full-time undergraduate study or the equivalent.) Although the total amount of additional federal funds that would be drawn down is uncertain, it could conceivably be in the low hundreds of millions of dollars annually at full implementation.

Proposal Could Notably Increase Cal Grant Entitlement Spending. Just as more students would be considered for Pell Grants, more students also would be considered for Cal Grants. If the proposal were adopted, the state would likely see additional high school entitlement spending starting in the 2022-23 award year, with spending growing over the next three years as the larger cohorts of new recipients convert to renewal awards. At full implementation, the increase in Cal Grant spending over current levels could potentially be in the tens to low hundreds of millions of dollars annually. (The Cal Grant spending effect depends on various factors, including the policy's effect on FAFSA completion, the share of new applicants who meet Cal Grant eligibility requirements, the share of new applicants who enroll in college, their segment of attendance, and their renewal rate.)

Impact of Proposal on College Participation Is Uncertain. In addition to increasing financial aid utilization, the administration indicates that the Governor's proposal could encourage low-income students to enroll in college by increasing their awareness of available aid. This effect is plausible but uncertain. Research on the impact of FAFSA completion on college enrollment is limited, suggesting that FAFSA completion is associated with (but does not necessarily cause) college enrollment. Moreover, it is too soon to draw conclusions from states that have implemented similar policies to date.

Proposal Builds in Certain Student Protections. In contrast to policies enacted in some other states, the Governor's proposal does not tie the completion of a financial aid application to high school graduation requirements. This provision, together with the opt-out and exemption provisions, are intended to remove the burden of filling out the form for students who otherwise might not benefit from doing so. The Governor's proposal also requires districts to direct students to CSAC's outreach programs in order to help students navigate the application process. Forthcoming federal changes to the FAFSA form could further simplify the application process for students.

Proposal Could Potentially Create a Mandate for School Districts. Under Proposition 4 (1979), the state is required to reimburse local governments, including school districts, for the cost of new programs and higher levels of service imposed by the state. If the Governor's proposal were enacted—and if the Commission on State Mandates (CSM) were to determine that it constitutes a mandate—then the state would need to cover the associated cost for school districts. The cost would depend on the specific activities that CSM determines to be reimbursable. Although the cost has yet to be determined, it would likely be minor compared to the other fiscal impacts of this proposal (primarily increased Cal Grant spending).

The LAO recommends that the Legislature consider adopting the proposal in concept, but work with the Administration to ensure that the new requirement does not create any unnecessary costs for school districts. The LAO believes that the proposal could increase financial aid utilization and potentially college enrollment. Were the Legislature to adopt the proposal, the LAO further recommends that it plan for increased out-year costs within the Cal Grant entitlement program.

Suggested Questions:

- DOF/LAO: How will this policy address concerns around student privacy, particularly for undocumented or immigrant families?

- DOF/LAO: What costs might school districts bear in meeting these requirements? What types of counseling and support are needed to ensure students can accurately fill out financial aid forms and understand the information they are providing?

- How does CSAC currently coordinate with LEAs in assisting student with filling out financial aid forms and how is this coordination anticipated to change under this proposal?

Staff Recommendation: Hold Open.

6980 CALIFORNIA STUDENT AID COMMISSION

The mission of the California Student Aid Commission is to promote educational equity by making postsecondary education affordable for all Californians by administering financial aid and outreach programs.

The Commission consists of 15 members; 11 members are appointed by the Governor and confirmed by the Senate, 2 members are appointed by the Senate Rules Committee, and 2 members are appointed by the Speaker of the Assembly. In general, members serve four-year terms; the two student members, appointed by the Governor, serve two-year terms.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5755	Financial Aid Grants Program	110.3	122.3	122.3	$2,464,466	$2,680,861	$2,826,662
5775	Child Savings Accounts	-	-	-	10,000	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**110.3**	**122.3**	**122.3**	**$2,474,466**	**$2,680,861**	**$2,826,662**

FUNDING		2019-20*	2020-21*	2021-22*
0001	General Fund	$1,388,037	$2,244,370	$2,405,674
0784	Student Loan Operating Fund	-	100	-
0995	Reimbursements	1,080,798	435,609	420,610
3263	College Access Tax Credit Fund	5,631	782	378
TOTALS, EXPENDITURES, ALL FUNDS		**$2,474,466**	**$2,680,861**	**$2,826,662**

† Fiscal year 2019-20 budget display reflects the best available information for use in decision-making for this department and/ or these fund(s). Additional review and reconciliation of 2019-20 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

State Offers Multiple Types of Cal Grant Awards. Cal Grants are the state's primary form of financial aid. There are three main types of Cal Grant awards—Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide.

- Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities.
- Cal Grant B in most cases provides the same amount of tuition coverage as Cal Grant A, while also providing an "access award" for nontuition expenses such as food and housing.
- Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award amounts for tuition and nontuition expenses.

Across all three Cal Grant award types, students with dependent children qualify for a supplemental award that provides additional nontuition coverage. A student may receive a Cal Grant A or B award for up to four years of full-time study or the equivalent, whereas a Cal Grant C award is available for up to two calendar years.

Cal Grant Amounts Vary by Award Type and Sector
(Maximum Annual Award Amount, 2020-21)

Tuition Coverage	Amount
Cal Grant A and B[a]	
UC	$12,570
Nonprofit schools	9,084
WASC-accredited for-profit schools	8,056
CSU	5,742
Other for-profit schools	4,000
Cal Grant C	
Private schools	$2,462
Nontuition Coverage[b]	
Cal Grant B	
All segments	$1,648[c]
Cal Grant C	
CCC	$1,094
Private schools	547

[a]Cal Grant B recipients generally do not receive tuition coverage in their first year.
[b]Award amounts shown apply to students without dependent children. Students with dependent children qualify for a supplemental award that brings nontuition coverage to a maximum of $6,000 for Cal Grant A and B recipients and $4,000 for Cal Grant C recipients.
[c]Cal Grant B recipients also receive a supplemental award (up to $8) funded by the College Access Tax Credit.
WASC = Western Association of Schools and Colleges.

Entitlement and Competitive Programs Have Certain Eligibility Criteria. To qualify for Cal Grants, students must meet certain income and asset criteria, which vary by family size and are adjusted annually for inflation. For example, in the 2020-21 award year, a dependent student from a family of four must have an annual household income of under $106,500 to qualify for Cal Grant A or C, and under $56,000 to qualify for Cal Grant B. Students must also have a minimum grade point average (GPA), which ranges from 2.0 to 3.0 depending on award type. Cal Grants are provided as entitlements to recent high school graduates and transfer students under age 28. The state also provides a limited number of competitive awards to other students—typically older students who have been out of school for at least a few years.

Cal Grant Eligibility Criteria

Financial Criteria[a]
Cal Grant A and C • Family income ceiling: $99,200 to $127,700, depending on family size. • Asset ceiling: $85,500. **Cal Grant B** • Family income ceiling: $46,300 to $70,100, depending on family size. • Asset ceiling: same as A and C.
Other Major Criteria
High School Entitlement (A and B) • High school senior or graduated from high school within the last year. • Minimum high school GPA of 3.0 for A award and 2.0 for B award. **Transfer Entitlement (A and B)** • CCC student under age 28 transferring to a four-year school. • Minimum community college GPA of 2.4. **Competitive (A and B)** • An individual ineligible for one of the entitlement awards, typically due to age or time out of high school. • Minimum GPA requirements same as for entitlement awards. **Competitive (C)** 1. Must be enrolled in career technical education program at least four months long. • No minimum GPA. [a]Reflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24). GPA = grade point average.

Issue 7: Cal Grant A Eligibility Restoration

Panel

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

State Law Sets Financial Need Threshold for Cal Grant Eligibility. A student's financial need reflects the difference between two factors:

- The student's cost of attendance, which is calculated by their campus and varies based on their living arrangement (on campus, off campus, or with family).
- The student's expected family contribution (EFC), which is measured by a federal formula that takes into account household income and size, among other factors.

State law requires students to demonstrate a certain level of financial need to be eligible for Cal Grants. To receive a Cal Grant A award, a student's financial need must be at least $1,500 higher than the maximum award amount at their segment of attendance. As mentioned earlier, the maximum award amount at the California State University (CSU) and the University of California (UC) is linked to systemwide tuition and fees. With the $1,500 addition, the financial need threshold for a Cal Grant A award in 2020-21 is $7,242 at CSU and $14,070 at UC. The Cal Grant B award has a lower financial need threshold of at least $700, regardless of segment.

Certain Students Who Changed Living Arrangement Lost Cal Grant Eligibility. Due to the pandemic, on-campus housing is operating at significantly reduced capacity in 2020-21. Many students who otherwise would have lived on campus are instead living at home with family. Changing living arrangements in this way reduces a student's cost of attendance, and, in turn, their financial need. As a result, some students who otherwise would have qualified for Cal Grant A no longer meet the financial need threshold. (Cal Grant B recipients were generally not affected because the financial need threshold is significantly lower for that award.)

Governor's Budget Proposal

Restore Eligibility for Students Impacted by Change in Living Arrangement. The proposed trailer bill language would modify the financial need requirement for Cal Grant A recipients whose eligibility is impacted by a change in living arrangement (from on campus to off campus or with family) due to the pandemic. For these students, Cal Grant eligibility in 2020-21 and 2021-22 would be based on what their financial need would have been had they remained on campus. The budget provides $58 million ongoing General Fund beginning in 2020-21 to fund these students' awards. The proposed amount is based on the administration's estimate that awards would be restored to about 5,400 students. Under the estimate, about 70 percent of these students are attending UC, with the remaining students attending CSU or private nonprofit institutions. (Community college students generally do not receive Cal Grant A awards.) The Governor includes this proposal in his early action package, which he is asking the Legislature to act upon in the spring.

Legislative Analyst's Office Comments

Proposal Addresses Unintended Effect. Had the pandemic not resulted in campuses operating their housing programs at reduced capacity, more students would have lived on campus in 2020-21. In turn, some of these students would have had greater financial need and met the threshold for receiving Cal Grant A tuition coverage. In developing the current rules, the state likely did not intend for changes in living arrangement due to an emergency to affect students' Cal Grant eligibility and tuition coverage. The LAO believes that allowing the impacted students to receive Cal Grant A tuition coverage, even if living with family in 2020-21, is reasonable. Many of these students likely had planned on receiving the tuition coverage, and they might not have alternative ways to now cover the unexpected cost increase.

Early Action Is Warranted to Restore Awards in Current Year. Students whose Cal Grant eligibility was impacted in 2020-21 are not receiving tuition coverage in the current academic year. Under the traditional budget time line, this proposal, if enacted, would not go into effect until after the academic year ends, leaving students responsible for covering tuition costs in the meantime. Taking early action on this proposal could allow students to receive aid sooner.

Cost of Proposal Is Likely Overestimated. The proposed amount in the Governor's budget is based on estimates the segments provided last fall of the number of students whose financial aid packages were impacted by a change in living arrangement. The segments have since revised their estimates downward, based upon updated information about how campuses are adjusting students' financial aid packages. The most significant change is at UC, which has revised its estimate of impacted students from about 3,800 to about 450. As a result, the cost of restoring eligibility for these students could be much lower than the Governor's proposed amount.

The LAO recommends adopting the trailer bill as a part of early action, but recommends the Legislature revisit the associated funding level at the May Revision, when all other Cal Grant cost estimates are typically updated. By May, better data should be available on the number of impacted students.

Staff Comments

Staff notes that there are other impacts that COVID-19 has had on Cal Grant eligibility. Current law requires a high school student to submit their high school GPA to determine eligibility for a Cal Grant award. However, there are certain circumstances where a verified GPA cannot be obtained by a student, i.e. homeschooled students. CSAC regulations that "applicants who do not have a grade point average from a high school shall provide a test score from the General Educational Development test (GED), the American College Test (ACT) or the Scholastic Aptitude Test (SAT). The COVID-19 crisis has caused severe interruptions in education, including the cancellation of standardized exams. Many students, including homeschooled students, have found themselves in the position of being unable to submit a verified grade point average and unable to take a standardized test due to repeated test cancellations or postponements. As a result, these students will not be eligible to receive a Cal Grant. Based on prior year data, approximately 700 students each year submit test scores in lieu of a traditional GPA. Given that the CSAC application deadline is on March 2nd, the subcommittee may wish to consider working with CSAC to address this issue.

Staff Recommendation. Hold Open.

Issue 8: Private Non-Profit Sector Cal Grant

Panel

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Alex Graves, Association of Independent California Colleges and Universities
- Lisa Qing, Legislative Analyst's Office

At Private Nonprofit Institutions, Cal Grant Award Amounts Are Tied to Transfer Targets. Over 90 private nonprofit institutions are currently eligible to participate in the Cal Grant program. The 2018-19 budget package included trailer legislation creating a new requirement that the sector admit a specified number of students with an ADT each year, with the target gradually increasing over time. If the sector does not meet the target, then the maximum award amount for new Cal Grant recipients attending any institution within the sector is to be reduced from $9,084 to $8,056 in the following year.

State Has Postponed or Suspended Requirement for the Past Two Years. The initial target was for private nonprofit institutions to admit 2,000 ADT students in 2018-19. The sector admitted 869 students that year, missing its target. Rather than reduce Cal Grant award amounts at the sector, the state postponed each annual requirement by one year in the 2019-20 budget package, then subsequently suspended the revised 2019-20 requirement in the 2020-21 budget package. Nonetheless, the sector ended up admitting 2,372 ADT students during 2019-20—exceeding that year's target by a few hundred students. Due to the timing of data collection for the spring 2020 term, the sector did not have this final count until after the requirement was suspended.

Current Law Requires Sector to Admit 3,000 ADT Students in 2020-21. This target is scheduled to increase to 3,500 ADT students in 2021-22, and then to be adjusted annually in future years according to a specified formula. State law requires the association representing the sector to report on its progress toward meeting the requirement by April of each year. As of this writing, the Association of Independent California Colleges and Universities (AICCU) was in the process of compiling data from member institutions on fall 2020 admissions. There are currently 39 participating AICCU institutions who have articulated 36 ADT majors.

Governor's Budget Proposal

The proposed trailer bill language would postpone each upcoming annual target by one year, starting with the current target. Under this proposal, the maximum Cal Grant award amount at private nonprofit institutions would remain at $9,084 for the budget year, regardless of the number of ADT students the sector admits in 2020-21. Then, in 2021-22, the sector would be required to admit 3,000 ADT students (as opposed to the 3,500 required in current law) to maintain the maximum award amount for the following year. This proposal is part of the Governor's early action package.

Legislative Analyst's Office Comments

Proposal Prevents a Potential Award Reduction for Students With Financial Need. Based on an AICCU survey, member institutions saw a median enrollment decline of seven percent from fall 2019 to fall 2020. In contrast, California's two public university systems saw slight enrollment increases. If this trend persists for the spring term, the private nonprofit sector could be at risk of missing its ADT target for 2020-21. Under current law, students with financial need attending the sector would bear the consequences of the missed target. This could be viewed as unreasonable, especially given the financial impact of the pandemic on many lower-income students.

Early Action Would Reduce Uncertainty for Incoming Students. The Governor's proposal would mostly affect the incoming class of 2021-22, as the reduction in award amounts under current law only applies to new Cal Grant recipients. Under current law and the Governor's proposal, students renewing their awards would continue to qualify for the current maximum award amount. Many of these incoming students are likely making enrollment decisions during the spring. Taking early action would provide them with greater predictability regarding their financial aid coverage as they make their enrollment decisions for the 2021-22 academic year.

The LAO recommends the Legislature adopt the Governor's early action proposal to postpone the ADT target for private nonprofit institutions by one year.

Staff Recommendation. Hold Open.

Issue 9: Competitive Cal Grant Awards

Panel

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

Background

State Provides a Limited Number of Competitive Awards. The state currently authorizes 41,000 new competitive awards annually for students who do not qualify for an entitlement award. CSAC uses a scoring matrix to prioritize among eligible applicants, as shown below. The scoring matrix places greatest weight on measures relating to an applicant's financial need, including their EFC. Applicants also receive points for certain socioeconomic factors and their GPA. Each year, half of the competitive awards are available to students at any segment who apply by March 2, and the other half is reserved for students attending the California Community Colleges (CCC) who apply by September 2.

CSAC Uses Scoring Matrix to Allocate Competitive Awards
Reflects Scoring Matrix Used Since 2018-19

Component	Maximum Points
Expected family contribution[a]	250
Family income and size	250
Grade point average	100
Dependents[b]	100
High school experience[c]	100
Parents' educational level	100
Family environment[d]	100
Total	**1,000[e]**

[a]Determined by a federal needs calculation.
[b]Points awarded to single independent students with children.
[c]Points awarded to students who attended schools with high poverty rates, schools with low university-going rates, or continuation schools, as well as students who submit a score on a high school equivalency test.
[d]Points awarded to students who are foster youth, orphans, wards of the court, unaccompanied, or at risk of homelessness.
[e]In 2020-21, CSAC made initial award offers to students with a minimum score of 609 in the March cycle and 616 in the September cycle.

Student Demand for Competitive Awards Far Exceeds Current Supply. In 2019-20, over 293,000 students were eligible for a new Cal Grant competitive award. Of these students, only 51,000 (17 percent) were offered an award. The number of offered awards exceeds the 41,000 authorized awards because not every student offered an award eventually receives it. Students offered awards had an average annual income of about $8,100. The remaining 242,000 students, who were not offered awards, had an average income of $30,000. Increasing the number of available awards would align with a key objective of Cal Grant modernization efforts—expanding eligibility for low-income students.

2019-20	Paid*	Awards	Eligible Non-recipients	All Applicants
CCC	16,752	41,842	177,201	219,043
UC	1,688	1,019	8,806	9,825
CSU	8,593	5,212	43,340	48,552
Public - Other	10	13	18	31
Non-Profit	1,415	1,121	7,435	8,556
For-Profit	1,193	1,550	5,452	7,002
Total	**39,651**	**50,757**	**242,252**	**293,009**

*New – does not include renewal students first paid in 2019-20 who are included in Competitive paid rate.

Governor's Budget Proposal

The Governor's budget provides $35 million ongoing General Fund to add 9,000 new competitive awards, bringing the total number of new competitive awards available each year to 50,000. The proposed funding level consists of two components—$28 million for base awards and $7 million to provide supplemental access awards to those recipients who have dependent children.

Because of the competitive award scoring matrix, the newly proposed awards would likely go to students who have a low EFC, are low income, and have other socioeconomic disadvantages. The use of this scoring matrix reflects a systematic way of prioritizing additional aid.

Legislative Analyst's Office Comments

The Governor's budget reflects the cost of providing 9,000 additional new awards in 2021-22. Over the next few years, the larger cohort of new recipients will convert to larger cohorts of renewal recipients. This results in costs that increase over the next four years. Based on CSAC's estimates, the annual cost of providing 9,000 additional competitive awards would roughly double by 2024-25. This cost increase would contribute to the state's projected out-year operating deficits. The administration has accounted for this proposal's out-year effects in its January projections of the state's operating deficits.

The LAO encourages the Legislature to keep the state's projected operating deficit in mind as it considers any Cal Grant expansion proposal. If the Legislature were to decide to adopt the proposal to increase the number of new competitive awards, it would want to ensure that other budget adjustments have been made in order to cover the increasing out-year costs. If the funds are available, the LAO thinks this proposal is worth considering because it reflects a systematic approach to allocating additional aid according to student need.

Staff Recommendation. Hold Open.

Issue 10: Supplemental Awards for Foster Youth

Panel
- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

Background

About 4,000 foster youth receive Cal Grants at CCC, UC and CSU. Over half of these students are enrolled at CCC. Most of them received an award through the high school entitlement program. The majority received Cal Grant B awards, which are designed for lower-income students. This figure excludes about 1,200 foster youth who were eligible for a Cal Grant competitive award but were not offered one due to the limited number of these awards. (Although the competitive award scoring matrix provides foster youth with priority points, demand for these awards far exceeds supply, as discussed in the previous section.) Under current rules, foster youth receive the same Cal Grant award amounts as other Cal Grant recipients.

Most Foster Youth Receiving Cal Grants Attend CCC
2019-20

Segment	Number	Percent
California Community Colleges	2,413	57%
California State University	1,216	29
University of California	326	8
Private nonprofit institutions	184	4
Private for-profit institutions	77	2
Other public institutions	2	—
Totals	**4,218**	**100%**
Program Type		
High School Entitlement	2,322	55%
Competitive	1,595	38
Cal Grant C	166	4
Transfer Entitlement	135	3
Totals	**4,218**	**100%**
Award Type		
Cal Grant B	3,715	88%
Cal Grant A	337	8
Cal Grant C	166	4
Totals	**4,218**	**100%**

The majority of foster youth receiving Cal Grants (93 percent) have zero EFC, reflecting that they have no family resources they can contribute. Many of these students also could have a relatively high cost of attendance, as they may not have the option of the least expensive living arrangement—at home with family. Despite the existing financial aid and student support programs available for foster youth, these students continue to report elevated rates of basic needs insecurity. For example, in a survey of CCC students, 43 percent of foster youth reported experiencing homelessness in the past year, compared to 18 percent of other respondents. (Because this survey had an overall response rate of 5 percent, respondents might not be representative of the student population.)

Recent Cal Grant Changes Expanded Eligibility for Foster Youth. The 2018-19 budget package enacted several changes to Cal Grant B eligibility specifically for current and former foster youth. First, it made foster youth eligible for a high school entitlement award until they are 26 years old, regardless of when they graduated from high school. Second, it extended the deadline to apply for a high school entitlement award from March 2 to September 2 for foster youth attending CCC. For the second round of competitive awards offered annually, all CCC students, including foster youth, must apply by September 2. Third, it increased the time limit for foster youth to receive any Cal Grant B award from four years to eight years of full-time undergraduate study (or the equivalent).

Other Programs Also Provide Financial Assistance to Foster Youth. The chart below illustrates financial aid packages for two students who are foster youth. In addition to Cal Grants, both students in this example receive federal Pell Grants, and the student attending CCC receives two state-funded grants for low-income community college students. Both students also receive targeted aid for foster youth through the Chafee Educational and Training Vouchers Program. The Chafee program, which is also administered by CSAC, provides grants of up to $5,000 each to students who were in foster care between the ages of 16 and 18. The program is supported by $18 million ($12 million federal funds and $6 million state General Fund) that flows through the California Department of Social Services. About 4,200 students—including roughly half of Cal Grant recipients who are foster youth—receive a Chafee grant each year. In addition to traditional financial aid, many campuses also have broader student support programs for foster youth that include financial support. For example, the state provides $20 million ongoing Proposition 98 General Fund for NextUp, a program at 45 community colleges that provides book and supply grants, academic counseling, tutoring, and other support to foster youth.

Foster Youth May Receive Financial Aid From Multiple Programs

Illustrative Financial Aid Packages for a Foster Youth in Sophomore Year Enrolled Full Time[a]

	CCC Student	CSU Student
Cost of Attendance	**$25,000**	**$30,000**
Financial Aid		
Pell Grant	$6,345	$6,345
Chafee Grant	5,000	5,000
Student Success Completion Grant[b]	4,000	—
Cal Grant B	1,648	7,390
California College Promise Grant	1,380	—
Totals	**$18,373**	**$18,735**
Net Cost for Student	**$6,627**	**$11,265**

[a]Package reflects maximum award amounts for major state and federal grant programs. Some students may also receive financial aid from other sources, such as institutional grants, scholarships, and loans.

[b]Available to CCC students receiving Cal Grant B who enroll full time. Award amount reflects aid for students enrolled in 15 units per semester.

Governor's Budget Proposal

The Governor proposes to increase the Cal Grant Access Award for foster youth. The amount of supplemental aid would depend on the student's award type. Specifically, the maximum access award would increase from $0 to $6,000 for Cal Grant A recipients, from $1,648 to $6,000 for Cal Grant B recipients, and from $1,094 to $4,000 for Cal Grant C recipients.

Foster youth attending private colleges would not qualify for these supplemental awards, nor would foster youth who are eligible for but not receiving a competitive award. In all of these aspects, the Governor's proposal mirrors the supplemental award for students with dependent children that was created in the 2019-20 budget package. The Governor's budget provides $20 million ongoing for the foster youth program in 2021-22, with the intent to provide the full award amounts for all eligible students. The associated trailer bill language limits funding for this program in the future to $40 million annually, with award amounts prorated downward for new recipients if funding is insufficient in any given year.

Legislative Analyst's Office Comments

Although the Governor's proposal has potential benefits, it adds another type of award to the Cal Grant program. The Governor took a similar approach in 2019-20 in proposing supplemental awards for students with dependent children. To date, the Governor's approach to expanding the Cal Grant program has relied on creating supplemental awards for specific student groups. These supplemental awards have their own eligibility rules, some of which might be considered arbitrary. Such an approach works counter to recent legislative interest in simplifying the program. Were the Legislature to want to expand access awards, it could explore other ways of doing so that might simplify rather than complicate the existing structure of the Cal Grant program.

Certain Constraints Prevent More Systematic Expansion of Access Awards. An alternative to creating supplemental access awards for specific student groups is expanding access awards based on EFC. In addition to potentially adding less complexity to the Cal Grant system, this approach could also be more systematic. By expanding award amounts first to students with the lowest EFC, the state would be ensuring that it is prioritizing additional aid resources according to need. For now, however, this option is impractical due to methodological issues and fiscal constraints. In 2019-20, 228,000 Cal Grant recipients (59 percent of all recipients) had the lowest possible EFC of zero. The cost of providing each of these recipients with access awards of up to $6,000 could be in the high hundreds of millions of dollars annually—substantially more than the Governor's proposed $20 million. Alternatively, allocating the proposed $20 million across all of these students would increase the access award for each student by an average of $90—an amount unlikely to notably impact affordability or outcomes.

Forthcoming Federal Changes Will Help State Prioritize Students for Aid. The federal Consolidated Appropriations Act, 2021, makes changes to the financial aid system that will soon improve the state's ability to identify the highest-need students. The new system, which is scheduled to take effect in 2023-24, replaces the EFC with a new measure called the Student Aid Index (SAI). The SAI will allow for greater differentiation among students with high need, making prioritization logistically easier. Whereas many students have the lowest possible EFC of zero, fewer students will be grouped at the lowest possible SAI. This will open up the possibility of expanding access awards to students with the lowest SAI, rather than creating supplemental awards for specific student groups.

Consider Proposal, Funds Permitting. As with the Governor's proposal to increase the number of new competitive awards, the LAO encourages the Legislature to keep the state's projected operating deficit in mind as it considers whether to provide supplemental access awards for foster youth. Compared to the competitive award proposal, this proposal has the fiscal advantage of having relatively flat costs in the out-years. Some out-year cost increases are still possible, particularly if there is an increase in the number of foster youth receiving Cal Grants. If the Legislature were to give high budget priority to Cal Grant expansion, the LAO thinks that expanding award amounts for foster youth is a reasonable way to target additional aid in the near term. In the longer term, the LAO believes the new federal SAI could provide the state with a more systematic way to target additional aid to the highest-need students without having to create supplemental awards for specific student groups. Should the Legislature wish to take a more systematic approach, it could consider working with CSAC and the administration over the next few years to develop a plan including cost estimates and phase-in options for expanding award amounts based on SAI.

Staff Recommendation. Hold Open.

Issue 11: Grant Delivery System Modernization Project – Maintenance and Operations Final Phase

Panel

- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

Background

CSAC processes an estimated 1.5-2 million applications and appropriates over $2.5 billion of state-funded student aid for several grant and specialized programs, including the Cal Grant, the Middle Class Scholarship (MCS), and the Chafee Grant for Foster Youth Program, as well as administering the California Dream Act Application (CADAA) and several other programs mandated by statute and administered via the current Grant Delivery System (GDS). As CSAC program mandates have dramatically expanded and changed over time, GDS's antiquated technology can no longer effectively support the required changes and meet processing demands. This has led to the implementation of error-prone manual and temporary short-term processes to meet the growing, complex business needs of external and internal CSAC financial aid users.

The current GDS is a 30 year system that no longer meets the business needs of CSAC due to lack of usability, capacity, performance and capabilities. Additionally, GDS is unavailable during certain batch processes for between 14 to 24 hours per week, and during this time, users could not provide new information or make any changes to existing information. Due to outdated technology, each financial aid program had multiple disjointed and disparate systems, maintained separately, required students, campus administrators and Commission staff to log into different applications. Policy changes and the implementation of new financial aid programs had created difficulties and inefficiencies in changing GDS to meet new expectations, requiring numerous work-around and manual processes.

In 2018, to address the GDS technology, the Grant Delivery System Modernization was proposed and approved by the California Department of Technology. The state provided $5.5 million General Fund the first year of the project in 2018-19 and $6.2 million for the second year of the project in 2019-20. In December 2019, the project completed its first major release of the interface for students to manage their financial aid applications and awards. The 2020-21 budget provided $5.3 million to complete the project and to support the initial costs of the maintenance and operation phase, which will begin upon project completion in November 2020. CSAC is in the final stretch for delivering the GDSM project that provides an easily accessible, one–stop shop for applying and managing the Grant application and funding process.

The modernization effort has six key/core components of which four have been implemented and two are scheduled for launch in this fiscal year.:

- The Modernized Technology Component Implementation (pre-requisite to all GDSM products) - Done
- Web Grants for Students -Done, Launched December 2019, serves 100,000's of California Grant Applicants
- Web Grants for California National Guard -Done, Launched June, 2020

- Web Grants for Foster Youth (Chafee) -Done, Launched February, 2020
- Web Grants for Institutions -70 percent complete, planned launch April, 2021
- Web Grants for Dreamers (CADAA) -70 percent complete, planned launch May, 2021

Governor's Budget Proposal

The Governor's budget proposes $1.78 million in General Fund one-time for 2021-22, and $719,000 for 2022-23 and ongoing for the Maintenance and Operations (M&O) phase of the GDSM project. This request includes one-time funding for specified vendor(s) to complete the final stage of M&O and ongoing funding for operations (hardware and software) to deliver the final phase of the GDSM project.

Full development of the GDSM infrastructure platform is anticipated to be completed by November 30, 2020, at which time the legacy, Grant Delivery System (GDS) will be retired. This will greatly enhance CSAC's Cal Grant Delivery system reliability, security and functionality. The final step is implementation of M&O phase of the work. This is a critical phase that continues testing and integrates new businesses enhancements to CSAC's grant delivery system. Funding for the M&O activities include, but are not limited to, the following:

Role	2021-2022
Consultants (one time, as per Financial Analysis Worksheet (FAW))	$1,066,000
Hardware/Cloud Servers (recurring as per FAW)	$307,000
Software Licenses (recurring as per FAW)	$312,000
IVR (recurring as per FAW)	$100,000
Total	***$1,785,000***

Staff Comments

CSAC notes that so far, the application and database ability has improved for students and segments. The modernized system is more secure and uses a single sign-on/Identity Management system to control access. Students are no longer restricted to using a single proprietary web browser (Internet Explorer) to access the system. They can use an array of browsers, tablets, and mobile devices. The interface provides easy to understand detail about Cal Grant status including a "to-do" list to help guide students through the process. Segments will be consuming GDSM Web Grants when it launches in April, 2021.

According the Department of Technology independent project oversight report rating, the project is within its overall budgeted allocation for development, maintenance, and operations, however it has experienced delays in implementation from the planned November 2020 planned launch date to April 2021. CSAC notes that this delay was due to longer testing of the Web Grants for Institutions phase of the project. As a result of the delay, CSAC submitted a Special Project Report to the CDT. This report revises the project plan. Staff notes that CSAC submitted the report to CDT in January, and will be available to the Legislature in the Spring.

The subcommittee may wish to ask:

- CSAC: Will the project delay impact the costs of the project?

Staff Recommendation. Hold Open.

Issue 12: Cal Grant Reform Update (Informational)

Panel

- Marlene Garcia, Executive Director, California Student Aid Commission
- Jake Brymner, California Student Aid Commission

Background

In March of 2020, CSAC released a report *Cal Grant Modernization: A Vision for the Future*, which proposed to reform the Cal Grant program. The report recommended to consolidate Cal Grant A, B, and C awards and the High School Entitlement, Transfer Entitlement, and Competitive Cal Grant into a two-part entitlement program:

- **Cal Grant/2:** expands grant aid to CCC students by guaranteeing access grants of up to $6,000 for low income students who meet the specified requirements. Under current law, the Cal Grant B provides an access grant of $1,648 to UC, CSU, and CCC students. Current law also provides students with dependent children receive up to $6,000 in living assistance grants total.

- **Cal Grant/4:** provides 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 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.

In addition, the proposals would eliminate various eligibility requirements under current law.

- Eliminates GPA requirement for students attending community colleges, and streamline GPA verification requirements for students attending four-year institutions to a 2.0 GPA.

- Eliminates California's 'income and asset' standards to determine level of need and instead base financial need on the federal formula for Expected Family Contribution (EFC). The program will be limited to students with zero EFC.

- Eliminate the age 26 cap and time out of high school restrictions that currently prevent older students from accessing entitlement awards.

- Provide tuition or fee awards to all eligible students regardless of grade level by eliminating the gap in first- year tuition coverage for Cal Grant B recipients.

Based on the March 2020 proposal, CSAC estimated the new net cost of implementing this proposal was $1.1 billion General Fund.

In January 2021, CSAC heard a modified Cal Grant Modernization proposal, with a goal of being cost neutral. Under the new proposal, CSAC made the following changes:

- **CalGrant/2:** Reduces the CalGrant/2 award from the proposed $6,000 to $1,250.

- **CalGrant/4:** Guarantees tuition fee award to students with an EFC equal or less than $5,576 (the Pell Grant cutoff) for students attending an eligible four-year institution. The median household income of a Pell Grant-eligible student is approximately $59,000 per year.
  - For students attending an eligible non-profit institution, the maximum Cal Grant would cover a fixed amount of the student's tuition costs, as determined in the annual State Budget Act (currently $9,084).
  - Cal Grant tuition awards at for-profit institutions would remain unchanged from current levels.
  - Institutional aid would be expected to help $0 EFC students cover their basic needs.

- Students with Dependent Children: Only students with a zero EFC are eligible for an award. The proposal would also reduce the award amount from up to $6,000 to $2,800.

- The Middle-Class Scholarship will continue to award a percentage of tuition to students at the UC and CSU who do not receive a Cal Grant 4 award. CSAC would convert MCS to an EFC-based eligibility award rather an income and asset award. The proposal would also eliminate MCS as a "last dollar award."

Included earlier in the agenda is a description of current eligibility requirements for the Cal Grant program. Existing law specifies the current income ceiling for a Cal Grant A and C is $99,200 to $127,700 depending on family size. Additionally, the income ceiling for a Cal Grant B is $46,300 to $70,100 depending on family size. CSAC notes that the average income of a zero EFC household is $14,337, the average income of a 100 percent EFC ($5,576) household or Pell Grant cut of household is $57,516.

<u>The subcommittee may wish to ask:</u>

- CSAC: How would this proposal help college affordability for students?
- CSAC: Will there be any students that are currently eligible for Cal Grant awards that would no longer be eligible under the new proposal?
- CSAC: The Cal Grant/4 proposal shifts the responsibilities of providing the access award from the state to the institutions. How much institutional aid do the segments have, and how will this be implemented or enforced?
- CSAC: The federal Consolidated Appropriations Act, 2021, makes changes to the financial aid system, which replaces the EFC with a new measure called the Student Aid Index (SAI). How will this impact CSAC's proposal?
- DOF: What is the Administration's position on CSAC's proposal?

<u>Staff Recommendation. None, this is an informational item.</u>

Issue 13: Philanthropic Funds and Donations

Panel
- Gabriela Chavez, Department of Finance
- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office

Background

CSAC notes that they currently do not have the authority to receive direct philanthropic contributions. Instead, CSAC creates partnerships and relationships with other entities that can directly receive the funds. For example, CSAC partnered with Mathematica to conduct the 2018-19 Student Expenses and Resources Survey (SEARS), which was funded by the College Futures Foundation. In this instance, College Futures provided funds directly to Mathematica. A similar approach was utilized when CSAC partnered with the UC Davis California Education Lab to conduct a May 2020 survey on student experiences during the COVID-19 pandemic. More recently, the College Future Foundations awarded the Foundation for California Community Colleges with $750,000 for a two-year grant for projects that will be jointly led by the Foundation for California Community Colleges and CSAC.

CSAC believes that the current process of working with other entities is not transparent and limits the scope of the type of work CSAC can do. For example, CSAC notes that these agreements with the funding organizations, such as the Foundation for Community Colleges, or the UC Davis California Education Lab, is limited to the extent of the partner organization's priorities and scope, and how the funding organization structures the grant.

Governor's Budget Proposal

The Governor proposes trailer bill language to authorize the commission to receive bequests, grants and philanthropic funds, subject to the conditions set by the Executive Director of CSAC and approval by the Department of Finance.

Staff Comments

As noted above, CSAC has been able to conduct some research and policy development work with donations to partner organizations. Under this proposal, CSAC will be able to directly receive the funds and determine the specified uses. As currently proposed, the trailer bill does not specify how funds will be used. However, CSAC notes that they would use the external funding to support continued policy research and development efforts. In addition, CSAC is also considering using resources to develop a marketing plan and targeted communications materials to promote various programs, such as the College Access Tax Credit. CSAC notes that the current framework does not provide transparency. As currently structured, the trailer bill language does not provide oversight from the Legislature or the public information on sources of donations or intended uses. The subcommittee may wish to consider additional clarity or accountability measures.

The subcommittee may wish to ask:
- CSAC/DOF: Who will be conducting the activities such as outreach, research, and policy development with the donations? Will this be state employees conducting this work?

Staff Recommendation. Hold Open.

SUBCOMMITTEE NO. 1 Agenda

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

Monday, March 1, 2021
9:00 a.m.
State Capitol - Room 3191

Consultants: Anita Lee and Elisa Wynne

Items for Discussion

Public Comment

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

6100 Department of Education
6870 California Community Colleges

Issue 1: Cradle to Career Data System

Panel:

- Kathy Booth, WestEd
- Chris Ferguson, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office

Background

The 2019 Budget agreement included the California Cradle-to-Career Data System Act in 2019 to guide the planning for, and development of, a longitudinal data system. The project has been overseen by the Office of Planning and Research, which contracted with WestEd, an education consulting company, to undertake the outreach and planning efforts. Since enactment, over a dozen state agencies, numerous data experts, and a wide range of stakeholders have engaged in an intensive and collaborative planning process involving over 50 public meetings. The agencies and organizations represented on the workgroup are as follows:

- The California Department of Education.
- The Office of the Chancellor of the California Community Colleges.
- The University of California.
- The California State University.
- The Commission on Teacher Credentialing.
- The Student Aid Commission.
- The Employment Development Department.
- The Labor and Workforce Development Agency.
- The California Health and Human Services Agency.
- The State Department of Social Services.
- The Department of Technology.
- The Bureau for Private Postsecondary Education.
- The Association of Independent California Colleges and Universities.
- The California School Information Services.

The process resulted in consensus regarding a series of concrete plans and proposals to connect information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies.

The 2019-20 statute provided $10 million in General Fund for the planning and initial implementation of the Cradle to Career Data System, available for expenditure through the 2021-22 fiscal year. Of the total, statute allocated roughly $4 million to the Office of Planning and Research and appropriate state agencies and provided for the remaining funds to be available for the Office of Planning and Research with the approval of an expenditure plan by the Department of Finance and notification to the Joint

Legislative Budget Committee pursuant to required reports on the structure and governance of the data system and issues of data management.

Initial Planning and Implementation. The *Cradle to Career Data System First Legislative Report*, released in December of 2020, details the preliminary planning that has come out of the workgroup meetings thus far, as described below.

The workgroup recommends a five-year timeframe for building out the data system—referred to as phase one. Initially, the system would link existing K–12, public postsecondary, employment, and financial aid data, expanding to include teacher credentialing, early learning and care, private and independent colleges, workforce training programs, and health and social services by the end of phase one.

The strategic objectives for phase one are:

- Develop the architecture for linking records across agencies and creating intersegmental data sets.
- Provide public-facing data visualizations, query tools, and a research library that provide actionable information on education, social services, employment patterns, and equity gaps in opportunities and outcomes.
- Provide interagency data sets that enable research on factors that help Californians meet critical education milestones, evaluate the long-term impact of state-funded programs, and identify strategies for closing equity gaps.
- Provide resources, training, and technical assistance that build data literacy among policymakers, practitioners, and the public.
- Provide college and career planning tools, college-readiness monitoring, electronic transcripts, and confirmation of eligibility for financial aid and student supports.
- Lead efforts to ensure the reliability of data contributed by the partner entities.

Information from each data provider would be stored in the cloud in a secure repository. The core data set used for the dashboards and query builder would be kept in a centralized database, and other information would be linked for approved purposes. Data uploads would occur once per year and privacy measures would be used to protect individuals. Other information for operational tools, such as student planning tools and electronic transcripts, would be updated more frequently as needed to make the tools functional.

The Cradle-to-Career Data System would be governed by a board made up of representatives of state agencies and stakeholders who use the information. Two-thirds of the governing board's seats would be apportioned to entities providing data, and one-third to stakeholders appointed by the Governor and Legislature. The managing entity, would be a new program within the state's Government Operations Agency (GovOps). GovOps would provide the services and technical expertise necessary for the data system for the first five years, after which the managing entity structure would be reassessed by the governing board. The managing entity would be responsible for implementing the data system.

Timeline and Costs:

The workgroup recommends investing in a proof-of-concept in the first half of 2021, followed by a five-year implementation process to reduce the cost of building and maintaining the system. The estimated budget for the proof-of-concept and year one (fiscal year 2021–22) deliverables is between $15 million and $20 million.

- Proof-of-concept deliverables: Produce a proof-of-concept dashboard, expand access to college planning tools in low-income regions, upgrade K–12 data infrastructure for college eligibility, electronic transcripts, and application tools.

- Year one deliverables: Establish governance and staff, secure technology solutions, create initial analytical data set (focused primarily on K–12, public postsecondary, financial aid, and employment information), release summaries of student and employment outcomes, design dashboards and query builder interface.

- Year two deliverables: Launch the dashboards and query builder, train the public on using data tools, commence fulfilling data requests, expand analytical data set (teacher credentialing), expand access to college planning tools, upgrade electronic transcript infrastructure for competency-based education and social service eligibility tools.

- Year three deliverables: Expand analytical data set (independent and out-of-state colleges), provide electronic transcripts for all public colleges, expand access to college planning tools.

- Year four deliverables: Expand analytical data set (private colleges and early learning and care), provide electronic transcripts for all private and independent colleges, expand content of college planning tools.

- Year five deliverables: Expand analytical data set (social service, health, and workforce information), finish scaling college planning and electronic transcript tools, plan for phase two.

The Office of Planning and Research plans to release the second statutorily required progress report by April 1, 2021.

California College Guidance Initiative (CCGI). CCGI supports 6th –12th grade students and their families as they prepare for college. As of the 2020-21 budget act, $3.5 million in ongoing Proposition 98 funding is provided for the initiative, CSU provides approximately $250,000, and CCGI collects district fees for some services and pursues philanthropy to support the project with a total budget of approximately $7 million. CCGI uses technology planning tools that link academic data between K-12 districts and higher education for the purpose of student admission, placement, guidance, and educational planning. CCGI manages the website, CaliforniaColleges.edu, which allows all California students to: (1) explore career interests, (2) explore majors and programs of study, (3) develop a college financing plan, and (4) choose the high school courses needed to meet college eligibility requirements. In addition, CCGI partner districts pay extra fees to receive personalized services. For participating districts, CCGI articulates with application platforms for the CCC and CSU, and enables students to launch applications from an account that is tied to their K-12 Statewide Student Identifier. Housed at the Foundation of California Community Colleges, CCGI was launched in 2013 in a handful of school districts, and currently supports nearly 100 districts that serve more than 669,000 California 6th-12th grade students.

<u>Governor's Budget Proposal:</u>

To support the continued development of the Cradle-to-Career Data System, the Governor's budget proposes $15 million General Fund, of which $3 million is one-time, to establish an office within the Government Operations Agency to provide support and resources for:

- The acquisition, development, and maintenance of the system's analytical tools, including data storage and querying functions;
- The administration and maintenance of the data system;
- Updating the K-12 California Longitudinal Pupil Achievement Data System (CalPADS) data system software to facilitate smoother system compatibility;
- Expanding eTranscript functionality to additional colleges and universities;
- The hiring of management level data system coordinators at the University of California, California State University, California Student Aid Commission, and California Community Colleges Chancellor's Office; and Governance and operational costs.

Trailer bill legislation would specify that housing of the new office at the Government Operations Agency would be in effect until July 1, 2026 or a later date, as approved by the Governing Board, pending a review of the appropriateness of the placement and enact recommendations from the first report to the Legislature.

Additionally, the Budget provides $3.8 million ongoing Proposition 98 General Fund to support the California Career Guidance Initiative (CCGI). CCGI provides an interface for student data between high schools, students, and families that will be integrated into the Cradle-to-Career Data System

Current Year Budget Request:

Staff notes that in addition to the proposals in the January Budget, the Administration recently notified the Legislature through the Joint Legislative Budget Committee of the expenditure plan for the remaining 2019-20 funds, as required by trailer bill legislation. Approximately $6 million one-time General Fund remains available to support system development and the request from Office of Planning and Research, as approved by the Department of Finance would release these funds to support the initial development phase of the Cradle-to-Career Data System.

The Department of Finance asserts that the request is consistent with the recommendations reflected in the Cradle-to-Career Data System Workgroup's required report that was submitted to the Legislature in December of 2020. The expenditure plan reflects the following three core one-time General Fund expenditures in support of the system's development:

- $1.8 million to support partial year administrative startup costs. These funds would be used to hire a project start-up and data workgroup administrative transition team, which would include hiring a retired annuitant, Project Director and technology contracts manager.

- $2.6 million to support a "proof of concept" pilot project and one-time technology costs. These funds would be used to support a "proof of concept" pilot project between the California Commission on Teacher Credentialing, the California Department of Education, and the California State University to test the transfer of data between the participating entities. In addition, these funds would support one-time technology and software acquisition costs.

- $1.6 million to regionally scale the California College Guidance Initiative (CCGI)in the Central Valley and Inland Empire, and to begin California Longitudinal Pupil Achievement Data System (CALPADS) data integration. As part of the mandated report to the Legislature from the Cradle-to-Career Data System Workgroup, the Workgroup recommended the statewide scaling of the CCGI to support having a single program serve as the statewide "operational tool" for college guidance and transition. These funds would enable CCGI to expand its program to Central Valley and Inland Empire school districts and support these districts in assessing University of California and California State University college readiness for individual students, streamline the college application process, and align CCGI to improve data integration with postsecondary education. It would additionally provide the California Department of Education with the capacity needed to bring CALPADS data submissions into alignment with the needs of the Cradle-to-Career data system, and develop a technological integration between CALPADS and CCGI.

The Joint Legislative Budget Committee has asked the Administration for an extension of the review window for this request to April 15, 2021 to allow time to review the second statutorily required progress report, anticipated to be submitted by April 1, 2021.

Suggested Questions:

- The Governor's budget includes a $12 million ongoing investment in the data system. Is it anticipated that this amount will change during implementation of phase one?

- With the additional one-time and ongoing funding for CCGI, at what point would tools for student college eligibility be available statewide?

- How does the current year budget request that is under review by the Joint Legislative Budget Committee integrate with and support the Governor's Budget proposal?

Staff Recommendation. Hold Open.

6440 UNIVERSITY OF CALIFORNIA

The University of California (UC) provides instruction in undergraduate, graduate professional, and graduate academic programs through the doctoral degree level; research; continuing education for adult learners; and public service.

UC was founded in 1868 as a public, state-supported land-grant institution. It was written into the State Constitution of 1879 as a public trust to be administered by the Regents of the University of California. The Board of Regents includes the following 26 members: 7 ex officio members, 18 members appointed by the Governor with the approval of the Senate for 12-year terms, and 1 student appointed by the Board. The Governor is President of the Regents.

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

There are ten UC campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of these are general campuses that offer undergraduate, graduate, and professional education. The San Francisco campus is devoted exclusively to the health sciences. The university operates five teaching hospitals and administers more than 800 research centers, institutes, laboratories, and programs. It also oversees one United States Department of Energy laboratory and partners with private industry to manage two other Department of Energy laboratories.

The Regents appoint a university president, who is typically responsible for overall policy development, planning, and resource allocation. The ten UC chancellors are responsible for management of the individual campuses. The Regents have delegated authority to the Academic Senate, including responsibility for policies on admissions and academic programs.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
5440	Support	113,549.3	115,415.5	115,415.5	$40,426,849	$41,631,227	$45,473,739
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**113,549.3**	**115,415.5**	**115,415.5**	**$40,426,849**	**$41,631,227**	**$45,473,739**

Governor's UC Budget Proposals
2021-22 (In Millions)

Proposals	Amount
Ongoing Proposals	
Base increase (3 percent)	$104
Retirement benefits[a]	—
Student mental health and technology	15
Student Basic Needs Initiative	—
Programs in Medical Education (PRIME)	13
Other	4
Subtotals	**($136)**
One-Time Initiatives	
Deferred maintenance	$175
Emergency student financial aid	15
California Institutes for Science and Innovation	20
Faculty professional development	5
Other	10
Subtotals	**($225)**
Totals	**$361**

Issue 2: Base Budget Increase

Panel:

- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

Base Budget. Since 2013, following the Great Recession the state has provided UC annual base increases. However, in 2020, the impact of the COVID-19 pandemic and the associated economic downtown led the state to reduce state support at UC. While the 2020 budget provided a five percent base increase of $169.2 million General Fund ongoing to UC, the budget also included a $471.6 million reduction, this resulted in a net reduction of $302.4 million ongoing or 8.1 percent. The budget bill specified that this reduction would be restored if federal funding was provided to the state by October 2020. However, this did not occur. The 2020 budget included intent language that UC use reserves to mitigate cuts, and that the cuts do not have a disproportionate impact on low-income students, students from underrepresented minority groups and other disadvantaged groups.

Base Support Reduced
General Fund Reductions From 2019-20 Ongoing Levels

	Amount	Percent
UC	**$302.4**	**8.1%**
Campuses	259.2	7.7
Office of the President	27.3	12.7
Agriculture and Natural Resources	9.2	12.7
UCPath[a]	6.7	12.7

[a]General Fund reduction was offset by a $31.5 million increase in campus assessments. Overall support for UCPath increased $24.8 million (37 percent).

The 2020 budget also requires UC to report on level of cuts by campus, a description of the stakeholder consultation process used to make the cuts an explanation of how those actions were decided, and a description of how the UC's decisions minimize harm to the enrollment of and services provided to students eligible for Pell Grants, students from underrepresented minority groups, and other disadvantaged students. On October 30, 2020, the UC submitted the report to the Legislature, and noted that the campuses received a uniform reduction from what would otherwise be the campuses 2020-21 base General Fund appropriation. The percentage cut for Merced (3.6 percent) is smaller in recognition of its projected growth and its high reliance on State General Funds relative to other core funds. President Napolitano provided guidance to campuses on how they should implement the budget reductions. Specifically, the Chancellors were directed to take the following considerations into account:

(1) limit potential impact on vulnerable student populations, (2) mitigate cuts to faculty, staff and students – Chancellor's were asked to consider approaches such as strategic use of reserves, reduce or eliminate other expenses such as non-essential travel, or voluntary furloughs or salary reductions.

UC utilized a number of one-time sources to temporarily support the funding drop for 2020-21, including the use of designated balances and reserves, the federal CARES Act funding (described below), a slowdown in hiring, forgoing general salary increases for employee groups and a halt on travel. The UC Office of the President reports that UC campuses plan to draw down as much as $174 million or about 65 percent of its estimated uncommitted core reserves at the end of 2018-19, the most recent year of information available.

Federal Assistance. The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided UC approximately $260 million. UC also received $7.4 million for campuses designated as minority serving institutions. Institutions are required to spend at least half of these funds on student financial aid. Students, in turn, could use their financial aid grants for expenses related to campus disruptions resulting from COVID-19. The remainder was available for institutional expenses associated with changes in instructional delivery due to the pandemic. Qualifying institutional expenses ranged from paying for technology and faculty professional development to providing student refunds for housing and dining programs as campuses shifted to remote operations.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed on December 27, 2020, will provide UC campuses approximately $391 million from the CRRSAA, of which $130 million must be spent on student aid.

CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. Whereas the CARES Act specified that institutional relief was for expenses related to changes in instructional delivery due to COVID-19, CRRSAA allows institutions to use their funds for expenses and lost revenues associated with COVID-19, as well as certain student support activities.

Lastly, CRRSAA also provides California with $341 million for the Governor's Emergency Education Relief Fund, initially created under the CARES Act. Of this amount, $187 million is reserved for assistance to private K-12 schools. California has discretion to spend the remaining $154 million on emergency grants to elementary and secondary schools, higher education institutions, or other education-related entities. Under the CARES Act, the state chose to allocate all of its Governor's Emergency Education Relief funds for elementary and secondary education. The Administration has not yet indicated whether it intends to allocate any of the new Governor's Emergency Education Relief funds for higher education.

Recently, the House passed the American Rescue Plan, House Resolution 1319, which would expand the HEERF with $35 billion to public higher institutions, historically black colleges and universities and other minority serving institutions, and $5 billion to a Governor's fund to be used for either education or PreK-12. The bill specifies that colleges must use no less than 50 percent of funds to provide emergency financial aid.

UC Enrollment Update. Deviating from the state's recent practice, the 2020-21 budget did not include UC enrollment targets for either the 2020-21 or 2021-22 academic years. Though UC did not face any new enrollment expectations in the 2020-21 budget, the 2019-20 budget provided UC funding to enroll 4,860 more resident undergraduate students in 2020-21 over the level in 2018-19. UC reports that it has met the 2020-21 target. Overall enrollment at UC has increased in the fall of 2020. In addition to the fall-to-fall growth, UC experienced a notable increase in enrollment during the summer 2020 term. After factoring in this summer growth, UC anticipates exceeding its 4,860 student growth target for 2020-21. UC notes that for the fall of 2021, UC has received its highest number of undergraduate applications with approximately 250,000 applications received.

UC Enrollment Trends for New and Continuing Resident Enrollment
Fall Resident Headcount

UC	2018	2019	2020	Change From 2019 Amount	Change From 2019 Percent
Undergraduate					
New	54,910	54,326	56,918	2,592	4.8%
Continuing	128,035	131,340	130,528	-812	-0.6
Subtotals	**(182,945)**	**(185,666)**	**(187,446)**	**(1,780)**	**(1.0%)**
Graduate					
New	6,760	6,885	6,783	-102	-1.5%
Continuing	24,263	24,495	24,527	32	0.1
Subtotals	**(31,023)**	**(31,380)**	**(31,310)**	**(-70)**	**(-0.2%)**
Totals[a]	**213,968**	**217,046**	**218,756**	**1,710**	**0.8%**

[a]Excludes postbaccalaureate enrollment, for which new and continuing breakouts are not available. In fall 2020, UC enrolled a total of 134 resident postbaccalaureate students—10 fewer students than in fall 2019.

Nonresident Enrollment. The 2016 budget act required the UC Regents to adopt a policy limiting the number of undergraduate nonresident students as a condition of receiving enrollment funding for California residents. In 2017, the UC adopted a policy to cap nonresident enrollment at five UC campuses at 18 percent. At UC Berkeley, UC Irvine, UCLA and UC San Diego, nonresident enrollment was capped at the proportion that each campus enrolled in 2017-18.

Of the approximately 285,100 students UC served in fall 2019, 58,700 (21 percent) were nonresidents. New nonresident undergraduate enrollment in fall of 2020 dropped by 7.2 percent and new nonresident graduate enrollment dropped by 18 percent. The UC estimates that this decline in enrollment will result in a decrease of $38 million in nonresident tuition revenue.

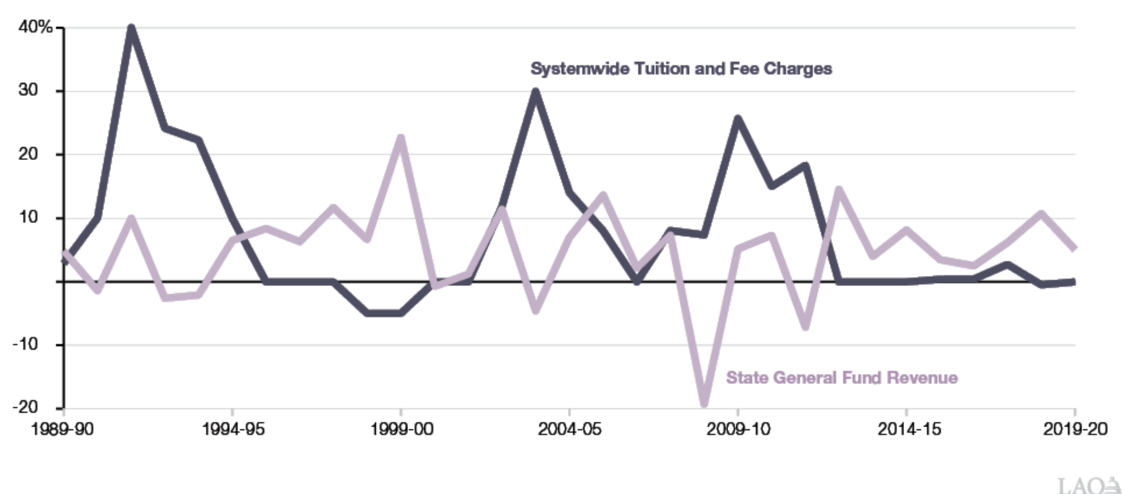
UC Transfer. In order for UC to meet minimum transfer requirements, students must: (1) complete a seven course pattern in English courses, math, and two other courses in either arts and humanities, social and behavioral sciences, or physical and biological sciences, (2) have at least a GPA of 2.4, (3) complete at least 60 semester units, and (4) complete required/ recommended courses needed for the intended major. This minimum requirement does not guarantee admission to the campus or major of choice. Each campus and major may have additional admission requirements. In addition to the minimum requirements, the UC has also implemented Transfer Pathways to help provide a set of courses that students need to prepare for particular majors. So far, UC has specified transfer pathways for 20 majors. In addition, UC has the Transfer Admission Guarantee (TAG), which guarantees transfer admission to a major at one of six campuses (Davis, Irvine, Merced, Riverside, Santa Barbara, and Santa Cruz). Each campus has their own TAG requirements, which can differ by major, and a student can only apply to one TAG. For some colleges, the major is not guaranteed as a part of TAG. The myriad of transfer requirements for students can often be difficult to navigate for students.

UC Tuition. UC tuition revenue comprises the less than half of UC core funding. Historically, when state revenue has grown, tuition levels have been held flat. When state revenue has slowed or dropped, tuition levels increased. For 2020-21, UC's undergraduate resident systemwide tuition and fees are $12,570, and nonresidents pay an additional $29,754 for a total of $42,324 (this is known as the nonresident supplemental tuition). In addition to these systemwide fees, campus also charge campus-based fees, which vary depending on the campus. The LAO display below shows tuition trends.

Figure 22

Historically, UC Tuition Has Increased When State Revenue Has Fallen

Percent Change From Prior Year



At UC, about half of all undergraduate resident students are identified as financially needy and receive enough aid to cover tuition costs. The state's Middle Class Scholarship program helps middle-income students with up to 40 percent of their tuition costs. Another five percent of undergraduate resident students benefit from this program. As a result of these aid programs, students from higher income families are the most affected by tuition increases at UC.

Graduation Rates. In 2018, the UC Board of Regents have expressed concern over student achievement gaps and developed multiyear plans to eliminate them by 2030, this was called the

Framework of 2030. The cost of the framework plan was estimated at $260 million ($240 million for graduation gaps and $20 million for the Student Academic Preparation and Education Partnerships (SAPEP).

UC Gaps in Graduation Rates

Rates for First-Time, Full-Time Freshman

(Four Year data is for entering 2015 cohort, and six year data is for entering 2013 cohort)

	Four Year	Six Year
Race/Ethnicity		
White	73%	87%
Asian/Pacific Islander	76	89
Latino	58	79
Black	54	77
Gender		
Female	74%	88%
Male	64	83
Financial Status		
Not a Pell Grant recipient	74%	87%
Pell Grant recipient	63	83

For the 2014 cohort, the four-year graduation rate was 67.9 percent, and the two-year graduation rate from transfers was 57 percent in 2016. The 2030 goals for the system are to increase the four-year graduation rate to 76 percent and to increase the two-year graduation rate to 70 percent. The UC's goal is to also increase Pell Grant and underrepresented student groups graduation rates by 15 percent and 21 percent respectively.

In addition, each college has campus specific goals as well. For example, Santa Cruz's goal is to increase four-year graduation rate from 53 percent to 70 percent, and to increase Pell Grant students four-year graduation rate from 48 percent to 70 percent. For UC Irvine, their goal is to increase the four-year graduation rate from 70 percent to 74 percent, and for Pell grant students to increase the four-year graduation rate from 68 percent to 74 percent.

Governor's Budget Proposal

The Governor proposes an increase of $104 million General Fund ongoing or three percent increase to support UC operational costs, of this funding $8.9 million is for the UC Office of the President, UC Path and the Division of Agriculture and Natural Resources (UCANR). UCANR will be discussed in the next item in the agenda. UC Path is UC's systemwide human resources, payroll, benefits and workforce administration for the system. As a condition of receiving these funds, UC must do the following:

1) Submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025. To the extent possible, the UC must coordinate with the California State University and Community Colleges to establish shared definitions and metrics regarding equity gaps.

2) Adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19.

3) Create a standalone dual admissions pathway providing guaranteed admission to the UC upon completion of an Associate Degree for Transfer (ADT), or its UC equivalent, at a community college, if the student completed it within two academic years. The pathway must be designed to achieve the following goals: increase access to UC for underrepresented students experiencing geographical or financial challenges, to increase underrepresented graduation rates and decrease student costs, improve transfer pathways between CCC and UC, and increase predictability for student and institutional planning.

   The Governor has released trailer bill language to create the dual admission's pathway. The proposed language specifies that the pathway is a separate transfer pathway for first-time freshman applicants, which will start in 2023-24. Under the dual admissions pathway, UC shall offer guaranteed admission to a specific UC campus selected by the student at the time of the agreement, however if the selected major is impacted, the agreement may specify additional admissions criteria. The guarantee would also provide the student access to services at the applicable campus or campus near the students primary residence. The trailer bill notes the goal of the UC is provide roughly half of the dual admissions to students that were initially not eligible for UC. Though not specified in the trailer bill, the Administration notes that it is the intent for students to apply specifically for the dual admissions pathway.

Though not specified in the budget bill, the Governor's Budget Summary states that the additional investments are provided to the UC with the expectation that the UC will maintain resident undergraduate tuition and fees at existing levels for the 2021-22 academic year.

Early Action Agreement. The recently adopted early action agreement included $302.4 million General Fund ongoing backfill the 2020 reduction to UC. This amount is in addition to the Governor's January budget proposal. The Administration will be submitting a spring finance letter for inclusion in the May Revision.

UC Budget Request

In response to the Governor's January budget proposal, UC requested an increase of $385 million General Fund ongoing above the Governor's budget proposal. Specifically, UC requested an additional: (1) $196.1 million to restore the 2020-21 reductions, (2) $157.7 million ongoing General Fund to address retirement and health benefit increases, faculty merit increases, contractually committed compensation, salary increases, and capital outlay debt service, and (3) $30.4 million to close equity gaps by 2030.

Since the early action agreement was announced, UC's has amended their original budget request. UC requests an increase of $85 million above the January budget proposal and the $302 million budget restoration. This funding will support operations costs ($53.8 million) and to help address equity gaps ($30.4 million).

Potential UC Tuition Model Change and Increase. In January 2020, the UC Board of Regents discussed a tuition plan to help fund its budget priorities and give students more predictability in their tuition charges. The plans would guide tuition decisions over the next four years (through 2024-25). The UC Board of Regents was scheduled to vote on these options on March 2020, however, due to COVID-19, the vote did not occur. UC staff has recently indicated that the Regents will discuss tuition policy later this Spring, and may vote on this item in the Summer.

In January 2020, the Board of Regents heard two proposals for a tuition increase. The first was a uniform annual adjustment based on inflation through 2024-25. The other was a cohort-based tuition model. Currently, students are charged the same level of tuition regardless of the student cohort. Under the cohort-based tuition model, a student would be charged the same amount of tuition during their time at UC. However, each incoming cohort of first-time students - entering freshman and transfer students, regardless of residency status, would be subject to a tuition increase. During the remainder of their time at UC, tuition for students in that cohort remains flat. UC estimated this approach would have provided an additional $37.5 million in 2020-21.

Under the January 2020 BOR proposal, undergraduate students in state-supported programs who first enroll at a UC campus in 2020-21 or later would be charged the applicable levels of tuition, the student services fee, and nonresident supplemental tuition (NRST) charged to students will be determined according to the following schedule:

Year Student First Enrolls at UC (Entering Cohort)	Increase Over Amount Charged to Students Who Entered in Prior Year
2020-21	Inflation + 2.0%
2021-22	Inflation + 1.5%
2022-23	Inflation + 1.0%
2023-24	Inflation + 0.5%
2024-25	Inflation

The cohort-based tuition and fees for a student cohort will be in effect for six years from the time the student first enrolls.

Legislative Analyst's Office Comments Based on the January Budget Proposal

Consider Proposed January Base Increases as Starting Point. The proposed three percent base increase could serve as a starting point for legislative deliberations. The three percent increase would help the UC cover some increases in their operating costs and leave some funding remaining for salary and staffing increases while still being attentive to the state's tight fiscal outlook. In May, the Legislature will get updated state revenue estimates and be in a better position to assess the state's ongoing budget capacity. In light of that updated information, the Legislature then could revisit the size of the proposed university base increases. Regardless of the level of support the Legislature ultimately decides to provide, it could consider adopting language having each segment report key information about its budget plans in the fall. Specifically, such reports could include each segment's projected core funding, spending by program area, operating deficits, budget reserves, and specific actions taken to implement budget plans. These reports could help the Legislature keep better apprised of how the segments are responding to remaining fiscal challenges.

Equity Plans. The LAO notes that the Governor's expectation is more ambitious than UC's internal equity plan. UC has expressed some concern with the accelerated time line, particularly given the absence of additional state funds to reach the more ambitious goals. To fulfill the Governor's expectations, UC campuses likely would have to redirect resources from other operating areas to enhance its student support services. The LAO notes that were the Legislature supportive of the Governor's equity goals, it recommends enhancing associated legislative oversight. Specifically, the

LAO recommends the Legislature modify the existing March university performance reports to include the common equity-gap metrics that are developed. As part of these March reports, the Legislature also could direct the segments to provide revised goals, time lines, and implementation plans were they to be found falling short of meeting established equity goals.

Reject the Online Education Proposal and Direct UC to Report Key Information. The LAO notes that while online courses can provide a more flexible learning environment and mitigate demand for on-campus classrooms, online courses have some drawbacks. Online courses, however, can have drawbacks. For example, research suggests that online courses tend to have lower completion rates than in-person instruction, and gaps are greater for Black and Latino students. Partly in response to both these perceived benefits and drawbacks, the state began funding efforts to improve online education several years ago. For example, the 2013-14 budget provided UC $10 million ongoing General Fund to create new online courses, encourage faculty participation in teaching online courses, and provide associated faculty professional development.

The LAO notes that the Administration has not justified whether the proposed 10 percentage point increase is warranted given student demand for online courses and campus facility issues. A more refined analysis might indicate a higher or lower level of online education is warranted at any particular campus. Without a clearer rationale for setting online enrollment targets, campuses could make poor decisions that work counter to promoting student success. The LAO recommends the Legislature instead adopt budget bill language directing the universities to report on their experiences with online education. Such a report should include: (1) data on pre-pandemic enrollment in online courses for each campus, (2) analysis as to which courses are most suitable for online instruction, (3) an estimate of the fiscal impact of expanding online education, (4) a plan for improving student access and outcomes using technology, and (5) an assessment of the need for additional faculty professional development.

Dual Admission Pathway Comes With Risks. Though a dual admission pathway has potential benefits, it also has potential drawbacks—possibly working at cross-purposes with the state's recent efforts to simplify the transfer process. For example, if only a portion of students are eligible for dual admission as freshmen, then all other interested community college transfer students would still need to navigate one or more of the myriad other transfer pathways. Depending on how universities implement the dual admission policy, the new pathway also could disproportionally benefit certain community college students. For example, a few community colleges typically account for a disproportionate share of transfer students. Depending upon how it would work, a dual admission pathway might further benefit those community college campuses that already have well-established relationships with certain UC campuses.

More Information Is Needed to Fully Assess Proposal. In particular, the administration should provide greater clarity regarding: (1) the portion of high school graduates who would be eligible for dual admission, (2) how the new dual admission pathway would interact with the existing transfer pathways available to students, (3) whether the pathways would be developed at the systemwide level or by each UC campus, and (4) whether the new associated degrees relating to UC would benefit only students in the dual admission pathway or all interested transfer students. The LAO withholds making a recommendation on this proposal until these details are available. Upon receiving more information, the LAO could provide a further analysis of the more fully developed proposal.

Set Enrollment Target for 2022-23. Although the Governor does not propose funding to support enrollment growth, the LAO recommends the Legislature set enrollment expectations for the 2022-23 academic year. Given the various countervailing factors cited above, as well as the state's limited capacity to support new ongoing spending, the Legislature could set an expectation that the universities hold enrollment flat in 2022-23. If the Legislature wished to support enrollment growth, the LAO estimates the General Fund cost of every one percent growth in resident enrollment would be $24 million at UC.

Staff Comments

Cohort-Based Tuition. According to the January 2020 UC regent's item, UC notes that several public institutions have adopted a cohort based tuition model to mitigate the challenges posed by unpredictable annual tuition and fee levels, with varying degrees of success. At the July 2019 Board of Regents meeting, Regents heard an item regarding cohort-based tuition and noted seven other public universities in the country implemented a cohort based tuition mode: University of Illinois and Urbana-Champaign, University of North Carolina at Chapel Hill, University of Arizona, Kent State University, University of Georgia (system), University of Kansas, and Western Oregon University. Of the public universities that UC selected, UC notes that three states (Georgia, Kansas and Oregon) discontinued the cohort based tuition model because of reductions in state funding. UC notes that adopting a cohort-based tuition model would require moderate and predictable increases to UC's annual state appropriation. UC also notes that while cohort-based tuition provides predictability for students once they enroll, there is a greater potential of variability from one cohort to the next. In a 2017 University of Washington planning and budgeting brief, it notes that, "under the cohort-based tuition model, the effects of increasing costs are necessarily borne almost exclusively by incoming students. Locking in tuition rate for continuing students leaves institutions with one option to increase (perhaps significantly during a financial crisis) tuition for students." The Education Commission of the States notes that little research exists on the impact of guarantee tuition policies.

Online Education Policy. In 2019-20, 1.5 percent of all undergraduate and graduate courses offered at UC were online. As a result of the COVID-19 pandemic, UC transitions almost all courses to remote instruction. However, laboratory, field study (especially in remote sites), and performance art courses were the most difficult to adapt and a greater proportion of these classes were cancelled. UC staff has informed the committee that they are opposed to the Governor's proposal, and states that without additional funds to expand operations, the increase in online courses will represent a permanent shift of some courses from in person to online, without expanding the number of available courses. UC notes that the UC Academic Senate is currently examining lessons learned from remote instruction and how online course offerings could be expanded in the future.

Dual Admissions. The subcommittee may wish to consider if it the creation of a new transfer process or program is more appropriate to be discussed in policy committee. Additionally, it is unclear if the creation of a new program will address the complex issues that students face when navigating UC's transfer process, or if it will create greater confusion. The subcommittee may also wish to consider if it is more prudent to address existing challenges in the transfer process, such as campus or departmental requirements, or if creating a new pathway is the appropriate solution.

The Subcommittee may wish to ask:

- DOF: What is the rationale for linking the adoption of an online education policy to the base increase at UC?

- UC: Since the Legislature and the Administration has reached an agreement on restoring last year's reduction, how does this impact the potential Fall 2022 tuition increase?

- UC: What is UC's position on the dual admissions proposal? How would UC implement it? How would this proposal impact enrollment management and planning?

- DOF: What is your expectation of how UC would implement the dual admissions proposal?

- UC: What were the outcomes of other states who implemented cohort-based tuition? Are there any studies that evaluated the impact it had on students and their families?

- DOF: What is the Administration's position and thoughts on cohort-based tuition?

Staff Recommendation. Hold Open.

Issue 3: UC Agriculture and Natural Resources

Panel:

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

Background

UC Agriculture and Natural Resources (ANR) Focuses on Research and Outreach. UC's ANR division oversees various programs focused on agriculture, natural resources, and related topics. Its leadership is located at the UC Office of the President (UCOP) in Oakland. A Vice President oversees the division, which consists of 30 administrative and support staff. Its core staff of scientists, researchers, and outreach coordinators are located across three campuses (Berkeley, Davis, and Riverside) as well as numerous off-campus centers and sites. In addition to these three campuses, the ANR division operates nine off-campus centers, known as "research and extension centers," located across the state. These UC-owned sites contain laboratory space for research on specialized resource management issues. The centers also host outreach and training programs for farmers and industry in the state. Beyond these UC-owned sites, the UC also houses staff at local sites known as "local cooperative extension offices" across the state, which conducts research outreach and education.

UC ANR opeartes statewide programs including UC California Naturalist, UC Master Gardner, 4-H Youth Development, Expanded Food and Nutrition Education, UC Integrated Pest Management, UC Sustainable Agriculture Research and Education, among others.

Funding Model for ANR Division Changed Several Times Over Past Decade. Though ANR relies on state funding to support its core operations, the state and UC's approach to budgeting for ANR costs has changed notably over the years, which are described below:

- **Direct Allocation From UCOP.** Historically, the state has not earmarked funds specifically for ANR but instead has given UC flexibility to determine the division's level of support. Prior to 2012, UCOP allocated a portion of the UC's General Fund support directly to ANR to support the division's core operations.

- **Campus Assessment.** In 2012, UC undertook a series of changes to the way it allocated funds to its campuses and divisions, including ANR. Under the new funding model, UC allocated all state General Fund to campuses and charged campuses back an assessment to support central services and programs (UCOP; ANR; and UCPath, the university's systemwide payroll and human resources program). UC implemented this change to give campuses more flexibility and control over their budgets and operations.

- **State Line Item.** In 2017-18, the state altered this funding arrangement by directly budgeting General Fund for UC's central services (including ANR) in the annual budget act. The state established this line item in response to a report from the California State Auditor that raised concerns over UCOP's budget transparency. Since establishing this line item, the annual budget act has prohibited UC from assessing fees on campuses to support UCOP or ANR. (This prohibition also initially extended to UCPath, but since 2018-19 the state has allowed campus assessments to supplement UCPath's General Fund support.)

State Enacted Base Reduction to ANR Division in 2020-21. The state's 2020-21 budget package reduced UC's base General Fund support for central services and campuses. For ANR specifically, the state reduced base General Fund support by $9.2 million (12.7 percent) from the 2019-20 level for a total of $63.4 million. As a percent of operations, ANR's reduction was comparable to UCOP's reduction and larger than the reduction for campuses (7.7 percent). While UCPath also received a General Fund reduction in 2020-21, the state authorized an increase in campus assessments, such that total support for UCPath increased in 2020-21. The chart below displays UCANR's use of state funds.

State Fund Uses	FY19-20 Expenditures	FY20-21 Budget*
Cooperative Extension Specialists on UC Campuses	$21.5	$17.5
County Extension Offices	$20.1	$16.8
Statewide Programs & Institutes	$6.9	$6.2
Research & Extension Centers	$7.1	$8.4
Institutional Support	$4.2	$3.3
UC Path	$0.8	$0.0
Administration	$12.0	$11.2
Total	**$72.6**	**$63.4**

ANR Reports Budget Shortfall in 2020-21. Given the magnitude of the General Fund reduction to ANR in 2020-21 and increased operating costs, UC estimates the division has a budget shortfall. In response to the LAO's information request, ANR staff estimated the 2020-21 shortfall to be $13.1 million. To address this shortfall, ANR took several measures to limit spending. Most notably, ANR suspended plans to fill some vacant positions (including those resulting from retirements). ANR staff also notes plans to identify further operational efficiencies and secure additional outside fund sources (such as philanthropy and federal and state grants). Any ANR deficit in 2020-21 will be funded out of UCOP's reserves.

<u>**Governor's Budget Proposal**</u>

In January, Governor Proposed Partial Restoration Using Mix of Funds. In January, the Governor proposed a three percent General Fund augmentations to UC's central services and campuses. Much like for UCOP and campuses, ANR's base augmentation—$1.9 million—would partially restore ANR's base budget to its 2019-20 level. To restore the remaining $7.3 million reduction to ANR, the Governor's budget proposed authorizing UC to charge campuses new assessments. The proposal gave UC flexibility to determine how to charge campuses to yield the proposed amount of ANR support.

In addition to this base support, the Governor's January budget provides ANR $2 million one-time General Fund as part of a package of proposals aimed at addressing wildfire issues. This was heard in Senate Budget Subcommittee 2 on Resources, Environmental Protection and Energy.

Early Action Agreement. As mentioned earlier in the agenda, the Legislature and the Administration reached an agreement to backfill the 2020 budget reduction to UC's base, which included $9.2 million for UC ANR. This amount is in addition to the Governor's January budget proposal. The Administration will be submitting a spring finance letter on this for inclusion in the May Revision. Assuming the early action agreement, it is estimated that UC ANR may still have an operating shortfall due to costs associated with employee compensation increases. However, assuming the early action agreement and the January proposal to provide $1.9 million base increase, and the campus-based assessment fees, ANR will have an operating surplus of $4.6 million.

Staff Recommendation. Hold Open.

Issue 4: Student Supports and Basic Needs

Panel:

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

Background

Over the last several years, the state has made significant investments to support students, including food pantries, resources to support students experiencing homelessness, and mental health services. The descriptions below highlight some of these budget actions.

State Has Funded Several Basic Needs Initiatives
General Fund, Unless Otherwise Noted (In Millions)

	2017-18	2018-19	2019-20	2020-21
UC				
Food and housing	$2.5	$1.5	$15.0	$15.0
Rapid rehousing	—	—	3.5	3.5
Mental health services	—	—	5.3	5.3
Totals	**$2.5**	**$1.5**	**$23.8**	**$23.8**

During Pandemic, Some Students Likely Are Having More Challenges With Basic Needs. The state does not have comprehensive data on the impact of the pandemic on student financial need, largely because financial aid applications use income data from two years prior to the award year. However, surveys suggest many students had unanticipated financial needs due to the pandemic. In a California Student Aid Commission survey of financial aid applicants across all segments conducted in late spring 2020, over 70 percent of respondents reported experiencing a loss of income due to the pandemic. Students also reported increased concern about paying for various living costs, including housing and food, health care, and technology. The 2020 UC Undergraduate Experience Survey found that 30 percent of students experienced some level of food insecurity, including skipping meals or not having money to purchase food. The survey also found that 40 percent were concerned about paying for their undergraduate tuition.

Basic Needs. The 2019-20 budget provided $15 million ongoing General Fund to address food and housing insecurity. The UC submitted a report to the Legislature on September 16, 2020 on the use of funds from June 2019 to June 2020. Of the $15 million, $5 million was distributed to campuses as a base amount of $500,000, $2.5 million was retained by UCOP of as innovation grants, $500,000 was earmarked for systemwide coordination, and the remaining $7 million was distributed to campuses based on the number of students who were food or housing insecure.

Campuses hired employees to serve as case managers to assist students in emergency situations, provide CalFresh application assistance, conduct financial analyses, coordinate data collection and analysis, provide financial aid advising, facilitate educational workshops, and bolster outreach and marketing efforts, among other purposes fundamental to the success of basic needs services. Campuses also used funds to purchase equipment, purchase grocery store gift cards, and short-term housing. As a result of these funds, campuses were able to provide basic needs services to 48,500 unique students in 2019-20. Campuses were also able to serve 2,150 housing insecure students across the system.

Student Homelessness and Housing Insecure. The 2019-20 budget provided $3.5 million ongoing General Fund to support rapid rehousing for homeless or housing insecure students. Specifically, campuses were to establish partnerships with community organizations that have experience in helping people experiencing homelessness. The funding may be used to connect students to case managers, establish ongoing housing procedures and to provide emergency housing grants. On July 13, 2020, the UC submitted a report to the Legislature about the use of funds. UC campuses used rapid rehousing funds to hire a total of 3.5 full-time equivalent (FTE) staff, specifically three full-time employees dedicated to housing students, such as case managers and coordinators, and two similar positions at 25 percent FTE. Campuses also hired 10 student interns to serve in roles such as basic needs and off-campus peer coordinators, and a marketing and website intern. Campuses were also able to provide housing services and support, direct student housing awards, emergency relief and crisis resolution.

Student Mental Health Services. In 2014, the UC Regents adopted the Long-Term Stability Plan for Tuition and Financial Aid, which included a five percent annual increase in the Student Services Fee from 2015-16 through 2019-20. Approximately 50 percent of this annual increase funds the hiring of direct service mental health providers at campus Health and Counseling centers over this interval. In 2018-19, the student services fee was $1,218. In addition to the Student Services Fee, students also pay campus-based fees. These fees help fund programs such as campus health care, wellness, campus climate, financial aid and other programs and activities depending on the campus. Campus-based fees vary across campuses, ranging from $1,000 to $2,000. In 2018-19 the State Budget Act provided UC $5.3 million one-time funds for student mental health. In 2019-20 the State Budget Act provided UC with $5.3 million in ongoing funds for student mental health, making this three years of ongoing funding when combined with the SSF increases out of the five year plan.

Federal Assistance. As noted previously, the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act provided UC approximately $260 million. Institutions are required to spend at least half of their allocations on emergency financial aid students, with the remainder for institutional relief. CSU used $130 million of these funds to provide students with emergency financial aid. Based on federal guidance, all undergraduate, graduate and professional students at UC who are eligible to receive federal financial aid may receive HEERF grants. International students and undocumented students were not eligible to receive HEERF, instead, these students could receive grants through campus-based emergency programs supported through other sources, such as foundation, operating funds and lottery funds.

As noted previously, the CRRSAA requires institutions to use the same amount of funding for student emergency aid as they were required to under the CARES Act. CRRSAA allows student aid to be used for the regular costs of college attendance or emergency costs related to COVID-19. CRRSAA also includes a new requirement that institutions prioritize financial aid grants for students with exceptional need, such as those students qualifying for Pell Grants. UC campuses awarded CARES Act funding to undergraduate students in a way that is consistent with the "exceptional need" above, providing tiered awards based on their Expected Family Contribution or status as parenting students. However, some campuses provided CARES funds to graduate students without a Free Application for Federal Student Aid (FAFSA) as long as they signed an affidavit that they would otherwise have qualified as Title IV eligible. The Office of the President does not recommend that campuses require all CRRSAA recipients to file a FAFSA, but strongly recommends that an alternative means of confirming that a student has extraordinary financial need be established.

Regarding guidance on providing aid to undocumented students, the UC notes that the CARES Act specifically excluded undocumented students, so the Office of the President recommended that campuses identify campus funding to provide equivalent emergency grants for AB 540 undocumented students. In general, campuses were able to achieve this goal. The CRRSAA appears to eliminate the requirement that students be Title IV eligible to receive emergency grants, but the new Department of Education has yet to issue guidance. Therefore, UCOP strongly recommends that campuses use campus funds instead of CRRSAA funds to provide emergency grants to AB 540 undocumented.

UC issued guidance to campuses on how to distribute the CARES Act funds. The guidance encouraged campuses to consider targeting vulnerable populations for additional support, such as student parents, former foster youth, disabled students and formerly incarcerated students. In general, campuses provided $200 to $1,700 to students based on need. Graduate student support also ranged from $550 to 1,500.

Traditional Financial Aid Programs Provide Support for Basic Needs. The primary way the federal government, the state, and universities support living costs during the college years is through financial aid. Many students with financial need qualify for a federal Pell Grant (worth up to $6,345 annually) and a state Cal Grant access award (worth up to $1,648 annually for most students). Federally subsidized and unsubsidized loan programs also are available to assist students. These grants and loans can be used for any cost of attendance, including housing, food, transportation, and books and supplies. In addition to federal and state programs, UC has its own institutional aid program funded using a portion of student tuition and fee revenue. The UC indicates this program covers all costs of attendance for students with financial need, after assuming a self-help expectation ($10,500) that can be met through any combination of work and borrowing.

<u>Governor's Budget Proposal</u>

Emergency Student Financial Aid. The budget proposes $15 million one-time for emergency financial assistance grants for full-time, low-income students with a 2.0 GPA in the last year and a half, or students who were working full-time for at least one year over the past two fiscal years and not enrolled as a full-time student. This funding will be distributed to campuses based on the headcount number of students at the campus who are eligible to receive Pell Grant financial aid as well as AB 540 (Firebaugh), Chapter 814, Statutes of 2001 students who meet the income criteria applicable to the California Dream Act application. Low-income is defined as meeting requirements to receive Pell Grant or AB 540 students who meet income criteria applicable to the California Dream Act application.

Currently UC has about 82,300 students who meet these criteria, which would mean about $182 per student. UC notes that if they were to restrict the funds to students who have a $0 Expected Family Contribution (EFC) with their financial aid the number of eligible students would drop of about 48,800, which would mean $307 per student

Mental Health and Technological Devices. The budget proposes $15 million ongoing to support to enable all students to have necessary technological access to electronic devices and high-speed internet connectivity, and to increase student mental health resources.

In addition, the budget bill requires a report by March 1 each year regarding the use of funds for the Mental Health and Technological Devices. The report includes a description of the amount of funds distributed to campuses, a description of the programs the campuses invested in, a description of funds were spent, a description of how campuses leveraged other resources, and an analysis of how outcomes and impacts on student persistence and achievement.

Summer Financial Aid. The budget proposes to shift the suspension date for the UC financial aid program from December 31, 2021 to December 31, 2022. The suspension would be lifted if the Administration determines through the 2022 budget act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.

Staff Comments

Mental Health and Technological Devices. The UC Regents requested $16.5 million for additional student mental health services for 2021-22. Based on the Governor's budget proposal to provide $15 million ongoing for mental health and technological devices, UC intends to spend $11 million of the proposed basic needs funding on student mental health. This will allow UC to complete the Regents five year plan for funding student mental health by hiring counselors on four campuses to bring the counselor-to-student ratios to recommended levels and begin work on conducting early intervention efforts for populations who are high risks for mental health challenges, as well as creating healthier learning environments, such as workshops and stress management support.

In February 2021, the UC Regents heard an item on student mental health. During the summer of 2020, UC experienced a 6.4 percent decrease in the number of unique clients for counseling visits with 9,381 compared to summer of 2019. However, UC experienced an increase in the number of visits for counseling by 17.5 percent with a total of 27,115 visits, compared to 23,070 in the summer of 2020. The charts below summarizes UC counselor and psychiatrists to student ratios at campuses.

Table 4: Fall 2020 Counselor-to-Student Ratios and Counseling FTE Levels

Counseling							
By Campus	Fall 2020 Population	Growth	Ratio 1:	Total FTE	Filled FTE	Vacant FTE	Needed to Reach Target 1:1000
UCB	42327	-1.99%	943	50.87	44.87	6	
UCD	39074	1.14%	1469	34.19	26.59	7.6	4.88
UCI	36303	1.64%	1390	31.28	26.1	5.18	5.02
UCM	9018	1.93%	1503	10	6	4	
UCR	26434	3.47%	1958	15.5	13.5	2	10.93
UCLA	44589	0.49%	829	58.75	53.75	5	
UCSB	26179	0.51%	911	31.18	27.26	3.92	
UCSC	19161	1.71%	977	23.36	19.6	3.76	
UCSD	39576	2.17%	1260	41.6	31.4	10.2	
UCSF	3201	0.66%	1641	1.95	1.95	0	1.25
Systemwide	**285862**	**0.23%**	**1138**	**298.68**	**251.02**	**47.66**	

Table 5: Fall 2020 Psychiatry Provider-to-Student Ratios and Psychiatry FTE Levels

Psychiatry							
By Campus	**Fall 2020 Population**	**Growth**	**Ratio 1:**	**Total FTE**	**Filled FTE**	**Vacant FTE**	**Needed to Reach Target 1:6500**
UCB	42327	-1.99%	5838	8.25	7.25	1	
UCD	39074	1.14%	26049	3.7	1.5	2.2	2.31
UCI	36303	1.64%	11170	8.35	3.25	5.1	
UCM	9018	1.93%	2254	1.75	1.75	0	
UCR	26434	3.47%	13217	2	2	0	2.07
UCLA	44589	0.49%	8257	5.4	5.4	0	1.46
UCSB	26179	0.51%	5605	4.67	4.67	0	
UCSC	19161	1.71%	5069	3.78	0	0	
UCSD	39576	2.17%	16490	2.4	2.4	0	3.69
UCSF	3201	0.66%	3201	2	1	1	
System	**285862**	**1.72%**	**9783**	**42.3**	**29.22**	**9.3**	9.53

Systemwide Average Provider-to-Student Ratios by Year

Ratio	Year	2015	2016	2017	2018
Counselor: Student	1:	1,208	1,111	1,035	1,071
Psychiatrist: Student	1:	9,464	7,322	8,238	7,350

Staff notes that compared to prior years, the counselor to student and psychiatrist to student ratio has increased.

The subcommittee may wish to ask:

1. Please provide a status update on the increased student to counselor ratio. What is the cause of this, and how will UC address this?

2. UC continues to have vacancies at for counselors and psychiatrist positions. What is the cause of this, and how will UC address this?

Staff Recommendation. Hold Open.

Issue 5: UC PRIME, Graduate Medical Education, and other UC Health Proposal

Panel:

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

Background

In 2020-21, UC is enrolling over 3,600 medical students across six medical schools. According to UC, these medical schools fund their operations primarily through a mix of core funding (state General Fund and student tuition revenue) and a portion of clinical revenues earned by medical school faculty. Historically, the state has not directly funded medical school operations or set medical school enrollment expectations in the annual budget act, instead leaving these decisions to campuses. In recent years, however, the state has allocated funds directly for certain medical education initiatives. Most notably, the state has supported the creation and development of the UC Riverside School of Medicine. The state also recently provided funding to expand the services of the UC San Francisco School of Medicine Fresno Branch Campus in partnership with UC Merced.

Pre-med students first complete their basic science preparatory work as undergraduate students. After being accepted into a medical school, medical students then complete four years of medical school, typically consisting of two years of basic science instruction and two years of clinical experience. After completing medical school, students then complete postgraduate training known as residency in a specific medical area, such as family medicine or surgery. State law only requires three years of residency to receive a license, however most medical residents complete additional years of training to receive industry-recognized certification in a specific medical area.

Programs in Medical Education (PRIME). UC Programs in Medical Education (PRIME) is a medical education training program that focuses on meeting the needs of the state's underserved populations. In 2020-21, 365 students (around 10 percent of all medical school students) enrolled in PRIME programs. PRIME students receive a minimum of four years of training, the same length as their other medical school peers. Both PRIME students and other medical school students generally are required to complete two years of classroom instruction, followed by two years of clinical experiences in hospitals and other medical settings. Some of the courses PRIME students are required to take, however, are focused on health equity matters, and PRIME students' clinical experiences tend to be focused on underserved populations and communities. Beyond the standard four-year training program, a portion of PRIME students (as well as a portion of other medical school students) take additional coursework by pursuing a joint master's degree requiring a fifth year of study (often in public health).
UC currently operates six PRIME programs:

- Rural PRIME (Rural California) at Davis, est. 2007 – Incorporates an award-winning model program in telemedicine with a commitment to rural health care.
- San Joaquin Valley PRIME, est. 2011 – Expands the San Joaquin Valley physician workforce by recruiting students who want to practice in the region.
- PRIME-LA (Leadership and Advocacy) at Los Angeles, est. 2008 – Trains future physicians to deliver culturally competent care and develops leadership skills.

- PRIME-US (Urban Underserved) at San Francisco, est. 2007 – Enables students to pursue interests in caring for homeless and other underserved populations in urban communities.
- PRIME-LC (Latino Community) at Irvine, est. 2004 – Emphasizes Latino health issues, including increased proficiency in medical Spanish and in Latino culture.
- PRIME-HEq (Health Equity) at San Diego, est. 2007 – Incorporates health disparities and minority health issues so graduates can contribute to equity in care delivery.

In 2005-06, the state began providing funds explicitly for PRIME programs and setting associated enrollment targets. Over the next five years, UC developed other PRIME programs, and the state provided additional funds for PRIME. Throughout these years, state funding for PRIME was linked to an underlying $15,000 per-student funding rate. The rate was not tied to any particular formula and the basis for the amount was not specified in statute. It appears the rate was not intended to cover the full cost of the additional enrollment growth, with UC expected to fund the remaining costs using other sources, including general enrollment growth funds.

The state maintained and increased PRIME funding through 2010-11. Though the state stopped designating funds for PRIME in 2011-12, UC campuses continued to grow enrollment in these programs. The only additional funding the state has provided explicitly for PRIME since 2010-11 was in 2015-16, when it provided an ongoing augmentation for the San Joaquin Valley PRIME program. Specifically, the state provided $1.9 million ongoing General Fund to support enrollment of 48 students in this program. The underlying per-student funding rate—$38,646—was higher than the $15,000 per-student rate provided in previous years, with the rate intending to cover the full state cost of the programs. UC notes that of the current enrollment, only 126 are supported by state funding, and 267 students are unfunded by the state.

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

<u>Governor's Budget Proposals</u>

Governor Proposes Ongoing Augmentation for PRIME. The proposed augmentation in 2021-22—$12.9 million—would fund enrollment growth in PRIME programs as well as enhancements among existing and new PRIME programs. Provisional language would require UC to spend one-third of this amount ($4.3 million) on student financial aid.

- **Portion of Augmentation Would Support Enrollment Growth.** UC attributes $4 million of the augmentation toward growing PRIME enrollment by 112 students over the next six years, of this, 96 students would be in two new PRIME programs focused on American Indian/Alaska

Native issues and Black health issues. The location of the two new PRIME programs has not been determined. The remaining 16 students would be across five of the existing PRIME programs. (UC plans to support an additional 12 students in the sixth program, San Joaquin Valley PRIME, using the funds it received in 2015-16). According to UC, one-third of the amount attributable to enrollment growth ($1.3 million) would cover financial aid for the additional students and the remainder ($2.7 million) would cover instructional costs (such as hiring new faculty). According to UC, the proposed per-student funding rate for enrollment growth ($35,600) is the state rate provided to campuses for health science instruction under the university's current allocation formula.

Figure 3

UC Would Grow PRIME Enrollment Over the Next Six Years

Student Headcount

PRIME Program	Actual 2020-21	UC Enrollment Plan 2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Change Over 2020-21 Amount	Percent
Los Angeles	102	90	90	90	90	90	90	-12	-11.8%
San Francisco/Berkeley	75	75	75	75	75	75	75	—	—
Irvine	63	60	60	60	60	60	60	-3	-4.8
San Diego	53	51	53	55	56	58	60	7	13.2
Davis	36	33	36	40	44	48	60	24	66.7
San Francisco/Fresno	36	39	42	48	48	48	48	12[a]	33.3
New (American Indian/ Alaska Native)	—	12	24	36	48	48	48	48	New
New (Black)	—	12	24	36	48	48	48	48	New
Totals	**365**	**372**	**404**	**440**	**469**	**475**	**489**	**124**	**34.0%**

[a] UC plans to support this growth using funds the state provided in 2015-16.

PRIME = Programs in Medical Education.

- **Remainder Would Bolster PRIME Funding.** UC attributes the remaining $8.9 million toward enhancing support for the existing PRIME programs. According to UC, these funds would support enrollment growth from previous years that did not receive earmarked support in the state budget. One-third of this amount ($3 million) would enhance student financial aid packages, potentially reducing debt burdens for some students and enabling more students to pursue the five-year dual degree option. The remaining amount ($5.9 million) would be available to cover any other PRIME priority. In discussions with the LAO's office, UC suggested several uses of these remaining funds, including student and faculty recruitment, program administration, additional funds for financial aid, and additional funds for general medical school classes.

Proposition 56 Funds. The Governor's budget proposes an increase of $1 million General Fund to offset a like amount of declining Proposition 56 funding for graduate medical education.

Department of Public Health and UCSF Consortium. The Governor's budget proposes $1.25 million one-time General Fund to support a health modeling consortium partnership between University of California San Francisco and the California Department of Public Health, with funds being available until June 30, 2023. UC notes that this funding will support two FTE positions for two years, a new information technology infrastructure to store information and support programming and analysis for specific questions.

<u>Legislative Analyst's Office Comments and Recommendations on PRIME Proposal</u>

Proposal Lacks Overall Medical School and Health Equity Plan. The Administration's proposal lacks key aspects vital to assessing its merit. First, neither the Administration nor UC have shared with the Legislature their plans for UC's overall medical student enrollment levels and how medical schools intend to cover the costs associated with any planned growth. Instead, the Legislature only has information for the fraction of UC's medical students enrolled in PRIME. Second, while the proposed new programs identify populations with longstanding health disparities, UC does not appear to have a broader long-term plan addressing the needs of other underserved regions and populations. Furthermore, the missions of UC's existing PRIME programs do not seem well coordinated, with some focused on general health equity matters and others more targeted to specific regions and populations. Without better information, the Legislature would have little understanding as to how UC's plans would meet state workforce needs and resolve longstanding inequities.

Proposed Budgetary Approach for Enrollment Growth Has Three Weaknesses. Though supporting some enrollment growth might be warranted, the Governor's budgetary approach has certain shortcomings, as discussed below.

- *Funding Would Be Provided Upfront.* The Governor proposes providing all enrollment growth funding in 2021-22, even though UC will not achieve full growth for several years. Providing all funds upfront weakens oversight and limits the Legislature's ability to adjust support levels as new information becomes available. In this regard, the state's experience with San Joaquin Valley PRIME serves as a cautionary lesson. Despite receiving upfront funds in 2015-16 for 48 students, as of 2020-21, the program enrolls 36 students and does not plan on attaining its target level of students until 2023-24.

- *Proposal Would Use Inconsistent Funding Rate.* UC did not derive its proposed per-student funding rate using a comparable methodology to its general enrollment growth formula. The general enrollment growth formula, known as the "marginal cost of instruction," (1) makes key assumptions about education costs (such as a faculty-student ratio), (2) explicitly excludes certain fixed costs that do not increase with enrollment, and (3) contains a method for attributing a share of the marginal cost to the state General Fund and student tuition revenue. Without a comparable formula for medical students, the Legislature has little basis to determine whether the proposed funding rate would appropriately align with programmatic costs.

- *State Would Not Set Enrollment Targets.* Despite UC having enrollment growth plans for PRIME, the Governor's proposal does not link any additional funding to specific enrollment expectations. Such an approach weakens accountability and potentially creates confusion over how many additional students are to be enrolled.

Greater Clarity Is Needed on Financial Aid Objectives. Similar to funding enrollment growth, the LAO thinks increasing student financial aid and reducing student debt could be reasonable objectives. As of this writing, however, neither the Administration nor UC had provided a clear and comprehensive plan for addressing medical students' debt levels. Such a plan would typically include a standard expectation of a manageable medical school debt level, the amount of available grant aid, and an estimate of the remaining unmet financial need. In the absence of this type of plan, the Legislature has little basis to determine whether the proposed set aside for financial aid would fulfill its intended purpose.

Unclear if Existing Programs Warrant Additional Funding. The university to date has not provided a clear rationale to bolster support for existing PRIME programs. While program enhancement could be warranted were PRIME programs to have gaps in service levels or outcomes, UC has not clearly documented these gaps. Despite UC's claim that PRIME programs are underfunded by the state, virtually all students in PRIME graduate and are successfully placed in postgraduate residency programs.

State Lacks Consistent Reporting on PRIME Outcomes After Graduation. While UC reports high completion rates for its PRIME students, data on student postgraduate activities is incomplete. UC Irvine's PRIME program, which focuses on serving Latino communities, has the most complete information on its graduates' postgraduate activities. According to UC, 72 percent of practicing physicians from the UC Irvine program practice in county health facilities or federal qualified health centers, 66 percent work in practices that serve primarily low-income patients, and 53 percent work in practices where a majority of patients are Latino. UC also provided data on UC Davis' rural PRIME program, noting that 60 percent of its graduates practice in a rural area of the state. To date, however, the state does not have complete postgraduate data available for all of UC's PRIME programs. The Governor's proposal would maintain this information deficit, as it does not require any regular reporting on PRIME outcomes.

Direct UC to Develop Overall Medical School and PRIME Plan. The LAO recommends withholding funds for enrollment growth in PRIME programs or any new PRIME programs until the Administration and UC provide a plan for overall medical school enrollment, with a specific breakout for PRIME enrollment and detail on how the associated costs would be covered. The plan should also identify the remaining populations of Californians who are not adequately served by UC's existing medical school programs and the actions UC will take to address these health disparities.

Phase in Funds, Develop Marginal Cost Formula, and Set Enrollment Targets. If the Legislature were to decide to fund growth in medical school enrollment or PRIME enrollment over a multiyear period, the LAO recommends it develop an alternative budget approach. Under this alternative approach, the Legislature would phase in enrollment growth funding over multiple years. To assist medical schools in their planning, the Legislature could provide funds one year in advance of each cohort's planned growth. The state already takes this approach when funding general campus enrollment growth. To determine funding levels, the LAO recommends the Legislature direct UC to develop a marginal cost of instruction for medical education that is connected to anticipated education costs (excluding fixed costs) and devises a way to share these costs between state funding, student tuition, and faculty clinical revenue. Furthermore, any enrollment growth funds should be attached to explicit enrollment growth expectations to facilitate public accountability and legislative oversight.

Direct UC to Submit Plan on Addressing Unmet Student Financial Need. The LAO also recommends the Legislature withhold additional funding for financial aid until UC provides a more specific estimate of medical students' and PRIME students' unmet financial need. Such an analysis should include an estimated cost of attendance, assumed student contribution amount through borrowing, an estimate of existing grant aid provided to students, and the remaining financial need to be addressed through additional grant aid.

If UC Wants to Enrich Programs, Stronger Case Needs to Be Made. Before providing any remaining funding for program enhancement, the LAO recommends the Legislature direct UC to provide clearer documentation on its uses and projected improvements in outcomes resulting from these funds. If such documentation cannot adequately justify program enhancement funds, we recommend the Legislature redirect the remainder of the proposed funds toward other high budget priorities in 2021-22.

Require Periodic Reporting. To aid legislative oversight and accountability, the LAO recommends the Legislature require UC to report periodically (either annually or biennially) on PRIME activities and outcomes. At a minimum, the reports should include: (1) PRIME enrollment and student demographics in each program, (2) a summary of each program's current curriculum, (3) graduation and residency placement rates, and (4) postgraduate data on where PRIME graduates are practicing and the extent to which they are serving the target populations and communities of their respective programs. If feasible, the reports should contain outcomes data for all student cohorts since 2004-05.

The subcommittee may wish to ask:

1. UC: The LAO notes that there is not consistent reporting on PRIME outcomes, and recommends UC to report periodically on these outcomes. Can the UC describe to the committee what the outcomes are? Can the reporting requirement suggested by the LAO be provided to the Legislature?

2. UC: How does UC establish its enrollment growth target for medical school students and the PRIME program?

3. UC: What funding did UC use to support PRIME students that were not covered by state General Fund?

4. UC: When will UC establish the two new PRIME programs?

Staff Recommendation: Hold Open.

Issue 6: Deferred Maintenance

Panel:

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

Background

Campuses Have Sizable Maintenance Backlogs. Like most state agencies, UC campuses are responsible for funding the maintenance and operations of their buildings from their support budgets. When campuses do not set aside enough funding from their support budgets to maintain their facilities or when they defer projects, they begin accumulating backlogs. These backlogs can build up over time, especially during recessions when campuses sometimes defer maintenance projects as a way to help them cope with state funding reductions. Both universities report having large backlogs. UC has not shared a precise estimate, but staff at the UC Office of the President report the total backlog is more than $8 billion.

State Has Provided Funds to Address Backlogs. In the years following the Great Recession, the state provided one-time funding to help UC address their maintenance backlogs. The figure below shows the amounts appropriated by the state each year from 2015-16 through 2020-21. Funding over the period totaled $678 million.

State Has Provided Funding to Address Deferred Maintenance at the Universities
General Fund, Unless Otherwise Noted (In Millions)

	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
UC	25	35	—	70[b]	179[a,b]	$35[b]
Totals	**$50**	**$70**	**—**	**$105**	**$418**	**$35**

[b]In each of these years, $35 million came from state-approved university bond funds.

The 2020-21 budget package allowed UC to repurpose unspent 2019-20 deferred maintenance funds for other operational purposes. UC redirected $25.2 million General Fund that was originally appropriated in the Budget Act of 2019 for deferred maintenance projects to help support core academic operations.

UC is Developing Long-Term Plans to Address Backlogs. To help guide future state funding decisions, the Legislature in the *Supplemental Report of the 2019-20 Budget Act* directed UC and CSU to develop long-term plans to quantify and address their maintenance backlogs. UC has not yet submitted its maintenance plan to the Legislature. According to staff at the UC Office of the President, the report will be submitted sometime between March and July of this year.

Governor's Budget Proposal

Governor Proposes Addressing Deferred Maintenance at the Universities. The Governor proposes to provide UC $175 million in one-time General Fund support for this purpose. The proposal authorizes UC to use these funds for deferred maintenance or energy efficiency projects. The Administration indicates that the dual purposes of the funding for UC stemmed from UC's request to pursue energy efficiency projects.

UC submitted a list of projects that UC could potentially support with the proposed funding. The list totaled $250 million. The UC is revisiting their list to determine which projects they would undertake within the proposed funding level. Under the Administration's proposal, UC final project list would be authorized by DOF after enactment of the budget. Budget bill language would direct the Administration to report to the Legislature on which projects were funded within 30 days after the funds are released to the universities.

Legislative Analyst's Office Comments

Deferred Maintenance Is a Prudent Use of One-Time Funding. In *The 2021-22 Budget: California's Fiscal Outlook*, the LAO advised the Legislature to direct any immediate surplus funding toward one-time actions that either strengthen the state's budget resiliency or help address the extraordinary public health and economic impacts of the pandemic. Addressing deferred maintenance could be viewed as strengthening the state's budget resiliency in that it pays for largely unavoidable costs that will grow if not addressed. Funding projects that help reduce UC's utility costs over time also could be beneficial, though these projects could be lower priority than those deferred maintenance projects that would have significant cost escalation were they to be left unaddressed.

Proposed Project Authorization Time Line Is Problematic. While the LAO thinks the Administration's focus on addressing deferred maintenance is reasonable, the LAO is concerned with the Administration's proposal to notify the Legislature of the approved projects *after* the funds are released. Such an approach would give the Legislature no ability to review the list of projects and ensure the projects are consistent with intended objectives and legislative priorities.

Provide Funding but Modify the Project Notification Process. Given the sizeable maintenance backlogs at each segment, the LAO recommends the Legislature provide UC at least the $175 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information in May, the Legislature could consider providing more one-time funding for this purpose. Regardless of the exact dollar amount provided, the LAO recommend modifying the proposed notification process so that the Legislature receives the list of projects 30 days *before* the funds are released to campuses. Requiring advance notification is consistent with the state's approach to authorizing projects for previous deferred maintenance funds and would allow for more meaningful legislative oversight in how the universities use state funds.

Staff Comments

Capital Outlay. Prior to 2013-14, the state funded construction of state-eligible projects by issuing general obligation and lease-revenue bonds and appropriated funding annually to service the associated debt. General obligation bonds are backed by the full faith and credit of the state and require voter approval. Lease-revenue bonds are backed by rental payments made by the segment occupying the facility and only require a majority vote of the Legislature. The debt service on both is repaid from the

General Fund. State-eligible projects are facilities that support the universities' core academic activities of instruction, and in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

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

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

The 2020-21 budget modified the capital outlay approval process. SB 820 (Committee on Budget and Fiscal Review), Chapter 110, Statutes of 2020, authorizes, starting on January 1, 2021, UC to proceed with General Fund capital expenditures upon signed certification that all cleaning, maintenance, grounds keeping, food service or other work traditionally performed are by UC employees at each facility, building or property. This excludes construction work and other types of work, including carpentry, electrical, plumbing, glazing, painting and other craft work designed to preserve, protect or keep facilities in a safe and usable condition. The bill also specifies that starting with the 2021-22 fiscal year, the Department of Finance shall approve each new and ongoing capital expenditure only after the UC has demonstrated compliance with the above. As of writing this agenda, UC has not submitted this certification to the Legislature, nor has it received the Department of Finances preliminary list of approved projects.

In the fall of 2020, the UC submitted two projects to DOF for approval: (1) UC Berkeley – Academic Seismic Replacement of Evans Hall ($124 million total), and (2) UC Merced – new Health and Behavioral Science Building ($210 million total).

<u>The subcommittee may wish to ask:</u>

1. UC: The Governor's proposal authorizes UC to use these funds for deferred maintenance or energy efficiency projects. Can the UC describe the work and type of projects that it has done to address energy efficiency?
2. DOF: What is the status of the February capital outlay preliminary letter? Why is was there a delay?
3. DOF/UC: Please provide a status update on the certification required under SB 820. How has UC and DOF implemented this?

<u>Staff Recommendation.</u> Hold Open

Issue 7: Various Governor's Budget Proposals

Panel:

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

Governor's Budget Proposals

In addition to the major proposals mentioned above, the Governor also proposes a variety of other budget proposals.

Learning Management System. The Governor's budget proposes $1 million ongoing General Fund for the UC to adopt a common learning management platform for online courses that aligns with the platform used by the California Community College system by the 2023–24 academic year.

Professional Development. The Governor's budget proposes $5 million one-time General Fund to provide culturally competent professional development for faculty, including leveraging 21st century technology to improve learning outcomes.

California Institutes for Science and Innovation. The Governor's budget proposes $20 million one-time General Fund to support the California Institutes for Science and Innovation in providing student stipends over a five-year period to enable students to connect with industry employers, and for research teams to form industry partnerships to better align educational programs with workforce needs. The proposed language does not specify other key parameters for the funds, such as student eligibility and the size of the stipends. These matters would be left for UC to determine.

Based on information provided by UCOP staff, UC notes that under the proposal five institutes will be funded: (1) California Institute for Telecommunications and Technology (Calit2) – a joint partnership between UC San Diego and UC Irvine, (2) Center for Information Technology Research in Interest of Society (CITRIS) – a joint partnership with UC Berkeley, Davis, Merced and Santa Cruz, (3) UC Santa Barbara California Nano Systems Institute, (4) UCLA California Nano Systems Institute, and (5) California Institute for Quantitative Biosciences (QB3) – a joint partnership with UC Berkeley, Santa Cruz and San Francisco. These campuses have submitted plans with varying degrees of information. These plans vary considerably, targeting different student populations, activities, and sizes of stipends. The stipends range from a $1,500 to $70,000. Together the institutes plan to serve up to 540 students annually or 2,700 over a five-year period. Funding will also support research teams, administrative costs, lab training, and equipment. According to UC, the UC SB CNSI and UCLA CNSI will each receive $2.5 million, while the other ISIs will receive $5 million.

Immigrant Legal Services. The Governor's budget provides $1.2 million ongoing General Fund to provide immigrant legal services.

Firearm Violence Research. The Governor's budget provides $1 million ongoing to continue to support UC Davis Firearm Violence Research Center.

Background and Staff Comments

Learning Management Systems (LMS). Colleges use learning management systems for both online and in-person classes. A LMS allows faculty to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to access course materials, content, submit assignments, collaborate with classmates, communicate with instructors, and access help resources. Historically, each college has selected its own course management system from among several vendors. While the budget bill does not specify a specific LMS, it does state the platform must align to the platform used by CCCs. Currently, almost all CCCs utilize Canvas. UC does not have a systemwide agreement for a LMS. Currently eight UC campuses are using Canvas, with two campuses using other platforms. UC notes that they typical duration of an LMS contract is three years. UC is concerned with the state designating a single vendor as the LMS for the UC, and note that it is not clear that UC will be able to negotiate a systemwide agreement with one entity.

The Administration notes by moving to a single platform, the CCCs were able to leverage deals with contracts and licenses, and create savings via economies of scale. The Administration believes that moving UC towards the same platform as the CCCs will allow transfer students and other students taking courses across multiple campuses to have an easier time transitioning across institutions and from semester to semester.

Immigrant Legal Services. The 2018-19 budget provided $4 million one-time General Fund to support immigrant legal services operated through UC Davis Immigrant Legal Services center. The program has been spending $1.3 million annually of this amount. The 2020-21 budget provided $345,000 General Fund ongoing from this program. With the additional $1.2 million provided in the Governor's budget, the base General Fund support for the program would now be $1.5 million. Founded in 2015, the UC initially supported the center with discretionary funds. In 2020, the center employed 11 staff with some attorneys located on UC campuses and others serving campuses remotely from UC Davis.

Firearm Violence Research. The 2016-17 budget provided $5 million one-time for the UC Davis Firearm Violence Research Center. In 2019-20 the budget provided $3.85 million for firearm injury and death prevention training. Currently, the federal government does not fund gun violence research.

Professional Development. Common types of faculty professional development include workshops, conferences, consultations, and online resources on topics such as course design, pedagogy, and student support. At both segments, these activities are commonly delivered by the campuses' centers for teaching and learning, as well as in other settings. Campuses support faculty professional development through a mix of fund sources, including core funds, federal funds, and private grants.

Since the onset of the pandemic, both segments have offered professional development to support faculty with the rapid transition to online instruction. At UC, centers for teaching and learning served 6,700 faculty in 2019-20—more than twice as many as in the previous year. Based on institutional reporting, at least 2 UC campuses had used some funds from the first round for faculty or staff training in online instruction as of December 31, 2020. UC staff has indicated that the Governor's proposal to provide $5 million one-time General Fund for profession development will be allocated to the campus teaching centers.

The state provided $10 million ongoing General Fund support in 2013-14 to UC to expand online education. UC has used the funds for the Innovative Learning Technology Initiative, which provides grants for faculty to develop online and hybrid courses that students at any campus may access. In

2019-20, the state also provided the Office of Planning and Research with $10 million ongoing for the California Education Learning Laboratory, an intersegmental program that similarly aims to expand online and hybrid course offerings. In addition to these programs, the state has supported multiple one-time initiatives at the segments to develop and expand the use of open educational resources in online courses.

California Institutes for Science and Innovation. Originally established by AB 2883 (Villaraigosa), Chapter 79, Statutes of 2000, each of UC's four institutes is a multicampus endeavor focused on research in select science and engineering fields. Two of these institutes involve northern California campuses and two involve southern California campuses. All campuses except UC Riverside participate in at least one institute. Each institute oversees facilities across its participating campuses that contain specialized research laboratories. Much of the research that occurs at the institutes is conducted by collaborative teams of researchers from UC and private industry. The institutes also support many other initiatives intended to foster innovation and entrepreneurship and connect UC students to job experiences and opportunities.

When the state authorized UC to develop the institutes in 2000, it provided $170 million in one-time General Fund over two years to support the construction of the institutes' facilities. Beginning in 2002-03, the state provided $4.8 million General Fund to support the institutes' annual operations. Though the state has since eliminated this earmark and folded the associated funds into UC's main appropriation, UC continues to allocate this amount of General Fund to the institutes. Today, UC reports total core funding for the institutes of $16.6 million, consisting of state funds and campus funds. On top of this core funding, the institutes receive additional funds from federal grants, private donations, and other external sources for specific research and other limited-term endeavors. State law requires UC to match two dollars from external and nonstate sources for each dollar of state funding appropriated to the institutes.

Legislative Analyst's Office Comments

Reconsider Professional Development Proposal After Receiving Online Education Report. The LAO recommends the Legislature reject the Governor's proposal to provide additional funding for faculty professional development in 2021-22, as federal relief funds and other institutional funds are available to address the immediate needs faculty have for improving online instruction. Though the LAO recommends not providing a state augmentation at this time, the Legislature could revisit this issue upon learning more about unmet faculty professional development needs. Specifically, the Legislature could direct the segments to include an assessment of the need for additional faculty support as part of the online education reports the LAO recommended previously. More information about faculty professional development needs could allow the Legislature to determine whether a one-time augmentation might be warranted in the future or existing ongoing professional development funding might be sufficient.

California Institutes for Science and Innovation.

The Administration's stated objectives of aligning education programs to workforce needs, better connecting students to job opportunities, and fostering economic innovation are laudable in concept. However, the proposal likely would have limited impact on California's students and economy, as it would support opportunities for a small number of students in a narrow set of fields. Additionally, each institute's plan appears to reflect local institutional priorities instead of a statewide assessment of which students and activities are of highest priority for workforce development. The LAO notes that the

Administration to date has not provided a statewide assessment of gaps in educational programs, gaps in workforce supply, or unmet industry demand. Without more strategic statewide planning, the Legislature can have little confidence that this proposal is targeting limited resources toward the state's highest priority workforce needs.

Unclear How Proposal Would Interact With Forthcoming Workforce Proposal. The *Governor's Budget Summary* indicates that the administration plans to submit a higher education and workforce proposal totaling $250 million in one-time General Fund. According to the Governor, this forthcoming proposal will be focused on "workforce development, segment alignment, and improving linkages between higher education institutions and employers." These objectives are very similar to the Governor's objectives for funding the institutes. Without having the much larger proposal, the Legislature cannot compare the two initiatives and assess whether one might have stronger justification and be more cost-effective than the other.

Request Administration to Provide Stronger Justification for Proposal. Prior to taking action on this proposal, the Legislature could request the administration to respond to the key weaknesses identified above. Specifically, the Legislature could request that the administration (1) provide an analysis of education and workforce gaps in the state, (2) describe how funding the institutes would address these gaps and unmet industry demand, and (3) explain how this proposal is intended to interact with the larger, forthcoming $250 million workforce proposal. Were the administration not able to provide the Legislature more compelling information in these areas over the next couple of months, the LAO recommend the Legislature reject the $20 million in one-time funding for the institutes and redirect those funds toward higher one-time state budget priorities.

<u>The subcommittee may wish to ask:</u>

- DOF: The subcommittee has received a letter from a stakeholder with concerns about the LMS proposal being a no bid contract. What is the Administration's response to this?

- DOF: Will the California Science Institutes also be seeking industry and federal support and funding for this proposal? Do these programs currently receive industry support and federal research funding?

<u>Staff Recommendation.</u> Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 5th, 2021
9:00 a.m. State Capitol - Room 3191

Consultant: Elisa Wynne

AGENDA

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

6100 DEPARTMENT OF EDUCATION

Issue 1: School Nutrition Priorities and Options

Panel:

- Sara Cortez, Legislative Analyst's Office
- Elly Garner, Department of Education
- Kim Frinzell, Department of Education
- Deborah Ortiz, Classified Food Service Employee, Roseville City School District
- Jennifer LeBarre, Executive Director, Student Nutrition Services, San Francisco Unified School District
- Andrew Cheyne, Director of Government Affairs, California Association of Food Banks,

Background:

School Nutrition Programs (SNP)

Local Educational Agencies are required to provide meals to students who are eligible for free and reduced price meals under California's education code.

Education Code Section 49550 requires school districts and county offices of education (COE) to provide nutritionally adequate meals to pupils who are eligible for free and reduced-price (F/RP) meals every school day. Education Code Section 47613.5 extends this requirement to charter schools. Charter schools offering nonclassroom-based instruction must also offer at least one nutritionally adequate meal for eligible pupils on any school day that the pupil is scheduled for educational activities lasting two or more hours at a school site, resource center, meeting space, or other satellite facility operated by the charter school.

Section 34 of the 2020 Budget Act established Education Code Section 43503 that adds distance learning as an instructional model and requires school districts, COEs, and charter schools to provide nutritionally adequate meals for eligible pupils during schooldays in which those pupils participate in distance learning. This requirement allows flexibility in how food is distributed as long as students eligible for F/RP meals have access to a nutritionally adequate meal during each school day.

A nutritionally adequate meal (breakfast and lunch) must meet the federal meal pattern requirements and qualify for federal reimbursements.

Types of Meal Programs

The California Department of Education (CDE) administers school meal programs overseen by the United States Department of Agriculture (USDA). The main programs are as follows:

National School Lunch Program (NSLP) – The National School Lunch Program is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The National School Lunch Program is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. State reimbursement is paid for all free and reduced price meals. Federal reimbursement is paid for all free, reduced price, and paid meals. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs.

School Breakfast Program – Local Educational Agencies may also choose to participate in the School Breakfast Program. The School Breakfast Program is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. If a child already qualifies for free or reduced-price lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. State reimbursement is paid for all free and reduced price meals. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were free or reduced-price). Sites must annually re-establish their eligibility for the Severe Need Breakfast Reimbursement.

Summer Food Service Program - The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites.

Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for free or reduced-price (F/RP) school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers. The camp receives reimbursement only for meals served to enrolled children who qualify for F/RP meals. Closed sited are open only to enrolled children or to an identified group of children, as opposed to the community at large. Closed enrolled sites must also establish their eligibility through the individual income eligibility of the children attending the site.

LEAs may also choose to operate a Seamless Summer Option through the National School Lunch (NSLP) or School Breakfast Programs (SBP). School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP "free" rates.

<u>Eligibility:</u>

Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child's immigration status. The family-size income levels are prescribed annually by the Secretary of Agriculture for determining eligibility for free and reduced price meals and free milk. The free guidelines are 130 percent of the Federal poverty guidelines. The reduced price guidelines are 185 percent of the Federal poverty guidelines.

LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

Community Eligibility Provision (CEP) - The CEP was implemented by the Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. Schools that have implemented the CEP have experienced striking increases in school meal participation, and many reported improved attendance. The CDE highly encourages participation in the CEP for a school or group of schools with an Identified Student Percentage (ISP) over 40 percent, and can include directly certified children.

Identification of children for free and reduced price meals is also important as the data is used as a proxy for low income in the state's school funding formula, the Local Control Funding Formula (LCFF) and generates additional education funding.

Related School Nutrition Legislation:

The Child Hunger Prevention and Fair Treatment Act **(SB 250, Hertzberg, Ch. 726, Stats. 2017)** and its subsequent amendments **(Hertzberg, Ch. 785, Stats. 2019)** required that all LEAs serve all students a fully reimbursable meal, whether or not they brought money to school that day. This was only a change as it relates to students who are not enrolled in free or reduced-price meals, as existing law already required LEAs to provide meals to reduced-price students regardless of whether they brought money that day. After the Child Hunger Prevention and Fair Treatment Act of 2017, LEAs are required to serve students and are responsible for the full price of the meal, regardless of whether their parents pay –or ever pay. This resulted in some LEAs generating debt in nutrition programs that was not collectible and is absorbed by the LEAs' operating budgets.

In addition, pending legislation, **SB 364 (Skinner)** proposes:

(1) Commencing with the 2022–23 school year and contingent upon an appropriation, require school districts, county offices of education, and charter schools to provide two free school meals each schoolday, regardless of the pupil's eligibility for free or reduced-price meals;

(2) require the CDE to administer a noncompetitive grant to LEAs to cover costs incurred by those agencies in purchasing food produced or grown in California;

(3) require the CDE to award grants of up $30,000 per schoolsite every year on a competitive basis to school districts, county superintendents of schools, or entities approved by the CDE for nonrecurring expenses incurred, in order to increase the number of meals that can be prepared freshly and served to pupils; and

(4) establish the BOOST Nutrition EBT Program to prevent child hunger during regularly scheduled school breaks or any school campus closure caused by a declared state of emergency.

COVID -19 Related Changes during the 2020-21 Fiscal Year

Typically an LEA must operate under specific rules related to the meal programs they are participating in to receive reimbursement. This means that during the school year, LEAs participating in school meals program provide meals at specified times, sites, and settings. During the summer, when school is out of session, LEAs may continue to participate in meal programs that allow for more flexibility in the methods of food distribution as described above. During the current pandemic, the USDA has issued nationwide waivers, that now extend through June 30, 2021, to allow non-congregate feeding and meal service time flexibility during the school year, consistent with flexibilities typically allowable under summer meal programs.

As reimbursement based programs, school meal programs rely on the scale of meals served to generate revenues to cover program costs, food, labor, and equipment/operations. During the initial shut down of schools starting in mid-March 2020, LEAs reported significant drops in meals served as they struggled to adjust to serving meals to students in new formats. Many LEAs began to serve more meals during the summer and into the fall, but most have not reached the levels served during the regular school year in 2019-20.

In response to the concerns that LEAs' nutrition programs were struggling to cover costs, the 2020-21 budget provides $192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period.

More recently, on January 26, 2021, the USDA released a policy memo announcing a special emergency reimbursement funding for Child Nutrition Programs for March- June 2020. The intent of this funding is to help addressed lost meal reimbursement and increased operational costs due to COVID-19. Funding will be based on a specific formula that accounts for the difference in meal claims in March, April, May and June 2019 compared to the same months in 2020. The difference in meals served is then multiplied by 55 cents to determine the reimbursement amount for each eligible sponsor. Once USDA approved a state plan for the funds (due April 2021) reimbursement funds will be allocated to the CDE to distribute. The USDA expects state agencies to begin releasing the funding by June 2021. CDE notes that while these funds will provide some relief to LEAs, they only cover costs through June 2020 and not the remainder of the pandemic.

Recent 2021-22 School Year Federal Waivers:

Recently the USDA released additional school nutrition related waivers for the summer of 2021 and the 2021-22 school year.

- Allows for a waiver to allow schools to operate the National School Lunch Program Seamless Summer Option (SSO) when school is open during the regular school year, through June 30, 2022. This would mean that an LEA would be able to provide lunches to students regardless of eligibility status, eliminating the need for fee collections, and allow flexibility is where meals are served, including in smaller and outdoor settings. In addition, the federal reimbursement rate under the SSO is higher than that of the NSLP. Without this waiver, LEAs would be eligible to use the SSO only during breaks or summer recess.

Essentially in 2021-22, this new waiver allows for LEAs participating in the NSLP program to offer meals to all students regardless of income eligibility and receive federal reimbursement at the free rate. Under current law, the state would continue to provide an additional state reimbursement rate for the free and reduced price meals served.

Nutrition Proposals:

In April of 2020, the Senate Democratic Caucus released: Senate Democrats Budget Priorities for 2021-22 and Beyond, which included broad outlines for budget priorities. School nutrition is a top priority for the Senate Democrats, including making progress on the following:

- Providing universal meals (breakfast and lunch to all students)
- Continuing to maximize federal meal reimbursements and build off the waivers currently authorized by the USDA.
- Reducing child hunger during school holiday breaks and summer breaks.
- Reducing or eliminating school meal debt for LEAs
- Increasing the nutritional content of meals and increase locally-grown foods in school lunches
- Stabilizing and supporting the classified staff who provide the food service at schools.

Suggested Questions:

- What has the fiscal impact of the pandemic been to school nutrition programs, and how does this impact a school's budget?
- What are some of the barriers to increasing CEP participation?
- Why do schools choose not to participate in the NSLP?
- What has the experience of food service employees been during the pandemic and what challenges are faced in meeting the needs of students in the coming school year?
- How do school districts staff summer meal programs?

Staff Recommendation:

Information Only

Issue 2: Statewide Student Assessments

Panel:

- Michelle Valdivia, Department of Finance
- Elly Garner, Departments of Education
- Brooks Allen, State Board of Education

Background

Students' grasp of academic content is measured by a statewide student assessment system. Under state law and the federal Every Student Succeeds Act, California must administer annual statewide tests for reading/language arts and mathematics to all students in grades three through eight and once in high school as well as statewide tests for science at least once in each of the grade spans three through five, six through nine, and ten through twelve. In addition, state and federal law require that local educational agencies (LEAs) administer an annual summative state test of English language proficiency (ELP) to eligible students in kindergarten through grade twelve (K–12).

Statewide student assessments are aligned to the California Common Core State Standards in English language arts (ELA) and mathematics, California English Language Development Standards and California Next Generation Science Standards (NGSS). Under the California Assessment of Student Performance and Progress (CAASPP) System, the state has participated in the multi-state Smarter Balanced Assessment Consortium (SBAC) for access to computer-based, standards-aligned ELA and mathematics. For the non-consortium assessments such as the science test, the primary language assessment, and the alternative assessments for ELA, math and science, the state develops these assessments. In addition, the state develops the English Language Proficiency Assessments for California (ELPAC). The state contracts with Educational Testing Service (ETS) to develop, administer, score, and report CAASPP and ELPAC assessments.

California Assessment of Student Performance and Progress (CAASPP)

1) English Language Arts and Math Assessments

The 2014-15 school year was the first operational year for the ELA and mathematics assessments aligned to the common core state standards were used by the state. These assessments are computer-based and include a computer-adaptive test section as well as performance tasks. These assessments require access to computing devices and internet connectivity through a secure browser for the assessments to be administered and are given to students in grades three through eight and grade eleven, including students with disabilities and English learners. These assessments include accessibility resources such as universal tools, designated supports, and accommodations for students based on need.

2) Science Assessments

The Next Generation Science Standards (NGSS) for California public schools for grades kindergarten through 12 were adopted by the SBE in September of 2013. Under federal law, students must be assessed in science at least once in each of the following grade spans: 3-5, 6-9, and 10-12. The California Science Test (CAST), aligned with the California Next Generation Science Standards (CA NGSS), is administered to all eligible students in grades five and eight and once in high school (i.e., grade ten, eleven, or twelve), including students with disabilities and English learners. The initial version of the CAST blueprint (provides for the test items and score determinations) was approved in 2017 by the SBE to measure performance. The grade five assessment assesses the CA NGSS from grades three through five, including the foundational standards in K-2; grade eight assesses the CA NGSS from grades six through eight; high school assesses the CA NGSS from grades nine through twelve. All of the CA NGSS Performance Expectations, grades three through grade twelve, will be assessed over a three year period.. In January 2020, following the results of the 2018–2019 analyses and studies conducted by ETS, the SBE approved the revision of the CAST blueprint to be implemented in the 2020–2021 school year. Due to the cancellation of statewide testing in spring 2020 amid the COVID-19 threat, the CDE planned to reuse the 2019–2020 CAST test forms in 2020–2021 and delay the implementation of the January 2020 revised blueprint until the 2021–2022 administration of the CAST. The CAST also includes accessibility resources such as universal tools, designated supports, and accommodations for students based on need.

3) Assessments for Students with the Most Significant Cognitive Disabilities

Federal regulations also require the inclusion of students with the most significant cognitive disabilities who cannot participate in the general statewide assessment system and this has been met through the California Alternate Assessments (CAAs) for ELA, mathematics, and science. For the past several years, the CAA for Science has been under development and the 2019-2020 CAA for Science administration was intended to be its first operational assessment. The data collected from the 2019-2020 administration was to be used in standard setting as one of the final steps in assessment development, however, data is not yet available to set standards based on the low numbers of students who completed the assessment before school closures.

4) Primary Language Assessment

California has also historically provided for a primary language assessment for students to demonstrate mastery of reading/language arts standards. The state currently has a primary language assessment only in Spanish, called the California Spanish Assessment.

Assessment of English Language Proficiency. The state currently develops and administers an annual assessment to determine the progress of English learners in developing English language proficiency. The current assessment for this purpose is the English Language Proficiency Assessments for California (ELPAC). The ELPAC includes an assessment for initial identification of English learners and an annual assessment to gauge a student's progress towards English proficiency. The initial ELPAC moved from paper/pencil to a computer-based version in August of 2020. In addition, the window for completing the 2019–2020 ELPAC summative assessment was extended into the fall of 2020.

Other Assessments. The CDE also maintains a variety of other assessment contracts such as the California High School Proficiency Exam, the High School Equivalency Test, the GED, the Physical Fitness Test, the National Assessment of Educational Progress as well as other outreach and technical reporting contracts.

<u>COVID -19 Related Changes</u>

During the 2019–2020 school year, all CAASPP and ELPAC summative testing was suspended. Some LEAs had already started the testing process, and a small number had completed testing their students when LEAs closed in March 2020. Subsequently, a federal waiver was requested and approved to waive the federal 2019–2020 student assessment requirements.

In response to nationwide school closures, the Smarter Balanced Assessment Consortium allowed access to interim assessments to be administered remotely without the need for a secure browser. The CDE and ETS provided this option to LEAs to use these assessment tools during distance learning to support teaching and learning.

2020–2021 Assessments

Given the challenges created by the pandemic, and the variety of different instructional formats that LEAs have been working in during the 2020–2021 school year, it was clear that additional flexibility was needed in planning for statewide assessments in the spring 2021. As part of this consideration, the state took steps to approve a shortened version of the Smarter Balanced Summative Assessments for ELA and mathematics and allow for the offering of remote administration for LEAs for ELPAC and CAASPP assessments, except the CAAs for ELA, math and science, which were recommended to be administered in person following local health and safety guidelines.

Much of the student assessment requirements are tied to federal requirements and guidance from the U.S. Department of Education (ED) on February 22, 2021, outlined flexibilities that are available to states in order to satisfy the federal assessment, and the availability of waivers from certain accountability and reporting requirements for the 2020–2021 academic year as a result of the pandemic. The ED also expressly stated that it is not inviting states to apply for blanket waivers that would allow states to opt out of annual testing altogether.

In their February and March 2021 meetings, the State Board of Education (SBE) met to deliberate and take action that would be consistent with the ED's letter and to explore additional flexibilities as requested by stakeholder groups. The SBE approved the following:

- Directed CDE to prepare a waiver, consistent with the federal template, regarding the flexibilities offered by ED for accountability and school identification.

- Extend the 2020–21 test administration window for both the CAASPP and ELPAC through July 30, 2021, as applicable.

- Direct CDE to prepare a general waiver of the California Science Test for the 2020–21 school year.

- Create a policy that allows, for the 2020–21 school year, for LEAs be allowed to use the most viable option for assessment in their local context, including the Smarter Balanced Summative Assessments and CAAs for ELA and mathematics, or other diagnostic, benchmark, or interim assessments that:
  - Are aligned with California Common Core State Standards for ELA and mathematics.
  - Are available to assess students in grades three through eight and grade eleven.
  - Are uniformly administered across a grade span, school, or district.

- Provide results that can be reported to parents/guardians, educators about individual students, and to the public by school and by district and are disaggregated by student group.

The CAST, the CAA for Science, and the California Spanish Assessment will continue to be available for any LEA to use during the 2020-21 school year.

Per state and federal statutes, LEAs will still be required to publicly report, disaggregated by student group, in the School Accountability Report Card (SARC) and the Local Educational Agency Report Card (LARC) the performance of students by assessment and the number and percentage of students tested and not tested.

Assessment Funding.

Statewide assessments have historically been split-funded between federal Title VI funds and Proposition 98 General Fund. The CAASPP and ELPAC contracts were competitively procured, separately, in 2015. At that time, the CAASPP contract encompassed the technology infrastructure. In 2018, the ELPAC was integrated into the CAASPP contract, which included the development and administration of both the CAASPP and the ELPAC through the 2021–2022 school year. The current assessment contract has been awarded to ETS. The assessment contract covers the administration of the assessments, including technology, scoring, reporting, and development of non-consortium assessments. California's membership in the SBAC allows access to the Smarter Balanced Summative and Interim Assessments as well as formative assessment resources in Tools for Teachers for ELA and mathematics. In 2020, CDE facilitated two multi-day workshops with California science educators to develop science resources that were added to the Tools for Teachers.

In addition to contract costs, the state provides LEA's with a per-pupil apportionment amount to cover the costs of administering assessments. Apportionments are paid one year in arears, so the apportionments for the Spring of 2021 assessments are budgeted for in the 2021-22 budget. The proposed budget for assessments in 2021-22 (Governor's budget) is summarized below, however, adjustments to these amounts may be made in the May Revision as final contract costs are known and as adjustments are made for the amount of available federal funding:

Governor's Budget Proposal:

Governor's Budget Proposed 2021-22 Statewide Assessment Costs (In Thousands)			
Assessment Activity	**Prop 98 Funds Projected Costs**	**Federal Funds Projected Costs**	**Total Projected**
Other Assessment-Related Contracts	$1,553	$848	$2,401
English Language Development Assessment	$9,640	$13,565	$23,205
California Student Assessment System	$81,580	$5,397	$86,977
Assessment Apportionments	$25,304	$0	$25,304
California High School Proficiency Examination	$1,244	$0	$1,244
Reimbursements for High School Proficiency Exam	($1,244)	$0	($1,244)
Totals	**$118,077**	**$19,810**	**$137,887**

Suggested Questions:

- Does DOF/ CDE anticipate significant revisions to the statewide assessments budget at the May Revision? Specifically, will the funds for per student apportionments be reduced to reflect an updated estimate of the number of test takers in the Spring of 2021 administration of assessments given the flexibility provided to LEAs?

- Were there significant apportionment savings from the Spring of 2020 administrations of assessments? Were funds provided to LEAs based on the numbers of students who started and completed testing? How are LEAs providing information to claim these funds?

- Several assessments and changes have been scheduled to be made during the past few assessment cycles, what significant delays have there been to assessment development?

Staff Recommendation: Hold Open.

Issue 3: State Operations

Panel:

- Paula Fonacier-Tang, Department of Finance
- Amy Li, Legislative Analyst's Office
- Elly Garner, Departments of Education

Governor's Budget Proposal and Legislative Analyst's Office Comments

Proposal	Positions	Funding	Recommendation and Rationale
Federal Funds			
Extend the implementation schedule for the Standardized Account Code Structure software replacement project by one year.	--	$3,100	Approve. The extension is reasonable given the challenges associated with training districts to use the new software during the pandemic. In addition, the extension would facilitate additional testing and improvement of the software. Funding is one time.
Extend spending authority to fund violence prevention and mental health training programs for students and staff, and to provide state-level support on school safety and suicide prevention.	--	420	Approve. The extension is reasonable given the implementation challenges associated with training students and staff during the pandemic. Funding is one time.
Provide one additional position to meet workload demand related to new federal requirement that all schools report per-pupil expenditure data.	1	133	Approve. Helps CDE meet new federal reporting requirement. Funding is ongoing.
State Funds[a]			
Backfill positions shifting to the Department of Social Services (DSS) to provide CDE with sufficient staff to administer the programs remaining at CDE.	83	12,598	Conform staffing actions to policy actions. Number of staff needed likely varies depending on decisions related to timing and programs that transition to DSS.
Fund Instructional Quality Commission (IQC) to complete updates to the mathematics curriculum framework.	--	206	Approve. Helps IQC complete pending work. Funding is one time.
Provide one position for CDE to develop and maintain a data collection system that tracks schools affected by emergencies.	1	136	Approve. Proposal would streamline existing data collection efforts and improve the state's ability to assist schools during emergencies. Funding is ongoing.

Total	**85**	**$16,593**	
[a] Funded by Non-Proposition 98 General Fund (ongoing), unless otherwise indicated.			

Suggested Questions:

- Does the $206,000 for the Instructional Quality Commission fund all of the currently anticipated workload for the 2021-22 year?

- The Governor's Budget provides ongoing funds and 1.0 position for the school emergency data collection system. Does CDE anticipate additional resources needed in the future? Are current staffing levels in other divisions able to absorb workload related to responding to school emergencies, given the increasing natural disasters across the state in the last several years?

- The Governor's Budget includes an extension of federal funds authority to continue trainings on violence prevention and mental health training programs for students and staff, and to provide state-level support on school safety and suicide prevention. According to the BCP this would allow for the training of 6,000 school staff in Youth Mental Health First Aid. Is there a need to further supplement federal funds and expand the reach of these programs?

Staff Recommendation: Hold Open.

Issue 4: Education Funding Under the American Rescue Plan

Panel:

- Amy Li, Legislative Analyst's Office

Overview of Federal Relief for K-12 Education.

Since March 2020, the federal government has passed three relief packages that assist K-12 schools in their response to the coronavirus disease 2019 (COVID-19) pandemic.

- ***Coronavirus Aid, Relief, and Economic Security (CARES) Act.*** Signed into law on March 27, 2020, the CARES Act provided $30.8 billion for a newly created Education Stabilization Fund. This fund is for higher education institutions, elementary and secondary schools, and states to cover costs related to the COVID-19 response in education. The legislation also established the Coronavirus Relief Fund (CRF), which can be used by states for a variety of activities that address the COVID-19 public health emergency. (As we describe later, California allocated a portion of its CRF funding to schools and child care.)
- ***Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)***. Signed into law on December 27, 2020, the CRRSAA provided $81.9 billion for a second round of funding for the Education Stabilization Fund. The CRRSAA made some minor changes to allowable uses, but generally had similar rules for how school funds were to be spent.
- ***American Rescue Plan (ARP).*** The ARP was signed into law on March 11, 2021 and provides the largest round of funding, totaling $168.1 billion for K-12 and higher education. In contrast to the first two federal relief packages, ARP makes notable changes to both the grants to schools and funds available for statewide emergency needs.

In the following sections, we discuss the major elements of federal relief for K-12 education and child care and describe how the state has used some funds in 2019-20 and 2020-21.

Overview of Federal COVID-19 Relief Funding for K-12 Public Schools

California Allocations (In Millions)

	CARES Act	CRRSAA*	ARP**	Totals
ESSER				
Grants to schools	$1,483	$6,039	$13,562	$21,083
State flexible funds	165	671	1,507	2,343
Subtotals	($1,647)	($6,710)	($15,069)	($23,426)
GEER				
State flexible funds	$355	$154	—	$509
Totals	$2,003	$6,864	$15,069	$23,935

*Does not include relief funding for private schools.

**Does not include relief funding for special education, private schools, homeless students, or education technology.

COVID-19 = coronavirus disease 2019; CARES = Coronavirus Aid, Relief, and Economic Security; CRRSAA = Coronavirus Response and Relief Supplemental Appropriations Act; ARP = American Rescue Plan; ESSER = Elementary and Secondary School Emergency Relief; and GEER = Governor's Emergency

CARES Act

Elementary and Secondary School Emergency Relief Fund (ESSER) Primarily Provided Funding With Broad Discretion. The CARES Act provided $13.2 billion in federal relief for K-12 public schools through ESSER. This funding was allocated to states based on the Title I, Part A formula under the federal Every Student Succeeds Act (ESSA). (The Title I, Part A formula uses the number of low-income and disadvantaged children to allocate funding.) California received about $1.6 billion. Of this amount, 90 percent ($1.5 billion) was sent as grants to school districts and charter schools proportional to their Title I funding under ESSA. Up to 10 percent of the total amount ($165 million) was available as statewide flexible funding for emergency needs in response to the COVID-19 outbreak. The state has one year to commit the funds and until September 30, 2022 to expend them.

Any expenses incurred after March 13, 2020—considered the start of the emergency—are eligible for reimbursement. Allowable uses for the local assistance grants are broad and include:

- ***Activities Aligned With Existing Federal Programs.*** Any activities consistent with existing federal education programs, such as special education services, career technical education, and supplemental services for disadvantaged student groups.
- ***COVID-19 Response.*** Coordinating, developing, and implementing COVID-19 response efforts, as well as purchasing supplies to clean facilities.
- ***Distance Learning.*** Planning for delivering instruction and meals during long-term school closures, purchasing education technology for students, providing mental health services, and providing supplemental learning opportunities for disadvantaged students.
- ***Staff Resources.*** Resources and training for staff to address the needs of their individual schools.

Governor's Emergency Education Relief Fund (GEER) Gives Additional State Flexible Funds. In addition to relief funds earmarked for schools, the CARES Act provided states $3 billion in flexible funds for education through GEER. Of this funding, 60 percent was allocated to states based on their population aged 5 through 24 and 40 percent was allocated based on the number of low-income and disadvantaged students counted under Title I, Part A of ESSA. California received $355 million. This funding supports emergency grants to schools, higher education institutions, and other education-related entities considered most impacted by the outbreak. States have considerable discretion in deciding how to allocate funding. Similar to the requirements for ESSER funds, the state has one year to commit the funds and until September 30, 2022 to expend them.

States Are Expected to Maintain Education Funding at Recent Levels. As a condition of receiving a state allocation under ESSER and GEER funding, states are to maintain their support for education. Specifically, states must agree to maintain their support for K-12 education and higher education in fiscal years 2020 and 2021 at the average annual level they provided in the prior three fiscal years. The U.S. Secretary of Education may waive this requirement, however, for states that experience a "precipitous decline in financial resources."

State Appropriated Flexible CARES Act Funds in 2020-21 Budget. The 2020-21 budget package used $4.8 billion in CARES Act funding for learning loss mitigation. This included all $355 million in GEER funding, as well as $4.4 billion from the CRF. The flexible statewide ESSER funding was used to provide $112 million for higher reimbursement rates for some school meals, $45 million for a competitive grant to support implementation of the community schools model, $6 million for teacher professional development to address student learning loss, and $2 million for the California Department of Education (CDE) to administer the funds.

CRRSAA

CRRSAA Provided Second Round of ESSER Funding to Schools. CRRSAA provided $54.3 billion in federal relief for K-12 public schools through a second round of ESSER funding. Funds were allocated to states using the same distribution formula as the CARES Act, based on Title I, Part A ESSA allocations. California received $6.7 billion—a four-fold increase from the first round of ESSER funding. Of this funding, $6 billion was sent directly to school districts and charter schools as grants proportional to Title I funding under ESSA. In addition to the activities allowed under the CARES Act, the CRRSAA explicitly allows ESSER funds to be used for three new activities: (1) addressing learning loss among disadvantaged students, (2) repairing and improving school facilities, and (3) improving indoor air quality in schools. The remaining $671 million in ESSER funding is available for statewide K-12 education priorities. The state has one year to commit the funding and until September 30, 2023 to expend funds.

States Also Received Second Round of GEER Funding. CRRSAA provided $4.1 billion for a second round of GEER funding. The first two rounds of GEER funding share many similarities, including the state allocation formula and allowable uses, with one difference related to private school funding. Specifically, CRRSAA reserves about $2.8 billion in GEER funding for emergency assistance and services to private schools. These funds were allocated to states proportional to their share of low-income children aged 5 through 17 enrolled in private schools. Private schools that enroll low-income students and were most impacted by the pandemic receive priority for the funds. California received $187 million in emergency assistance for private schools. CDE is responsible for developing an application process and awarding assistance and services to eligible private schools. The remaining GEER funds were allocated to states under the same formula as the CARES Act, proportional to population between the ages of 5 and 24 and student counts under Title I, Part A of ESSA. Similar to the CARES Act, the state can use these funds on emergency needs related to education. California received $154 million for statewide emergency needs under GEER. Any private school funds remaining after six months also may be used for statewide emergency needs. The state has one year to commit the funding and until September 30, 2023 to expend funds. CRRSAA also requires states to maintain their support of K-12 education and higher education in fiscal year 2022 as a condition of receiving ESSER and GEER funding.

ARP

Significantly Greater ESSER Funding, With Additional Spending Requirements. ARP provides $122 billion for a third round of ESSER funding. Similar to the first two federal packages, ARP allocates ESSER funding to states based on Title I allocations under ESSA. California will receive $15.1 billion in total ESSER funds under ARP—more than twice the amount the state received under CRRSAA. States are required to send at least 90 percent of the total state allocation to school districts and charter schools. In California, $13.6 billion will be provided to schools as ESSER grants. In contrast to prior rounds of funding, which provided broad discretion for use of ESSER funds, schools are required to spend at least 20 percent of their ESSER grants from ARP to address learning loss through activities such as summer school, after school programs, and additional instructional time. In deciding how to use its ESSER funds, schools are expected to consider student social-emotional needs and the student groups most impacted by COVID-19. Each school district or charter school must also make publicly available its plan for safe in-person instruction within 30 days of receiving ESSER funding.

Spending Requirements for State-Level ESSER Funds. Of California's ESSER allocation, $1.5 billion is available for statewide K-12 education priorities. Similar to the spending requirements for schools, ARP sets greater restrictions on the use of statewide ESSER funds. Specifically, states must spend at least 5 percent of their total ESSER allocation on learning recovery, 1 percent on summer school, and 1 percent on comprehensive after school programs. State-level activities are expected to consider student social-emotional needs and the student groups most impacted by COVID-19. Altogether, these spending requirements apply to a total of $1.1 billion in available statewide ESSER funds, with the remaining $452 million available for other statewide education needs. The state has one year to commit the funding and until September 30, 2024 to expend funds.

Provides Additional Funding for Special Education, Private Schools, Homeless Students, and Education Technology. In addition to ESSER, ARP provides a $3 billion one-time augmentation to federal special education funding under the Individuals with Disabilities Education Act. Of this funding, California will receive $302 million. ARP also provides $2.8 billion for emergency services and assistance to private schools that enroll a significant percentage of low-income students and were most impacted by the pandemic. California will receive $181 million in private school funds. These funds are available through September 30, 2024. ARP additionally provides $800 million for identifying and providing services to homeless students. California will receive $99 million to support homeless students. Similar to the first two federal packages, ARP requires states accepting ESSER funds to maintain their support for K-12 education and higher education for fiscal years 2022 and 2023. Unlike the CARES Act or CRRSAA, ARP also limits funding reductions for school districts and schools with the most low-income students. Lastly, ARP provides $7.2 billion for the federal government to reimburse certain costs for eligible schools and libraries to connect individuals (including students and school staff) to the internet during the pandemic.

Suggested Questions:

- Does the LAO have any recommended priorities for the Legislature in considering how to allocate available federal funds?

- With growing revenues since the 2020-21 budget, does the LAO anticipate California will have any issues with maintaining the MOE expenditure requirements on state expenditures for education?

- Given that timelines for many of the funds allow the state up to a year to allocate funds, does the LAO have any comments on the timelines that the Legislature might consider? Is there a need to ensure some flexibility for the state to react differently due to uncertainty arising from the pandemic recovery? Or do LEAs need additional funding immediately?

Staff Recommendation:

Information Only

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 12, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

Public Comment

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

6120 CALIFORNIA STATE LIBRARY

Issue 1: Library Support

Panel

- Jason Constantouros, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Greg Lucas, State Librarian, California State Library
- Jennifer Louie, Department of Finance

The State Library's main functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, Internet services, and resource sharing, among other things.

In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. In 2018-19, 185 library jurisdictions with 1,119 library branches are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to information a core part of their mission. More than 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

Library Infrastructure and Technology Investments

On April 13th, the Senate released the Build Back Boldly budget package, which prioritizes funding for the state's public libraries. Specifically, the plan calls for $1 billion for public library infrastructure and technology investments, including facility upgrades and modernization projects, expand broadband development and public access to libraries through new fiber optics, and procure new technology and devises for library users, and for hotspot lending programs.

Background

The last state bond for public libraries was enacted and approved by voters in 2000. In 2000, the state approved Senate Bill 3 (Rainey, Burton, Alpert), Chapter 726, Statutes of 2000, which created the *California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000*, which provided $350 million in general obligation bonds for public library construction and renovation. The bill authorized the California Library Construction Board to provide grants to local governments provided that the local agency contributes 35 percent matching funds for the project, and specified that the state's share cannot exceed $20 million per project. The bill also established criteria and procedures for allocation of funds, including needs of urban and rural areas, age and condition of existing facilities, degree of which existing facility is responding to unmet needs of the library service area, among others. At the time, the Senate Floor analysis notes that, the State Library estimated a $2 billion need over six years, of which $1.2 billion in immediate needs.

Library Infrastructure Need. In 2016, the CLA conducted a voluntary needs assessment, which found that the state's public libraries had $4 billion in infrastructure needs. Of the survey respondents, 16 percent noted structural deficiencies, 14 percent noted electrical deficiencies, and six percent noted hazardous materials.

The California Research Bureau recently conducted a survey on April 19, 2021 of the state's public libraries facilities, the responses covered approximately 70 percent of public library facilities. The survey found that there is $3.8 billion in maintenance needs, of which $3.4 billion are for modernization needs and $364.8 million in deferred maintenance needs. For this survey, State Library staff notes library directors were allowed to determine their local needs. State Library staff notes that deferred maintenance includes routine repairs that have been postponed or cancelled, and modernization needs include American with Disabilities Act (ADA) compliance upgrades, heating ventilation and air conditioning (HVAC)/ energy efficiency upgrades, wiring and connectivity upgrades, and upgrades to meeting spaces for the community needs. Of survey respondents, 36 percent note that their facilities are functionally at least 20 years old and seven percent are at least 50 years old. Forty three percent of respondents reported that their libraries were in worse than good condition; nine percent reported poor conditions. The survey found 14 percent reported needing a wholesale replacement, 29 percent needing a remodel, and 21 percent needed expansion.

On February 24th, the subcommittee heard Governor's proposal regarding the Corporation for Education Network Initiatives in California (CENIC), which provides the state's public education agencies access to a high -speed internet network. Since 2014-15, the state has provided funding to the State Library to allow local libraries to use this network. The State Library pays its CENIC charges using General Fund and a special fund, the California Teleconnect Fund (CTF). Local library jurisdictions are responsible for covering the cost of annual internet service charges from the CENIC network to their local sites. Local libraries use their local funds and state and federal technology discounts to pay these costs.

Of the 1,132 public libraries in the state, 895 are connected or currently in the process of being connected via CENIC. For the 2020-2021 fiscal year, the CENIC is working to install 59 circuits with total five-year circuit fees of close to $6 million. This does not include network hardware or room readiness costs that libraries often incur when first installing broadband connections. Libraries in unserved and underserved areas of the state are the hardest to connect. That is, areas that lack broadband infrastructure, typically rural areas with low population density and poor urban areas with a high population density of low-income families, often face both fiscal and physical obstacles in delivery of broadband services.

Federal Funding. The American Rescue Plan (ARP) included $10 billion for states to cover the costs of capital projects that directly enable work, education and health monitoring, including remote options such as broadband infrastructure. It is estimated that the state could receive $550 million. In addition, the ARP also includes $7.1 billion to reimburse schools and libraries to purchase equipment such as hotspots, internet service, and computers on behalf of students and patrons. Furthermore, the proposed American Jobs Plan, proposes to provide $100 billion for high speed broadband infrastructure and to reduce cost of broadband internet service.

Library Fees and Patron Debt

In addition to the library infrastructure and technology investments, the Senate Build Back Boldly budget also calls for the elimination of patron library debt and to provide ongoing sustainable funding for public libraries.

The State Library staff notes that 117 library jurisdictions (664 branches) collect fines for overdue books, of which 18 jurisdictions (101 branches) do not charge fines for children's materials; and 57 jurisdictions (363 branches) do not charge late fines. Fines range from $0.05 to $0.50 per item per day, and most fines are approximately $0.25. Library jurisdictions that do not charge late fees include Alameda County Library, Contra Costa County, San Luis Obispo City-County Library, and San Diego Public Library. For example, in 2019, Contra Costa County library eliminated overdue fines on all library materials. Of the cardholders in Contra Costa County, 18 percent (118,450) previously had their cards blocked due to fines, and 43 percent (21,000) of youth accounts owed a balance.

In January 2019, the San Francisco Public Library and The Financial Justice Project issued a report, *Long Overdue: Eliminating Fines on Overdue Materials to Improve Access to San Francisco Public Library*, which found that 34.8 percent of patrons owed money for overdue fines or billed item fees. The average adult debt holder owed $23.40 to the library, and five percent of adult cardholders were blocked due to unpaid fine accumulation (not including people blocked due to lost or unreturned materials). The report found that while patrons across the city regardless of income, miss return deadlines, patrons in low-income areas face more difficulty paying the fines and fees associated with overdue items. The report noted that overdue fines disproportionately affect low-income communities, African American communities, and communities without college degrees. At the time, 11.2 percent of adult cardholders in the Bayview branch are blocked from using the library due exclusively to overdue fine accrual (and not because of lost or unreturned items), significantly more than in any other location and more than three times as many as in high-income areas of San Francisco.

In April 2021, the CLA conducted an informal survey of the fines and fees at public libraries. The survey found that the state's public libraries have a preliminary estimated total fines and fees balance of approximately $98 million across the state (some libraries included costs damaged or lost materials). Staff notes that respondents of this informal survey responded in different formats, and data has not been validated.

Library Support and Services

California Library Services Act (CLSA). The state facilitates resource sharing between libraries through the California Library Services Act (CSLA) program. The CLSA has a board that determines specific funding allocations for local libraries each year. To facilitate resource sharing, CLSA supports nine regional library cooperatives. The cooperative in turn support numerous initiatives among their member libraries, such as expanding digital resources. The program also historically funded the direct and interlibrary loan programs, which reimbursed libraries for loaning books to nonlocal patrons and other libraries. In 2010-11, the state provided $16 million (adjusted for 2021-22 dollars) to support CLSA. In the following year, however, state defunded CLSA in response to state's poor budget situation. The state has since resumed CLSA funding for the regional library cooperatives, but is no longer funding the direct and interlibrary loan programs. (Many libraries, however, continue to loan their resources to other libraries using their other operating funding.) In 2019-20, the cooperatives received $3.6 million in ongoing General Fund support. Due to the COVID-19 pandemic, the 2020-21 budget reduced this funding by $1.8 million, bringing cooperative funding to $1.8 million in 2020-21.

Public Library Foundation (PLF). The state established the Public Library Foundation in 1982 to help provide general operations support for local libraries in the wake of Proposition 13 (1978). This program provided operational assistance to local libraries and was used to support library staffing, maintain hours of operation, develop and expand library-based programs such as after-school reading programs and homework assistance centers, and purchase books and materials. To determine the amount of funding for the program, statute established an aspirational level of state and local support for libraries. This level was based on the number of people in each library's local service area and was adjusted each year for inflation. Of this aspirational amount, the state was expected to contribute 10 percent of the cost and local governments were expected to contribute the remaining 90 of funds. Statute specified that the state funding was to supplement local resources and required participating libraries to maintain the same level of local funding as was provided in the prior year. At its peak (in 2000-01), the state appropriated $94 million (adjusted for inflation) to the program, however, in subsequent years, funding was reduced, and the program was also ultimately defunded during the great recession in the 2011-12 budget act.

Staff Recommendation. None. This item is informational.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY

Issue 2: UC and CSU Student Enrollment

Panel

- Jason Constantorous, Legislative Analyst's Office
- Seija Virtanen, University of California
- Ryan Storm, California State University
- Brian Rutledge, Department of Finance

Background

State Often Sets Enrollment Targets for the Universities. In most years, the state budget has established systemwide resident enrollment targets for CSU and UC. When these targets require enrollment growth, the state typically provides associated General Fund augmentations. Historically, the state has set targets for the upcoming academic year, but some recent budgets have set the targets for the following year (for example, setting a target in the 2019-20 budget for the 2020-21 academic year). Setting an out-year target allows the state to better influence admission decisions, as the universities typically have already made their decisions for the upcoming academic year before the enactment of the state budget in June. Since 2015-16, five of the last six budgets have set enrollment targets for the universities, with one of these budgets setting an out-year target for CSU and four of these budgets setting out-year targets for UC.

State Did Not Set Targets in the 2020-21 Budget. Deviating from the state's recent practice, the 2020-21 budget did not include CSU or UC enrollment targets for either the 2020-21 or 2021-22 academic years. In the case of CSU, the Chancellor's Office was left to determine the number of resident students to enroll in 2020-21. Though UC did not face any new enrollment expectations in the 2020-21 budget, the 2019-20 budget provided UC funding to enroll 4,860 more resident undergraduate students in 2020-21 over the level in 2018-19. UC reports that it has met the 2020-21 target, as discussed further below.

Overall Resident Enrollment Increased in Fall 2020. As shown in the chart on the following page, the total resident enrollment increased from fall 2019 to fall 2020 at both CSU and UC. The trends in the underlying composition of enrollment, however, varied across the two university systems. At CSU, for undergraduates, new enrollment was virtually flat, but continuing enrollment grew. Graduate enrollment also grew, entirely due to growth in new students.

In contrast, at UC, new undergraduate enrollment grew and new graduate enrollment declined. While the universities' overall resident enrollment increased in fall 2020, nonresident enrollment decreased. In addition to the fall-to-fall growth, UC experienced a notable increase in enrollment during the summer 2020 term. After factoring in this summer growth, UC anticipates exceeding its 4,860 student growth target for 2020-21.

CSU's and UC's Trends in New and Continuing Resident Enrollment Differ
Fall Resident Headcount

				Change From 2019	
	2018	**2019**	**2020**	**Amount**	**Percent**
CSU					
Undergraduate					
New	115,450	119,018	119,194	176	0.1%
Continuing	291,673	290,939	294,616	3,677	1.3
Subtotals	**(407,123)**	**(409,957)**	**(413,810)**	**(3,853)**	**(0.9%)**
Graduate					
New	17,565	17,494	20,360	2,866	16.4%
Continuing	29,274	28,886	28,646	-240	-0.8
Subtotals	**(46,839)**	**(46,380)**	**(49,006)**	**(2,626)**	**(5.7%)**
Totals	**453,962**	**456,337**	**462,816**	**6,479**	**1.4%**
UC					
Undergraduate					
New	54,910	54,326	56,918	2,592	4.8%
Continuing	128,035	131,340	130,528	-812	-0.6
Subtotals	**(182,945)**	**(185,666)**	**(187,446)**	**(1,780)**	**(1.0%)**
Graduate					
New	6,760	6,885	6,783	-102	-1.5%
Continuing	24,263	24,495	24,527	32	0.1
Subtotals	**(31,023)**	**(31,380)**	**(31,310)**	**(-70)**	**(-0.2%)**
Totals[a]	**213,968**	**217,046**	**218,756**	**1,710**	**0.8%**

[a]Excludes postbaccalaureate enrollment, for which new and continuing breakouts are not available. In fall 2020, UC enrolled a total of 134 resident postbaccalaureate students—10 fewer students than in fall 2019.

UC Nonresident Enrollment. The 2016 budget act required the UC Regents to adopt a policy limiting the number of undergraduate nonresident students as a condition of receiving enrollment funding for California residents. In 2017, the UC adopted a policy to cap total nonresident enrollment at five UC campuses at 18 percent. At UC Berkeley (24.6%), UC Irvine (18.9%), UCLA (22.8%) and UC San Diego (22.7%), nonresident enrollment was capped at the proportion that each campus enrolled in 2017-18.

Of the approximately 285,100 undergraduate students UC served in fall 2019, 40,482 (17.9 percent) were nonresidents. New nonresident undergraduate enrollment in fall of 2020 dropped by 3.6 percent UC undergraduates at all campuses pay the same $12,570 in systemwide tuition and fees. Nonresident undergraduates pay an additional $28,992 in nonresident supplemental tuition. The UC estimates that the 2020 decline in nonresident enrollment will result in a decrease of $38 million in nonresident tuition revenue.

CSU Enrollment. The CSU notes that it enrolled its largest ever student body for the fall 2020 term. It also notes that despite the pandemic, the CSU noted earlier this year that it received more than 294,265 unduplicated undergraduate applications for the fall of 2021.

Most CSU campuses and academic programs receive more eligible applicants than available slots. These campuses and academic programs are considered "impacted." Historically, impacted CSU campuses have sought to prioritize admission for students from their regions, maintaining CSU's historic role of ensuring access for place bound students. In recent years, however, several campuses have designated all of their undergraduate academic programs as impacted. When this occurs, campuses can reject for admission eligible applicants, even those from its region. For 2021-22, there are seven campuses with all of their majors impacted (Fresno, Fullerton, Long Beach, Los Angeles, San Diego, San Jose and San Luis Obispo).

Historically, and in contrast to UC, CSU has not had a redirection policy. That is, when eligible applicants were denied admission at one campus, they were not redirected to another campus with space if they did not apply to that campus. The 2017-18 budget required CSU to adopt a policy to redirect all eligible CSU applicants for admission from impacted campuses to non-impacted campuses for admission. Nine campuses (Bakersfield, Channel Island, Dominguez Hills, East Bay, Humboldt, Maritime Academy, San Francisco, Sonoma and Stanislaus) initially participated in the redirection process for fall 2019, and 25,000 applicants were offered the opportunity to have their applications redirected. Of those, 5,500 selected one of the nine campuses, 3,400 did not wish to have their applications redirected, and the remaining 16,000 applicants were divided among participating campuses. Of these applicants identified for redirection, just under 20,000 were offered admission to another campus. Based on data for fall 2019, 892 redirected students enrolled in the fall term, which is a yield of 4.5 percent.

Governor's Budget Proposal. The Governor does not propose funding to support enrollment growth at UC or CSU in 2021-22 or 2022-23. In the absence of these targets, the universities would have flexibility to make their own enrollment decisions over the next couple of months for the 2021-22 academic year. The universities also likely would set their own targets to guide their fall 2022 admission decisions.

The LAO notes that it is important to set clear enrollment expectations to provide clarity on how many students the universities serve. If the Legislature wished to support enrollment growth, the LAO estimates the General Fund cost of every one percent growth in resident enrollment would be $24 million at UC (approximately 2,000 FTE students), and at $34 million for CSU (approximately 3,600 FTE).

Segment Budget Proposal. UC and CSU does not have a budget request to increase enrollment, and plans to hold enrollment flat for the fall of 2021.

<u>Senate Build Back Boldly: Access to Higher Education</u>

In 2015, the Public Policy Institute of California (PPIC) noted that the state would need to produce 1.1 million more college graduates by 2030 in order to meet future workforce demands. The PPIC found that two in five jobs would require at least a bachelor's degree, while demographic data suggested that one in three Californians would attain this level of education. In February 2020, prior to the pandemic, PPIC announced that the state was on track to close these gaps due to various state efforts, including investments in increased enrollment at the segments and improved graduation rates.

The PPIC also notes that higher education could be one of California's most effective tools for combating economic and social inequities. College graduates experience large wage gains and their jobs offer more benefits than those of workers without bachelor's degrees. One of the goals of the Build Back Boldly Budget is to build a stronger middle class and expand access to higher education. In order to help achieve this goal, the plan seeks to increase resident enrollment at UC and CSU. The plan seeks to phase down non-resident student enrollment at UC to approximately 10 percent for incoming freshman by 2033-34, increase resident enrollment, and backfill the loss of out-of-state tuition revenues.

In 2020-21, UC enrolled 8,644 new nonresident students in its freshman class, this represents approximately 19 percent of incoming freshman (38,072). The plan seeks to reduce the share of nonresident freshman from 19 percent across the system in 2021-22 to 17 percent in 2022-23, while also increasing the number of resident students by a proportional amount. The chart below displays the proposed plan.

Build Back Boldly Plan: UC Nonresident Students

	2020-21 Current Year	2022-23 Year 1	2033-34 Final Year
Nonresident Share of Incoming Freshmen			
Campuses reducing their shares			
Berkeley	26%	24%	10%
San Diego	26%	24%	10%
Los Angeles	25%	23%	10%
Davis	21%	20%	10%
Irvine	21%	20%	10%
Santa Barbara	17%	16%	10%
Campuses increasing their shares			
Santa Cruz	7%	7%	10%
Riverside	4%	5%	10%
Merced	1%	2%	10%
UC average	**19%**	**17%**	**10%**
Number of Incoming Freshmen			
Resident	38,072	38,645	42,656
Nonresident	8,644	8,151	4,740
Totals	**46,716**	**46,796**	**47,396**
Cost of Plan			
Increase resident enrollment		$30	$412
Reduce nonresident enrollment		26	363
Totals		**$56**	**$775**

As shown on the chart above, the preliminary cost estimate of this plan is $56 million General Fund ongoing, which includes $30 million to increase resident freshman enrollment, and $26 million to replace the revenue that the UC would have received from nonresident students.

In addition, as noted above, 25,000 qualified CSU applicants were redirected from their campus of choice to other campuses, and yielded 4.5 percent enrollment. In order to address student demand and increase access to the CSU, and to meet the state's future workforce need, the Build Back Boldly plan also seeks to increase enrollment at the CSU.

Staff Recommendation. None, this item is informational.

6980 CALIFORNIA STUDENT AID COMMISSION

Issue 3: Debt Free College

Panel

- Lisa Qing, Legislative Analyst's Office
- Laura Szabo-Kubitz, The Institute for College Access and Success
- Jake Brymner, California Student Aid Commission
- Gabriela Chavez, Department of Finance

Cal Grant Awards Background

State Offers Multiple Types of Cal Grant Awards. Cal Grants are the state's primary form of financial aid. There are three main types of Cal Grant awards—Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide.

- Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of $9,084 for tuition at private non-profit universities, $8,056 at WASC-accredited for-profit schools, and $4,000 at other for-profit schools.
- Cal Grant B starting in the second year covers the amount of tuition coverage as Cal Grant A, while also providing an "access award" for nontuition expenses such as food and housing.
- Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award amounts for tuition ($2,462 for private schools) and nontuition expenses ($1,094 for Community College students, and $547 for private school students).

Across all three Cal Grant award types, students with dependent children qualify for a supplemental award that provides additional nontuition coverage of $4,000 or $6,000 depending award type. A student may receive a Cal Grant A or B award for up to four years of full-time study or the equivalent, whereas a Cal Grant C award is available for up to two calendar years. In 2020-21, the state provided $2.48 billion to support the Cal Grant Program.

Cal Grant Amounts Vary by Award Type and Sector
(Maximum Annual Award Amount, 2020-21)

Tuition Coverage	Amount
Cal Grant A and B[a]	
UC	$12,570
Nonprofit schools	9,084
WASC-accredited for-profit schools	8,056
CSU	5,742
Other for-profit schools	4,000
Cal Grant C	
Private schools	$2,462
Nontuition Coverage[b]	
Cal Grant B	
All segments	$1,648[c]

Cal Grant C	
CCC	$1,094
Private schools	547

[a]Cal Grant B recipients generally do not receive tuition coverage in their first year.
[b]Award amounts shown apply to students without dependent children. Students with dependent children qualify for a supplemental award that brings nontuition coverage to a maximum of $6,000 for Cal Grant A and B recipients and $4,000 for Cal Grant C recipients.
[c]Cal Grant B recipients also receive a supplemental award (up to $8) funded by the College Access Tax Credit.
WASC = Western Association of Schools and Colleges.

Entitlement and Competitive Programs Have Certain Eligibility Criteria. To qualify for Cal Grants, students must meet certain income and asset criteria, which vary by family size and are adjusted annually for inflation. For example, in the 2020-21 award year, a dependent student from a family of four must have an annual household income of under $106,500 to qualify for Cal Grant A or C, and under $56,000 to qualify for Cal Grant B. Students must also have a minimum grade point average (GPA), which ranges from 2.0 to 3.0 depending on award type. Cal Grants are provided as entitlements to recent high school graduates and transfer students under age 28. The state also provides a limited number of competitive awards to other students—typically older students who have been out of school for at least a few years.

Cal Grant Eligibility Criteria

Financial Criteria[a]

Cal Grant A and C
- Family income ceiling: $99,200 to $127,700, depending on family size.
- Asset ceiling: $85,500.

Cal Grant B
- Family income ceiling: $46,300 to $70,100, depending on family size.
- Asset ceiling: same as A and C.

Other Major Criteria

High School Entitlement (A and B)
- High school senior or graduated from high school within the last year.
- Minimum high school GPA of 3.0 for A award and 2.0 for B award.

Transfer Entitlement (A and B)
- CCC student under age 28 transferring to a four-year school.
- Minimum community college GPA of 2.4.

Competitive (A and B)

- An individual ineligible for one of the entitlement awards, typically due to age or time out of high school.
- Minimum GPA requirements same as for entitlement awards.

Competitive (C)

- Must be enrolled in career technical education program at least four months long.
- No minimum GPA.

[a]Reflects criteria for dependent students. Different criteria apply to independent students (generally those over age 24).
GPA = grade point average.

For the 2020-21 Cal Grant award year, the average income of a:

- Cal Grant A high school and transfer entitlement awardee is $59,141 and $76,262, respectively,
- Cal Grant B high school and transfer entitlement awardee is $25,623 and $21,175, respectively,
- Competitive Cal Grant A awardee is $14,728,
- Competitive Cal Grant B awardee is $8,985,
- Eligible competitive Cal Grant A and B non-offered students is $32,642, and
- Cal Grant C awardee is $26,383.

Competitive Cal Grant. As discussed in the February 24th subcommittee hearing, the state currently authorizes 41,000 new competitive awards annually for students who do not qualify for an entitlement award. CSAC uses a scoring matrix to prioritize among eligible applicants. The scoring matrix places greatest weight on measures relating to an applicant's financial need, including their EFC. Applicants also receive points for certain socioeconomic factors and their GPA. Each year, half of the competitive awards are available to students at any segment who apply by March 2, and the other half is reserved for students attending the California Community Colleges (CCC) who apply by September 2.

In 2019-20, over 293,000 students were eligible for a new Cal Grant competitive award. Of these students, only 51,000 (17 percent) were offered an award. (The number of offered awards exceeds the 41,000 authorized awards because not every student offered an award eventually receives it.) Students offered awards had an average annual income of about $8,100. The remaining 242,000 students, who were not offered awards, had an average income of $30,000.

2020-21 Cal Grant New and Renewal Offered Awardees

Segment	Entitlement Cal Grant A	Entitlement Cal Grant B	Cal Grant C	Competitive Cal Grant A	Competitive Cal Grant B	Total Awards Offered
CCC	30,305	125,653	11,210	640	72,308	240,116
UC	73,931	11,334	479	68	3,116	88,928
CSU	40,907	117,662	1	183	14,825	173,578
Private Non-Profit	24,749	7,065	104	190	2,425	34,533

Private For Profit (WASC)	820	807	429	143	723	2,922
Private For Profit (non-WASC)	266	1,774	7	199	1,227	3,473

Middle Class Scholarship Background

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, established the Middle-Class Scholarship Program to eligible UC and CSU students. The MCS provides an award of 10 percent to 40 percent of the mandatory systemwide tuition and fees for UC and CSU, depending the student's income and is offset by the students other federal, state, or institutional aid. In order to qualify for the MCS, students must have a household income and assets equal to or less than $184,000. The budget provides $117 million to support the MCS.

For 2018-19, 62,596 students were offered MCS awards which included 12,279 at the UC and 50,317 at the CSU. Of the 62,596 offered awardees, 84.5 percent actually used their awards and became Paid Recipients. Of the 52,883, 18 percent were UC students and 82 percent were CSU students. In 2018-19, the average UC and CSU MCS award was $2,975, and $1,756, respectively. CSAC notes that the typical MCS paid recipient's family income at UC and CSU was $126,336, and $98,834 respectively.

Community College Student Success and Completion Grant (SSCG) Background

AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018, established the Student Success and Completion Grant (SSCG). The SSCG provides eligible community college students with a $649 per semester grant for Cal Grant B or C students enrolled in full-time with 12, 13, or 14 units, and $2,000 for students enrolled in 15 or more units. The Governor's budget includes $135.45 million Proposition 98 General Fund to support the SSCG.

AB 1809 required the Chancellor's Office to report by April 1, 2020 on 2018-19 SSCG data, specifically on the number of grant recipients, disaggregated by units and education goals, grade point average, and number of awardees considered on track to complete their education program, among other outcome and demographic data. The Chancellor's Office submitted the report in January 2021. The report notes that in 2018-19, 81,000 students received a SSCG award, of which 63 percent sought an associate degree for transfer, 11 percent sought an associate degree with no plans to transfer, 10 percent sought to transfer without an associate degree and three percent sought career technical education certificates. The report notes that 25 percent of students receiving an SSCG completed 30 units or more an academic year, compared to nine percent of students receiving federal aid only, and four percent of students that received no aid. Additionally, 60.2 percent of SSCG recipients were Latino, 16.4 percent were white and 12.6 percent were Asian.

Governor's Budget Proposals

As discussed in the subcommittee's February 24th hearing, the Administration proposes $35 million to increase the number of competitive Cal Grant Awards from 41,000 each year to 50,000. The subcommittee also heard the Administration's proposal to provide $20 million in 2021-22 to create an increase to the Cal Grant Access Award for foster youth. Specifically, the maximum access award would increase from $0 to $6,000 for Cal Grant A recipients, from $1,648 to $6,000 for Cal Grant B recipients, and from $1,094 to $4,000 for Cal Grant C recipients.

Senate's Build Back Boldly Budget: Debt Free College

On April 13, 2021, the Senate Democrats released their budget priorities for 2021-22, *Build Back Boldly*, which seeks to increase affordability and access to higher education. In order to achieve this, the Build Back Boldly budget calls to implement a Debt Free College package, which includes filling in the gaps of the Cal Grant Program, and to transform the Middle-Class Scholarship program to help address the total cost of attendance for low income and middle-income students at the UC and CSU. The descriptions below highlight various options to achieve these goals.

Cal Grant Eligibility

- Grade Point Average. Currently, the Cal Grant A and B has three GPA eligibility requirements depending on the award type as described above. According to The Institute for College Access and Success (TICAS), *Charting the Course for Redesigning Financial Aid in California,* the GPA eligibility requirement is duplicative of college admissions requirements, such as at the CSU and UC which already require minimum GPAs for admission. Additionally, the GPA requirement also poses a barrier for older students whose high school transcripts are difficult to obtain or no longer representative of their academic performance.

- Age and Time Out of High School. Eligible recent high school graduates, as well as transfer students under the age of 28, are guaranteed a Cal Grant through the entitlement program. For students not meeting the entitlement program criteria, such as age or time out of high school, the state offers a competitive Cal Grant, which was summarized earlier, and heard at the February 24th subcommittee hearing. As stated, only 17 percent of eligible applicants were offered a Cal Grant Competitive Award. These eligibility rules create barriers for older nontraditional students from accessing the Cal Grant program.

  The subcommittee could consider removing these eligibility requirements: age cap and "one year out of high school," and GPA requirements in order to allow for over 300,000 more students, particularly non-traditional and older students, to be eligible for the Cal Grant. This would also remove the need for the competitive Cal Grant program.

Total Cost of Attendance

In addition to tuition costs, living expenses such as books, housing, transportation make up the total cost of attendance. The cost of attendance varies across campuses within each system because some expenses, such as housing, vary by location. The cost also varies depending on whether a student lives on campus, off campus not with family, or off campus with family. For example, the total cost of attendance for a student living on campus is approximately $38,000 at UC Santa Cruz and $24,000 at CSU Monterey Bay, while the total cost of attendance for a student living off campus is $27,000 at Cabrillo College.

- Cal Grant B Access Award. Currently, the Cal Grant B Access Award is $1,648. TICAS notes that in 2000-01, the Cal Grant B Access Award was $1,548, and if the award had kept pace with inflation, the maximum award would be $2,525. The subcommittee could consider increasing the Cal Access Award to help address total cost of attendance for students.

- Student Success and Completion Grant. As noted earlier, the SSCG is only available for Cal Grant B and C students enrolled full time, and provides additional financial aid to students to help cover non-tuition expenses at the community college. The subcommittee could consider increasing the award amount and providing it on a prorated basis to part time students.

- Middle Class Scholarship Program 2.0. As noted earlier, currently the Middle Class Scholarship only covers a portion of tuition for specified incomes. In order to address the total cost of attendance, the Senate's Debt Free College plan recasts and transforms the Middle Class Scholarship to Middle Class Scholarship 2.0. Under the MCS 2.0, a UC or CSU student will receive an additional award to address the total cost of attendance after taking into account all sources of funding, including financial aid, student work and family contribution. Under this model, the award will be calculated as follows:

  Start with Full Cost of Education (tuition, living expenses)
  (-) Subtract awarded financial aid grants (Federal, state, others)
  (-) Subtract modified "family contribution" for families with over $100,000 income
  (-) Subtract expected earnings from 15 hours per week job
  = Middle Class Scholarship 2.0 makes up the difference

  The subcommittee may wish to consider this option, as well as explore what the appropriate family contribution will be for families with incomes of over $100,000.

Taking into account all of the options described above: Cal Grant eligibility requirements as well as expanding financial aid to help cover the total cost of attendance, the preliminary estimates of the total cost to implement are approximately $5 billion.

Student Loan Debt

According to a 2019 TICAS report, *Student Debt and the Class of 2019*, 47 percent of California college graduates in 2019 had some student debt, with an average debt amount of $21,485. Nationally, 62 percent of college graduates had student debt, with an average debt of $28,950. At UC and CSU, the average student debt is lower than the state and national averages, with $18,360 at UC and $18,173 at CSU. According to the LAO, it is estimated that there is a total of $140 billion in outstanding federal student loan debt for Californians.

TICAS also released a report in March 2019, *Unequal Debt Burdens Among University of California Undergraduates,* which found that lower income graduates were also more likely to borrow than their wealthier peers. While overall 50 percent of dependent UC graduates borrowed, 65 percent of those from families making no more than $29,000 annually did compared to 22 percent of those with annual family incomes more than $173,000. Additionally, at the UCs, dependent African American and Chicano/Latino graduates are disproportionately more likely to have debt than their White peers, with dependent African American graduates from the lowest income bracket (no more than $29,000) the most likely to borrow at 78 percent.

Existing state law authorizes an above-the-line tax deduction for interest due and paid on qualified education loans up to a maximum of $2,500. The deduction is subject to gradual phase-outs for individuals with modified adjusted gross income (AGI) of $60,000 or more ($120,000 for joint filers), with complete phase-outs for individual with modified AGI of $75,000 or more ($150,000 for joint filers).

In an effort to address student loan debt, as outlined in the Senate's Build Back Boldly budget plan, the subcommittee may wish to consider expanding the current annual deduction cap above the current $2,500 as well as increase the current income eligibility for the deduction. For example, the maximum deduction cap could increase from $2,500 to $12,000, and increase the eligible income level from $65,000 ($130,000 for joint filers) to $100,000 ($200,000 for joint filers). The preliminary cost estimate for this example is approximately $44 million.

Staff Recommendation. None, this is an informational item.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEES NO. 1 and 3 Agenda

Subcommittee No. 1 - Education
Senator John Laird, Chair
Senator Dave Min
Senator Rosilicie Ochoa Bogh

Subcommittee No. 3 – Health and Human Services
Senator Susan Talamantes Eggman, Ph.D., Chair
Senator Melissa Melendez
Senator Richard Pan, M.D.

Thursday, May 13, 2021
10:00 a.m., or upon adjournment of session
State Capitol - Room 4203

Consultants: Elisa Wynne and Scott Ogus

Item **Department** **Page**

PUBLIC COMMENT

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

6100 California Department of Education
5180 Department of Social Services

Issue 1: Child Care Overview, Priorities and Stakeholder Perspectives

Panel I:
- Sara Cortez, Legislative Analyst's Office

Panel II:
- Christina Figueroa, Parent
- Lily Marquez, Parent

Panel III:
- Donna Sneeringer, Chief Strategy Officer, Child Care Resource Center
- Nina Buthee, Executive Director, Every Child California
- Keisha Nzewi, Director of Public Policy, California Child Care Resource and Referral Network
- Donise Keller, Child Care Provider
- Angie Garling, Vice President, Early Care are Education, Low Income Investment Fund

Background

Generally, programs in the early care and education system have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

The administration of child care programs is currently in transition as SB 98 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2020, established the Early Childhood Development Act to transfer the administrative responsibility of all state child care programs, with the exception of the California State Preschool Program, from the Department of Education (CDE) to the Department of Social Services (DSS), commencing July 1, 2021.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during "Stage One" (when a family first enters CalWORKs) and "Stage Two" (once a county deems a family "stable", defined differently by county). In the past, the state has funded "Stage Three" (two years after a family stops receiving cash aid) entirely while it is not a statutorily guaranteed entitlement program. Families remain in Stage Three until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation; and (3) children must be under the age of 13.

California State Preschool Program. State Preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). The State Preschool program serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 85 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA's Local Control Funding Formula allocation. LEAs may enroll children in transitional kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

State Child Care and Preschool Programs Source: Legislative Analyst's Office

Program	Description
CalWORKs Child Care	
Stage 1	Child care becomes available when a participant enters the CalWORKs program.
Stage 2	Families transition to Stage 2 child care when the county welfare department deems them stable.
Stage 3	Families transition to Stage 3 child care two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years old) or they exceed the income-eligibility cap.
Non-CalWORKs Child Care	
General Child Care	Program for other low-income, working families.
Alternative Payment	Another program for low-income, working families.
Migrant Child Care	Program for migrant children from low-income, working families.
Care for Children with Severe Disabilities	Program for children with severe disabilities living in the Bay Area.
Preschool	
State Preschool	Part-day, part-year program for low-income families. Full-day, full-year program for low-income, working families.
Transitional Kindergarten	Part-year program for children who turn five between September 2 and December 2. May run part day or full day.

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2016 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage One, and county welfare departments locally administer the program. The California Department of Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. The rate is increased by a stautory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. The current standard reimbursement rate (SRR) is $49.54 per child per day of enrollment for General Child Care and $49.85 for State Preschool. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes, except for hourly rates, which are set by dividing the weekly rate by 45 hours, to arrive at a rate that can in some cases be around 25 percent of the family child care home hourly rate.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool was budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee.

For LEA-run preschool, wrap-around care to provide a full day of care for working parents is provided with Proposition 98 funding, while non-LEA state preschool providers received General Fund through the General Child Care program to support wrap-around care. The 2019-20 Budget Act changed this structure and funded all non-LEA state preschool and wrap care with non-Proposition 98 and retained LEA state preschool and wrap care within Proposition 98.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. CalHR is currently negotiating with Child Care Providers United - California (CCPU) to establish a Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers.

Pandemic Impacts and Response:

The pandemic has affected child care providers and families. The COVID-19 emergency, has placed increased fiscal pressure on child care providers. The Center for the Study of Child Care Employment conducted a survey of 953 California child care providers at the end of June 2020. The vast majority of child care providers reported they were serving fewer children compared to before the pandemic and 77 percent of open providers reported they experienced a loss of income from families. Providers are also reporting higher costs. Of open providers, 80 percent reported higher costs for cleaning, sanitation, and personal protective equipment. Families receiving child care also have been affected, particularly due to school and child care closures that have required families to find new child care arrangements.

The LAO has provided the following table that shows an estimate of providers that remain open, and those that are closed permanently or temporarily and reflects both private and subsidized providers. This would not reflect license exempt providers and is a point-in-time snapshot.

Community Care Licensing - Child Care Licenses and Closures
As of March 31, 2021

	Small Family Homes	Large Family Homes	Child Care Centers	Total
Open and Operating[a]				
Facilities	12,875	11,263	10,525	34,663
Slots	102,536	156,748	575,117	834,401
Temporarily Closed				
Facilities	1,352	960	4,267	6,579
Slots	10,736	13,342	224,016	248,094
Permanently Closed Since March 2020				
Facilities	2,194	902	605	3,701
Slots	17,438	12,528	27,428	57,394

a) Represents licenses that are not inactive or temporarily closed.

<u>Governor's Budget Proposal:</u>

The Governor's Budget includes the following adjustments and proposals:

- **Non-CalWORKs Child Care.** The proposed budget includes $19.9 million for a 1.5 percent COLA adjustment for non-CalWORKs child care. The proposed budget also includes an increase of $21.5 million ongoing in 2020-21 and an additional $44 million ongoing for 4,700 additional Alternate Payment Program slots due to updated Proposition 64 cannabis tax revenues.

- **CalWORKs Child Care.** The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net decrease of $141 million, reflecting a $62 million decrease in Stage 1, a $112 million decrease in Stage 2, and a $33 million increase in Stage 3.

- **COVID-19 Related Support.** The proposed budget includes $55 million one-time General Fund to support child care providers' and families' needs as a result of the pandemic.

<u>Federal Stimulus Funds for Child Care</u>

The Legislative Analyst's Office provided the following information on available federal funds in their recent blog post: *Overview of Federal Relief for K-12 Education and Child Care.*

Since March 2020, the federal government has passed three relief packages that assist child care providers in their response to the coronavirus disease 2019 (COVID-19) pandemic.

- ***Coronavirus Aid, Relief, and Economic Security (CARES) Act.*** Signed into law on March 27, 2020, the CARES Act provided $3.5 billion for child care programs. The legislation also established the Coronavirus Relief Fund (CRF), which can be used by states for a variety of activities that address the COVID-19 public health emergency. (California allocated a portion of its CRF funding to child care.)

- ***Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)***. Signed into law on December 27, 2020, the CRRSAA provided $10 billion for child care. The CRRSAA made some minor changes to allowable uses, but generally had similar rules for child care funds were to be spent.

- ***American Rescue Plan (ARP).*** The ARP was signed into law on March 11, 2021 and provides the largest round of funding, $39.6 billion for child care.

Overview of Federal COVID-19 Relief Funding for Child Care

California Allocations (In Millions)

	CARES Act	CRRSAA	ARP	Totals
Supplemental CCDBG	$350	$964	$1,443	$2,758
Child Care Stabilization	—	—	2,313	2,313
Child Care Entitlement (LAO estimate)	—	—	63	63
Totals	$350	$964	$3,820	$5,134

COVID-19 = coronavirus disease 2019; CARES = Coronavirus Aid, Relief, and Economic Security; CRRSAA= Coronavirus Response and Relief Supplemental Appropriations Act; and CCDBG = Child Care and Development Block Grant.

- ***California to Receive a Combined $2.8 Billion in Supplemental Child Care and Development Block Grant (CCDBG) Funding.*** The federal government provided a total of $28.5 billion in federal relief through supplemental CCDBG funds. California received a combined $2.8 billion in supplemental CCDBG funds from the three relief packages. All the supplemental CCDBG provided through the three relief packages can be used for child care assistance to essential workers. Supplemental CCDBG provided through the CARES Act and CRRSAA can also be used to support child care providers. For CARES Act and CRRSAA, supplemental CCDBG must be committed by September 30, 2022 and expended by September 30, 2023. For ARP, funds must be committed by September 30, 2023 and expended by September 30, 2024.

- ***State Has Appropriated $882 Million of Relief Funds for Child Care.*** The state appropriated all of its $460 million in CARES Act funding through a variety of spending actions in 2020 and 2021. CARES Act funding for child care includes $350 million of supplemental CCDBG as well as $110 million in CRF. The Legislature also passed Chapter 6 of 2021 (AB 82, Ting), which appropriated $402 million of the $964 million in supplemental CCDBG the state received through the CRRSAA. The administration subsequently submitted a budget revision to use $20 million of the CRRSAA funds to address a budget shortfall associated with providing voucher providers with reimbursement flexibility. The figure below describes how the state used these one-time federal relief funds in more detail. A total of $542 million in CRRSAA and $1.4 billion in ARP supplemental CCDBG funds remain available.

How the State Has Spent One-Time Federal Relief Funding for Child Care
(In Millions)

Activity	Description	CARES Act	CRRSAA	Total
Alternative Payment Voucher Slots	Provided $50 million one time in 2019-20 and $294 million one time in 2020-21. Funds are intended to provide temporary child care until June 30, 2022.	$188	$156	$344
Voucher Stipends	Stipends to voucher providers based on the number of subsidized children enrolled.	31	244	275
Voucher Reimbursement Flexibility	In 2020-21, voucher provider payments are based on a child's authorized hours of care instead of the amount of care used. This holds voucher providers harmless if a child temporarily does not attend child care.	63	20	83
Family Fees	From September 2020 through June 2021, the state has waived family fees for families not receiving in-person care.	50	—	50
Cleaning Supplies and Protective Equipment	The state provided funds for gloves, face coverings, cleaning supplies, and labor costs associated with cleaning child care facilities.	50	—	50
Voucher Paid Operation Days	Provides an additional 30 paid non-operation days. Funds used so child could attend another provider while the original provider is closed.	40	—	40
School Aged Care	Funds are to cover the additional cost of providing care to school-aged children. During the school year, school-aged children typically receive care before and/or after school. As schools in most of the state remain closed, many school-aged children participating in distance learning also are receiving care from a child care provider during the school day.	38	—	38

State Administration	Provides funds to CDE and DSS for administrative costs.	—	2	2
Totals		$460	$422	$882

California Anticipated to Receive an Additional $2.4 Billion for Child Care From ARP. Of this amount, $2.3 billion is child care stabilization funding. The state is to provide grants to child care providers to pay for costs such as payroll, rent, and cleaning supplies. The ARP also includes ongoing child care entitlement funding, which we estimate would provide an additional $63 million for subsidized child care programs. For entitlement funds, the state must commit by the end of the fiscal year and expend by the end of the second fiscal year. The Legislature has not yet appropriated any of these funds.

Senate Priorities

In April of 2021, the Senate Democratic Caucus released: *Senate Democrats Budget Priorities for 2021-22 and Beyond,* which included broad outlines for budget priorities. Universal access to Early Care and Education for ages 0-3 is a top priority for the Senate Democrats, including making progress on the following:

- Make a significant investment (up to 200,000) in additional childcare slots for working families as next step toward universal access for ages 0 to 3.
- Establish and support childcare worker apprenticeship/training programs.
- Reduce costs to working families by reducing/eliminating family fees.
- Increase provider reimbursement rates to achieve a livable wage for childcare workers.
- Stabilize and retain providers as the state emerges from the pandemic.
- Support providers that have remained open during the pandemic by continuing hold harmless policies.
- Provide one-time funds to help providers who have closed to re-open or those who are open to expand.
- Retain essential worker families in the child care system.

Suggested Questions:

- What are the investments needed to re-open or open new child care homes and centers? What barriers exist now and prior to the pandemic for providers wanting to expand or open for child care?
- With the significant amount of one-time funds, what uses should the Legislature consider prioritizing? What investments need ongoing funds?

- What steps can the state take to grow the child care workforce?

- As the Legislature considers additional slots, what types of slots make the most sense for immediate and long-term expansion? What type of capacity is in the existing system to absorb an increase in slots, and where does capacity need to be increased before additional slots are added?

- What needs of parents are not currently being met? How can the state help to ensure that parents can find the care they need?

- What policies adopted during the pandemic need to be retained over the short or long-term?

Staff Recommendation:

Information Only

4260 Department of Health Care Services
4560 Mental Health Services Oversight and Accountability Commission
6100 California Department of Education

Issue 1: Student Behavioral Health Proposals

Package of School-Based Behavioral Health Proposals in January Budget. The Governor's January budget includes three proposals to address school-based behavioral health:

1) Mental Health Services Oversight and Accountability Commission – The budget includes expenditure authority from the Mental Health Services Fund of $25 million in 2021-22 to expand the Mental Health Student Services Act Partnership Grant Program, which facilitates partnerships between county mental health plans and schools to provide mental health services to students.
2) Department of Health Care Services – The budget includes expenditure authority of $400 million ($200 million General Fund and $200 million federal funds) to support an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services.
3) K-12 Schools Proposition 98 Funding – The budget includes General Fund expenditure authority from Proposition 98 education funds to support innovative partnerships with county behavioral health to support student mental health services. The funding would be provided to local education agencies to match funding in county Mental Health Services Act spending plans dedicated to the mental health needs of students.

Background - Mental Health Funding for Local Educational Agencies (LEAs). LEAs do not currently have significant sources of funding dedicated for supporting the mental health of students within their Proposition 98 allocations. For students with mental health needs who qualify for special education and have an Individualized Education Plan (IEP) that requires services, LEAs may use their special education funding to provide these services. Of the total amount of funds available to LEAs for special education, approximately $152 million was set aside each year as Educationally-Related Mental Health Services (ERMHS) funds, restricted to education-related mental health services that are included in IEPs. Recently, the state expanded the allowable use of ERMHS funds to include mental health services for all students beginning in the 2020-21 fiscal year. However, given that the costs for special education services generally exceed the amount of categorical funds provided for this purpose, this expansion of the use of mental health funding will not create a significant expansion of mental health services for the general student population. There have also been smaller efforts to create mental health resources for LEAs, particularly around suicide prevention. LEAs may use their general operations funds to provide services to students, including mental health or wellness services, and these expenditures have been an allowable use of recent pandemic relief funds.

Mental Health Student Services Act. The 2019 Budget Act included expenditure authority from the Mental Health Services Fund of $50 million in 2019-20 and $10 million annually thereafter for the Mental Health Student Services Act (MHSSA), a competitive grant program to establish mental health partnerships between county mental health or behavioral health departments and school districts, charter schools, and county offices of education. These partnerships support: (1) services provided on school campuses; (2) suicide prevention; (3) drop-out prevention; (4) outreach to high-risk youth and young adults, including, but not limited to, foster youth, youth who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), and youth who have been expelled or suspended from school; (5) placement assistance and development of a service plan that can be sustained over time for students in need of ongoing services; and (6) other prevention, early intervention, and direct services, including, but not limited to, hiring qualified mental health personnel, professional development for school staff on trauma-informed and evidence-based mental health practices, and other strategies that respond to the mental health needs of children and youth.

Prior to the MHSSA, SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, known as the Investment in Mental Health Wellness Act, included expenditure authority from the Mental Health Services Fund of $32 million annually for MHSOAC to support counties to increase capacity for client assistance and services in crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and mobile crisis support teams. In 2018-19 the expenditure authority was reduced to $20 million annually. According to MHSOAC, since 2017-18, 50 percent of the funding has been allocated to programs dedicated to children and youth aged 21 and under, and approximately $20 million was allocated for four School-County Collaboration Triage grants to: 1) provide school-based crisis intervention services for children experiencing or at risk of experiencing a mental health crisis and their families or caregivers; and 2) supporting the development of partnerships between behavioral health departments and educational entities. Humboldt County, Placer County, Tulare County Office of Education, and a joint powers authority in San Bernardino County were awarded $5.3 million annually over four years in this program. MHSOAC also awarded grants for school-based triage programs in Berkeley, Humboldt, Riverside, Sacramento, and San Luis Obispo.

Building on the partnership model in the triage grant program, MHSSA supports partnerships between county behavioral health programs and educational entities. Combining the $50 million allocation in 2019-20 with the annual $10 million allocations for the subsequent three fiscal years, MHSOAC allocated a total of $75 million over four years for funding of the MHSSA Partnership Grant Program. The funding was made available in two categories: 1) $45 million for counties with existing school mental health partnerships, and 2) $30 million for counties developing new or emerging partnerships. Within each category, funding was made available based on the population size of a county with a total of six grants at $2.5 million each made available to small counties (less than or equal to 200,000 population), six grants at $4 million each made available to medium counties (between 200,000 and 750,000 population), and six grants at $6 million each made available to large counties (greater than 750,000 population).

According to MHSOAC, 38 counties submitted applications for funding. 20 counties with existing partnerships submitted applications and 10 received awards. 18 counties developing new or emerging partnerships submitted applications and eight received awards. The counties that submitted applications in each category and their award status are as follows:

County	Size	Existing or New	Awarded
Amador	Small	New	NO
Calaveras	Small	New	YES

Contra Costa	Large	New	NO
Fresno	Large	Existing	YES
Glenn	Small	Existing	NO
Humboldt	Small	Existing	YES
Imperial	Small	New	NO
Kern	Large	Existing	YES
Lake	Small	Existing	NO
Los Angeles	Large	Existing	NO
Madera	Small	New	YES
Marin	Medium	Existing	NO
Mariposa	Small	Existing	NO
Mendocino	Small	Existing	YES
Monterey	Medium	Existing	NO
Nevada	Small	New	NO
Orange	Large	Existing	YES
Placer	Medium	Existing	YES
Riverside	Large	New	NO
Sacramento	Large	Existing	NO
San Bernardino	Large	Existing	NO
San Diego	Large	Existing	NO
San Francisco	Large	Existing	NO
San Luis Obispo	Medium	Existing	YES
San Mateo	Large	New	YES
Santa Barbara	Medium	New	YES
Santa Clara	Large	New	YES
Santa Cruz	Medium	New	NO
Shasta	Small	New	NO
Solano	Medium	Existing	YES
Sonoma	Medium	New	NO
Sutter-Yuba	Small	New	NO
Tehama	Small	New	YES
Trinity-Modoc	Small	New	YES
Tulare	Medium	Existing	YES
Tuolomne	Small	New	NO
Ventura	Large	Existing	YES
Yolo	Medium	New	YES

According to MHSOAC, only 18 awards were made due to funding constraints. MHSOAC estimates approximately $80.5 million would be required to fund all 38 grant applications for school-mental health partnerships, $45.5 million with existing partnerships and $35 million for new and emerging partnerships.

MHSOAC Proposal – Increased Access to Student Behavioral Health Services

Program Funding Request Summary		
Fund Source	**2021-22**	**2022-23**
3085 – Mental Health Services Fund	$25,000,000	$-
Total Funding Request:	**$25,000,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Budget Change Proposal – Governor's Budget. MHSOAC requests expenditure authority from the Mental Health Services Fund of $25 million in 2021-22 to expand the MHSSA Partnership Grant Program to additional counties. In an October 2020 report, MHSOAC documented the expanding need for school mental health services, highlighting the following research findings:

- One in three high school students report feeling chronically sad and hopeless – including more than half of LGBTQ students.
- One in six high school students report having considered suicide in the past year – including one in three LGBTQ students.
- 50 to 75 percent of students with mental health needs do not receive needed care.
- Racial, ethnic, and cultural disparities concentrate the risk factors, prevalence rates and service gaps in low-income communities of color.

In addition, public health interventions related to the COVID-19 pandemic including stay-at-home orders and school closures have led to social isolation and economic disruption that cause additional stress and anxiety, particularly for school-aged children. As the state considers relaxing public health interventions in the coming months, in particular the reopening of schools, there is likely to be a significant unmet need for behavioral health services on school campuses as the accumulated trauma of the pandemic among school-aged children interfaces with the reintegration of these children into routine social interactions with peers and educators.

DHCS Proposal – Increased Access to Student Behavioral Health Services

Program Funding Request Summary – Local Assistance Funding		
Fund Source	**2021-22**	**2022-23**
0001 – General Fund	$194,493,000	$-
0890 – Federal Trust Fund	$194,493,000	$-
Total Funding Request:	**$388,986,000**	**$-**

Program Funding Request Summary – Budget Change Proposal		
Fund Source	**2021-22**	**2022-23**
0001 – General Fund	$5,507,000	$-
0890 – Federal Trust Fund	$5,507,000	$
Total Funding Request:	**$11,014,000**	**$**
Total Requested Positions:	**0.0**	**0.0**

Local Assistance – Governor's Budget. DHCS requests expenditure authority of $389 million ($194.5 million General Fund and $194.5 million federal funds) in 2021-22 to implement an incentive program through Medi-Cal managed care plans, in coordination with county behavioral health departments and schools, to build infrastructure, partnerships, and capacity statewide to increase the number of students receiving preventive and early intervention behavioral health services. The incentive payments would support the following interventions:

- Local planning efforts to review existing plans and documents that articulate student needs; compile data; map existing behavioral health resources; identify gaps, disparities, and inequities; convene stakeholders; and develop a framework for a robust and coordinated system of social, emotional, and behavioral health supports for students. These planning efforts would include Medi-Cal managed care plans, county behavioral health departments, schools, and other key local stakeholders.
- Execution of contracts between schools, Medi-Cal managed care plans, and county behavioral health departments to provide preventive, early intervention, and behavioral health services by school-affiliated behavioral health providers. Incentives would be provided for reaching threshold levels of school participation and for three-way contracts between the schools, behavioral health departments and Medi-Cal managed care plans.
- Development of behavioral health wellness programs, including Mental Health First Aid or Social and Emotional Learning.
- Expand the workforce using community health workers or peers to expand the surveillance and early intervention of behavioral health issues in school-aged children.
- Increase behavioral health telehealth services in schools, including access to equipment and space
- Implement adverse childhood experience (ACE) screenings and referral processes in schools
- Implement a school suicide prevention strategy
- Implement culturally appropriate and community-defined interventions and systems for behavioral health services in schools to close health equity gaps.
- Increase prenatal and postpartum access to behavioral health for teen parents
- Improve public reporting of performance and outcomes for behavioral health access and quality
- Increase access to substance use disorder prevention, early intervention and treatment
- Provide care teams to conduct outreach, engagement, and home visits, as well as linkage to social services to address non-clinical needs

Budget Change Proposal – Governor's Budget. DHCS also requests expenditure authority of $11 million ($5.5 million General Fund and $5.5 million federal funds) in 2021-22 to support implementation workload for the student behavioral health incentive program, including capitated rate development, local government financing, and managed care operations and monitoring.

Proposition 98 Proposal – Funding for Student Mental Health

Proposition 98 Proposal – Governor's Budget. The budget provides $25 million ongoing Proposition 98 General Fund to fund partnerships with county behavioral health to support student mental health services. Funds would be provided as competitive grants to LEAs to match, on a 1:1 basis, proposed county expenditures for children's mental health services, as specified in a county's three-year program and expenditure plan or annual update prepared pursuant to Section 5847 of the Welfare and Institutions Code from their share of the MHSF.

LEA applicants must provide a plan that describes the following:

- The need for mental health services at the local educational agency as well as potential gaps in local service connections.
- That plans address the mental health needs of enrolled students in kindergarten through grade 12 in a manner consistent with a whole child approach, including but not limited to the following:
    - Professional development for educators to identify early warning signs and risk factors for students in need of mental health supports.
    - Establishment or expansion of mental health and counseling staff available in schools.
    - Development of peer support networks, and other activities that promote students' sense of connectedness and belonging to a school community.
    - Development of partnerships with community organizations, including health and mental health service providers, with an emphasis on those that serve at risk student groups.
    - Development of resources and supports for family engagement.
    - Resources that address the acute and chronic mental health support needs in communities experiencing ongoing natural disasters and systemic violence.
- A proposal for how the funds will be used to expand a county's children's mental health services project and meet data collection and reporting requirements required of Mental Health Services Act three-year program plans.

Funds would be awarded for up to a three year term, with the Superintendent of Public Instruction (SPI) to review the grantee and determine renewal at the end of the grant period. The SPI shall determine the amount of grants.

<u>Stakeholder Feedback and Proposals for Investment</u>

In response to the Administration's proposals to improve access to behavioral health services for students, stakeholders have submitted feedback on these proposals, as well as alternative proposals for investment.

Local Health Plans of California Feedback. The Local Health Plans of California (LHPC), which represent the majority of Medi-Cal managed care plans in the state, have submitted feedback to DHCS regarding their proposal to support access to behavioral health services for students. In their letter, LHPC recommends that the first year of the program focus on technical assistance and the support needed to conduct needs assessments or gap analyses, determine what approaches or contracting arrangements will best meet those needs, and develop project plans which include specific milestones. DHCS identifies local planning efforts as an example of an activity that would be eligible for incentives. However, LHPC believes this should be the starting point for most partnerships or projects proposed under the incentive program. While projects should have the flexibility to implement sooner than program year two depending on readiness and whether there is an existing understanding of gaps or needs, LHPC anticipates LEAs, county mental health plans, and Medi-Cal managed care plans will generally need the first year for planning given the preliminary activities outlined below.

County Behavioral Health Directors Association Feedback. The County Behavioral Health Directors Association (CBHDA), which represents county mental health and substance use disorder programs, has submitted feedback to DHCS regarding their proposal, as well. According to their letter, CBHDA strongly supports the Administration's intent of increasing behavioral health services in schools in a manner that recognizes the extensive school-based behavioral health services currently provided by county behavioral health agencies and agency-contracted community-based organizations. CBHDA and its members believe that coordination across these respective systems and identification of high-risk children and youth through school-based partnerships will enable the provision of necessary behavioral health services. In addition, CBHDA urges structuring the proposal to acknowledge the Medi-Cal plans, including county behavioral health plans, with established partnerships and programs in local schools in directing resources under this proposal, including direction of incentive payments and the three-way partnerships among schools, managed care plans, and county behavioral health plans, outlined in the Administration's proposal. These collaborations are especially important as mental health needs of children and youth rise due to the impacts of the COVID-19 pandemic, and as demand for these services surges, it will be especially important to ensure all Medi-Cal children receive early intervention for mental health needs. CBHDA indicates it has provided the Administration with a list of additional activities that should be eligible for incentive funds, such as funding to ensure school sites have an appropriate location to provide behavioral health services, a consistent barrier to providing school-based mental health services.

Coalition Support for Increasing MHSSA Funding. A coalition of 28 organizations including Children Now, CBHDA, the Children's Partnership, the Sacramento County Office of Education, the California Pan-Ethnic Health Network, and the California Children's Hospital Association request total expenditure authority of $80.5 million in 2021-22 to provide additional grants for partnerships between schools and county mental health programs to provide mental health services to students. According to the coalition, MHSOAC's current initiative through the MHSSA is a key investment in school mental health. While the Governor's budget proposes an investment of $25 million in MHSSA, the amount proposed is not enough to fully meet the demand for funding across the state to support student mental health through school-county partnerships.

The goals of school-county partnerships are to prevent student mental health concerns from becoming severe and disabling; increase timely access to services; participate in outreach to recognize early signs; reduce stigma; reduce discrimination; and prevent negative outcomes. In 2019-20, MHSOAC was able to fund 18 of 38 school-county partnership applicants. The remaining unfunded 20 applications represent turn-key partnerships ready for implementation. Once funded, schools in the remaining unfunded counties could begin providing much needed supports to school age children. Given the increased emotional pressure the COVID-19 pandemic has placed on students, the coalition requests to fund MHSSA at $80.5 million for the 2021-22 budget year, the level that is required to ensure students have access to school-based mental health services, quickly.

Panel Discussion. The two subcommittees have requested the following panelists to discuss options for improving the Administration's proposals for improving access to behavioral health services for students:

- Linnea Koopmans, Acting CEO, Local Health Plans of California
- Elia Gallardo, Director of Government Affairs, County Behavioral Health Directors Association

- Lishaun Francis, Associate Director – Health Collaborations, Children Now
- Dr. Erin M. Simon, Asst Superintendent-School Support Services, Long Beach Unified School District

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The two subcommittees have requested MHSOAC, DHCS, and panelists to respond to the following questions:

DHCS:

1. Please provide a brief update of changes to the DHCS student behavioral health proposal, if any, and any additional guidance provided to stakeholder regarding the program's proposed operation.

2. Please provide a brief overview of the federal regulations that authorize the capitation payment structure proposed to support these interventions. Under these regulations, would the state be permitted to impose minimum requirements on Medi-Cal managed care plans as a condition of receipt of the incentive payments?

MHSOAC:

1. Please describe the cost of supporting the unsuccessful applications submitted to the commission for MHSSA funding of school-mental health partnerships?

2. Are there opportunities within the existing grantees, or the unsuccessful grantees proposals, to make additional progress, were more funding made available?

3. What is MHSOAC's assessment of the reasons more counties did not apply for MHSSA funding?

4. How quickly could the interventions to support the behavioral health needs of students included in the existing and unsuccessful MHSSA proposals be implemented if additional funding was adopted in the budget?

PANELISTS

Local Health Plans of California:

1. Please describe how local health plans see their role in increasing student access to behavioral health services.

2. How do local health plans currently coordinate with county behavioral health programs and schools to provide the full continuum of Medi-Cal behavioral health benefits to students and youth/

3. What changes or improvements to the DHCS proposal do local health plans believe would improve the delivery of services and encourage better coordination between plans, county behavioral health programs and schools?

4. Are there currently barriers to contracting with school-based providers for behavioral health services? How could the state help establish the appropriate reimbursement relationships with school-based providers to ensure students have access to the full continuum of behavioral health services?

<u>County Behavioral Health Directors Association</u>:

1. Please describe how county behavioral health programs currently work with schools to provide behavioral health services to students.

2. How are the providers of these services reimbursed? Are they part of the behavioral health plans' provider networks?

3. Please describe how MHSSA grantees are using school-mental health partnership funds. What types of infrastructure, staff, or other resources are partnerships building with these funds?

4. What changes or improvements to the DHCS proposal would help behavioral health programs partner with Medi-Cal managed care plans and schools to provide a full continuum of services to students?

5. What strategies could three-way partnerships employ to ensure seamless delivery of behavioral health services to students, regardless of the acuity of the diagnosis and the responsible entity (e.g. managed care or county plan)?

<u>Children Now</u>:

1. Please describe the coalition proposal to fully fund MHSSA school-mental health partnerships.

2. How would this funding help deploy behavioral health resources to schools in time for the next school year?

3. What additional investments should the state consider to help provide behavioral health services to students on- and off-campus?

<u>Long Beach Unified School District</u>:

1. Please describe how the school district currently assists students in receiving access to mental health services.

2. How does the school district work with the county office of behavioral health or other health providers in ensuring care for students?

3. How does the school district determine students in need of services?

4. Is the school district part of an MHSSA school-mental health partnership?

4560 Mental Health Services Oversight and Accountability Commission

Issue 1: Technical Adjustments

Technical Adjustments – April Finance Letter. MHSOAC requests extension of the liquidation period for two previously approved augmentations of expenditure authority:

- County Mental Health Innovation Planning – MHSOAC requests budget bill language to extend the period to liquidate $400,000 from the Mental Health Services Fund, previously authorized in the 2018 and 2019 Budget Acts. The 2018 and 2019 Budget Acts included a total of $5 million from the Mental Health Services Fund to support contract costs for technical assistance to counties to develop plans for expenditures of Proposition 63 dollars allocated for innovative programs. According to MHSOAC, delays in finalizing a subcontract resulted in the need for an additional year to liquidate the expenditure and finalize the subcontract.
- Triage Personnel Grant Program – MHSOAC requests budget bill language to extend the period to liquidate $5.9 million from the Mental Health Services Fund, previously authorized in the 2018 Budget Act. These resources were authorized to support the Triage Personnel Grant Program, which provides competitive grants to counties to support crisis services for individuals with mental health needs. According to MHSOAC, grantees require additional time to complete work delayed by the COVID-19 pandemic, including difficulty hiring and retaining staff, challenges accessing and engaging clients using remote telecommunications platforms, and finalizing subcontract.

The requested budget bill language for both technical adjustments would be as follows:

> 4560-494—Reappropriation, Mental Health Oversight and Accountability Commission. Notwithstanding any other law, the period to liquidate encumbrances of the following citations is extended as specified below.
>
> 3085—Mental Health Services Fund
>
> (1) $400,000 in Item 4560-001-3085, Budget Act of 2018. Available for liquidation until June 30, 2022.
> (2) $5,900,000 in Item 4560-101-3085, Budget Act of 2018. Available for liquidation until June 30, 2023.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested MHSOAC to respond to the following:

1. Please provide a brief overview of these two technical adjustments.

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 18, 2021
9:00 a.m.
State Capitol - Room 4203

Consultant: Anita Lee

Items for Discussion

Public Comment

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

6120 CALIFORNIA STATE LIBRARY

Issue 1: Library Support

The subcommittee heard the Governor's January budget proposals for the State Library on February 24, 2021. The May Revision makes various investments for libraries, including funding to support infrastructure and broadband, as well as educational activities. Major program changes are summarized below.

Infrastructure and Broadband:

- **Library Infrastructure.** The May Revision proposes $50 million one-time General Fund for an equity-focused matching grant program to support local library infrastructure. The proposed budget bill language requires the State Library prioritize project requests submitted by local libraries located in underrepresented areas of the state and will require a local library to match state funds on a dollar for-dollar basis. The California State Library may reduce the amount of required matching funds if the requesting local library can demonstrate that it is financially unable to provide the required matching funds. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2024.

- **Broadband Access.** The May Revision proposes $35 million one-time General Fund available through 2024-25, to expand broadband access to isolated and under-served communities through a collaborative partnership of local education agencies, regional libraries, and telehealth providers and leverage available federal funds through the E-Rate Program.

- **Broadband Capacity and Equipment Grants.** The May Revision proposes $6 million one-time General Fund to support the Broadband Connectivity Initiative. This initiative supports library grants to leverage federal funds to connect rural and under-sourced public libraries, tribal libraries and cultural centers, and to upgrade local library equipment to support high speed connectivity.

Education and Programming:

- **English as a Second Language Programs.** The May Revision proposes $15 million one-time General Fund to support English as a Second Language programs offered through local libraries.

- **Online Tutoring.** The May Revision proposes $6.4 million one-time General Fund to support a two-year online tutoring service pilot program. The pilot will provide a real-time online tutoring service program for elementary and secondary school pupils through California's local libraries, accessed on-site at the local library or with a library card and personal device. These funds shall be available for encumbrance or expenditure until June 30, 2023.

- **Civil Liberties Program.** The May Revision proposes $5 million one-time General Fund to support grants for public education and awareness of Civil Liberties. This Civil Liberties program is a state funded grant project at the State Library that supports the creation and dissemination of educational and public awareness resources concerning the history and lessons of civil rights violations or civil liberties carried out against communities or populations. These include, but are not limited to, civil rights violations or civil liberties injustices that are perpetrated on the basis of an individual's race, national origin, immigration status, religion, gender, or sexual orientation. This funding will be available for encumbrance or expenditure until June 30, 2024.

- **Database Access.** The May Revision proposes $241,000 ongoing General Fund to support K-12 Student Online Science Technology Arts and Mathematics (STEAM) database access. The proposal would support an existing state initiative to provide students and educators more access to online resources.

Other Proposals:

- **Disaster Preparedness.** The May Revision proposes a limited-term increase of $2.4 million General Fund annually for the next four years and six temporary preservationists to support Disaster Preparedness for Cultural Heritage Agencies. This funding seeks to support the development of disaster preparedness plans to protect at-risk art, and historically and culturally significant collections that are publicly and privately held by underserved and underrepresented communities. It is also requested that these funds be available for encumbrance or expenditure until June 30, 2025

- **Assistive Technology for Visually Impaired Californians.** The May Revision proposes $1.6 million one-time General Fund and $220,000 ongoing General Fund and two positions to support Assistive Technology for Visually Impaired Californians. The California State Library would collaborate with the Braille Institute of America in Los Angeles to implement these technologies and to expand access to those resources.

- **Data and Systems Librarians.** The May Revision proposes $345,000 ongoing General Fund and three positions to support Data and Systems Librarians. This funding will help curate, preserve, and archive increasing amounts of electronic data being generated by state agencies and other relevant entities; and to coordinate and support information services and automated processes to facilitate convenient and efficient access to this information by policymakers, researchers, and the public.

- **Homeless Youth Project.** The May Revision proposes of $130,000 to support the California Homeless Youth Project. (CHYP). CHYP is a research and policy initiative of the California Research Bureau (CRB). The project is committed to bringing youth to the policy table and to informing policymakers, opinion leaders, and other stakeholders about the needs of unaccompanied homeless youth. Funding for the project is currently provided by The California Wellness Foundation and the Walter S. Johnson Foundation.

Staff Recommendation. Hold Open.

6440 UNIVERSITY OF CALIFORNIA

Issue 2: May Revision Proposals

The subcommittee heard the Governor’s January budget proposals for UC at its March 1, 2021 hearing. The May Revision proposes the following adjustments to the UC budget:

- **Base Augmentation.** The May Revision proposes an increase of $69.3 million ongoing General Fund (two percent) above the Governor’s January budget proposal of $103.9 million. This results in a five percent ongoing base General Fund resource increases beginning in 2021-22.

  The Governor's January budget proposed a base increase of $95.1 million ongoing General Fund for UC. This funding is contingent on UC:

  (1) Submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025. To the extent possible, the UC must coordinate with the California State University and Community Colleges to establish shared definitions and metrics regarding equity gaps, and
  (2) Adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19, and
  (3) Create a standalone dual admissions pathway providing guaranteed admission to the UC upon completion of an Associate Degree for Transfer (ADT), or its UC equivalent, at a community college, if the student completed it within two academic years.

  The May Revision maintains the Administration's expectations articulated in the Governor's Budget.

- **Base Budget Restoration.** The May Revision includes $302.4 million General Fund to the UC to offset the ongoing reductions applied to the UC in 2020 Budget Act, starting in fiscal year 2021-22. This was a part of the Legislative early action agreement announced in February.

- **Elimination of the UC Office of the President (UCOP) Line Item.** The May Revision proposes to eliminate the UCOP budget line item and consolidates the separate funding items for UCOP, UC Agriculture and Natural Resources (UCANR), UC Payroll, Academic Personnel, Time Keeping and Human Resources (UCPATH) and UC campuses into the UC main line item. The May Revision also proposes to authorize the UC Office of the President to return to a campus assessment model.

  In addition, the MR includes BBL that requires UC annually report by November 1 on UCPath's staffing levels, funding by source, and spending by function, any cost savings at the campus level. The funding source data shall summarize fund sources used by campuses to cover any campus assessment.

  The May Revision also proposes budget bill language to require UC to report annually starting on September 30, 2022 on: (1) campus assessment fees charged to support UCOP, the amount each campus contributed and the fund sources from which those funds are paid, (2) UCOP's budget, (3) list of planned and actual expenditures in the UCOP budget, (4) factors for year-over-year changes in UCOP's budget, (5) Amount of funds that UCOP pass through their budget to recipients across the state or supports fee-for service activities, and (6) information on UCOP reserves, among others.

- **Learning Aligned Employment.** The May Revision includes $1 billion one-time General Fund, split evenly between fiscal years 2021-22 and 2022-23, to establish the Learning-Aligned Employment program for UC, CSU, and CCC students. This program would be established as an endowment to sustain ongoing support through investment returns. The program will:

  - Create the Endowment for Learning-Aligned Employment and authorizing the UC to invest the funds and distribute the annual returns.

  - Identify or establish partnerships with external employers to provide learning-aligned opportunities related to students' fields of study, aimed at providing students with long-term career development and professional networking opportunities.

  - Prioritize learning-aligned employment opportunities for students underrepresented students, particularly underrepresented students in STEM fields.

  The proposed trailer bill language specifies that any student from an underrepresented background that is enrolled at least half-time, is a resident, maintained satisfactory academic progress, and demonstrated financial need is eligible to participate.

- **Deferred Maintenance.** The May Revision proposes an increase of $150 million one-time American Rescue Plan Act of 2021 funds to address deferred maintenance and energy efficiency projects at UC campuses. This funding is provided in addition to $175 million one-time General Fund provided in the Governor's Budget for UC deferred maintenance and energy efficiency projects.

- **Grants for Animal Shelters.** The May Revision proposes of $45 million one-time General Fund for the UC Davis Koret Animal Shelter Medicine Program to develop a grant program for animal shelters. This augmentation would enable the center to provide expertise, support, and local assistance over a five-year period to help communities achieve the state’s policy goal that no adoptable or treatable dog or cat should be euthanized.

  The proposed trailer bill language specifies that the program shall support the state's policy goal that no adoptable or treatable animal is euthanized. The program shall provide support to all animal shelters through outreach, regional conferences and web-based resources on best practices. The program will also offer in-person assessments and online training to city and county animal control agencies, societies for the prevention of cruelty to animals and human societies. In addition, the program will award competitive grants to shelter to implement best practices. TBL requires UC to report to the Legislature by March 31, 2023 on programmatic and fiscal information on the program.

  The 2020 Governor's budget included a similar proposal for $50 million one-time General Fund. However, due to the COVID-19 pandemic, this proposal was ultimately reduced to $5 million one-time General Fund.

- **UCLA Labor Center.** The May Revision proposes $15 million one-time General Fund to renovate the UCLA Labor Center facility.

- **UC San Francisco Dyslexia Center.** The May Revision proposes $10.2 million one-time General Fund to enhance the Center's app, support collaboration with teacher training programs, and support dyslexia research that could inform practices. The 2019-20 budget provided $3.5 million one-time General Fund to the UCSF Dyslexia Center Pilot Program to support a dyslexia screening and early intervention pilot program.

- **UCLA Asian American Studies Center.** The May Revision proposes an increase of $5 million one-time General Fund to support analysis and research associated with the prevention of hate incidents experienced by Asian Pacific Islander communities and to provide grants to community-based organizations focused on preventing hate incidents experienced by Asian Pacific Islander communities.

- **UC Berkeley Alternative Meats Lab.** The May Revision proposes $1 million one-time General Fund to support the UC Berkeley Alternative Meats Lab. The Alt: Meat Lab is a hub connecting students, entrepreneurs, venture capitalists and industry leaders interested in creating the plant-based food of the future. The Alt:Meat Lab is housed at the Sutardja Center for Entrepreneurship & Technology at UC Berkeley's College of Engineering, and is comprised of the Lab and a project driven class offered to undergraduate and graduate students.

- **Summer Financial Aid.** The Governor's January budget proposed shifting the suspension date for the program from December 31, 2021 to December 31, 2022. Currently, the state provides $4 million General Fund to support this program. The May Revision proposes to eliminate the suspension date for the UC Summer Financial aid program, and provides resources on an ongoing basis.

- **Graduate Medical Education.** The May Revision proposes a decrease of $1.6 million ongoing General Fund to maintain the Proposition 56 Graduate Medical Education Program at an ongoing total of $40 million.

Comparing UC Spending Proposals Under Governor's Budget and May Revision
General Fund Changes in 2021-22 (In Millions)

	Governor's Budget	May Revision	Change
Ongoing			
Funds to restore base support	—	$302	$302
Base increase	$104	173	69
Student basic needs (mental health and technology)	15	15	—
Programs in Medical Education (PRIME)	13	13	—
Immigrant legal services	1	1	—
Intersegmental learning management platform	1	1	—
UC Davis firearm violence center	1	1	—
Graduate medical education offset	1	-1	-2
Subtotals	**($136)**	**($506)**	**($370)**
One Time			
Endowment for Learning-Aligned Employment	—	$500[a]	$500
Deferred maintenance and energy efficiency projects	$175	175[b]	—
UC Davis Koret Animal Shelter Medicine Program	—	45	45
California Institutes for Science and Innovation	20	20	—
Emergency student financial aid	15	15	—
UC Los Angeles Lawson Labor Center	—	15	15
UC San Francisco Dyslexia Center	—	10	10
UC Los Angeles Asian American Studies Center	—	5	5
Faculty professional development	5	5	—
Subject Matter Projects in learning loss mitigation	5	5	—
Subject Matter Projects in ethnic studies	2	2	—
UC Fire Advisors	2	2	—
UC San Francisco public health modelling consortium	1	1	—
UC Berkeley Alternative Meats Laboratory	—	1	1
Subtotals	**($225)**	**($801)**	**($576)**

Totals	**$361**	**$1,308**	**$946**

[a] The *Governor's Budget Summary* indicates the administration's intent to provide an additional $500 million one-time General Fund in 2022-23, for a total appropriation of $1 billion for this purpose.

[b] The May Revision also designates $150 million one-time federal American Rescue Plan funds (Coronavirus Capital Projects Fund) for this purpose, bringing total associated one-time funding to $325 million.

Staff Recommendation. Hold Open.

6610 California State University

Issue 3: May Revision Proposals

The subcommittee heard Governor's January budget proposals for CSU on February 3, 2021. The May Revision makes various adjustments and increases to the CSU's budget, and are summarized below.

- **Base Augmentation.** The May Revision provides a base augmentation of $74.4 million ongoing General Fund (two percent) above the Governor's January budget proposal. When combined with the $111.5 million previously proposed in the Governor's Budget, these increases represent a five percent base increase for CSU. The May Revision maintains the Administration's expectations articulated in the Governor's Budget that CSU:

  1. Submit a report by June 30, 2022 detailing plans to annually reduce equity gaps by 20 percent by 2025,

  2. Adopt policies by June 30, 2022 requiring campuses to maintain their online courses and programs by at least 10 percentage points higher than the amount offered in 2018-19, and

  3. Create a standalone dual admissions pathway providing guaranteed admission to the CSU upon completion of an Associate Degree for Transfer (ADT), or its CSU equivalent, at a community college, if the student completed it within two academic years. Maintain resident undergraduate tuition and fees at current levels for the 2021-22 academic year.

  The May Revision proposes amendments to BBL to move the equity report from June 30, 2022 to December 30, 2022.

- **Base Budget Restoration.** The May Revision provides an increase $299 million General Fund to the CSU to offset the ongoing reductions applied to the CSU in the 2020 Budget Act, starting in fiscal year 2021-22. This was a part of the Legislative early action agreement announced in February.

- **Humboldt State University.** The May Revision provides $25 million ongoing to support Humboldt State University becoming designated as the state's third polytechnic university, and the first in northern California.

  Additionally, the May Revision provides $433 million one-time General Fund to support a capital projects transition plan—including renovations of science and laboratory facilities, as well as enhanced computing and telecommunications infrastructure—as the campus transitions to a polytechnic university.

Capital Projects Transition Plan – One-Time Request

Project Description	Amount
Science Replacement Building	$67,300,000
Land Acquisitions	$11,700,000
Telecommunications - D299 Pipe to I-5 Corridor	$2,500,000

Broadband Deployment Project Echo - Singapore Clean Data	$3,000,000
Fiber Deployment - Trinidad Marine Research Center	$3,000,000
Advanced Campus Science Network	$2,500,000
Updating Faculty and Student Computing Facilities	$2,500,000
Expanding Access to Wireless Networking	$1,500,000
Research and Teaching Laboratory Modernization	$5,000,000
Student Housing, Health Center, Dining	$145,000,000
Science A Renovation	$69,000,000
Student Housing Phase II	$75,000,000
Applied Research and Climate Adaptation	$45,000,000
Total One-Time Request	**$433,000,000**

- **CSU Northridge Center for Equity in Innovation and Technology.** The May Revision provides $25 million one-time General Fund to support construction of the CSU Northridge Center for Equity in Innovation and Technology.

- **Deferred Maintenance.** The May Revision provides an increase of $150 million one-time American Rescue Plan Act of 2021 funds to address deferred maintenance and energy efficiency projects at CSU campuses.

  The Governor January budget proposed $175 million one-time General Fund to address deferred maintenance and energy efficiency projects. The budget bill requires the Department of Finance to notify the Joint Legislative Budget Committee within 30 days of the release of funds and provide a list of projects to be supported by these funds.

- **Summer Financial Aid.** The Governor's January budget proposed to shift the suspension date for the CSU financial aid program from December 31, 2021 to December 31, 2022. The suspension would be lifted if the Administration determines through the 2022 budget act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years. The budget provides $6 million General Fund for this purpose.

  The May Revision eliminates the suspension date for CSU summer financial aid, making the program permanent.

Comparing CSU Spending Proposals Under Governor's Budget and May Revision
General Fund Changes in 2021-22 (In Millions)

	Governor's Budget	May Revision	Change
Ongoing			
Base restoration	—	$299	$299
Base increase	112	186	74
Retiree health benefits cost increase	55	53	-2

Polytechnic university at the Humboldt campus	—	25	25
Student Basic Needs Initiative	15	15	—
Student mental health and technology	15	15	—
Intersegmental learning management system	2	2	—
Enrollment increase at the Stockton center	1	1	—
CENIC cost increase	—[a]	—[a]	—
Pensions cost adjustment	2	-3	-5
Subtotals	**($202)**	**($593)**	**($391)**
One Time			
Polytechnic university at the Humboldt campus	—	$433	$433
Deferred maintenance and energy efficiency projects	175	175[b]	—
Emergency student financial aid	30	30	—
CSU Northridge Center for Equity in Innovation and Technology	—	25	25
Faculty professional development	10	10	—
CSU Monterey Bay Computing Talent Initiative	10	10	—
Subtotals	**($225)**	**($683)**	**($458)**
Total Changes	**$427**	**$1,276**	**$849**

[a] Less than $500,000.

[b] The May Revision also designates $150 million one-time federal American Rescue Plan funds (Coronavirus Capital Projects Fund) for this purpose, bringing total associated one-time funding to $325 million.

CENIC = Corporation for Education Network Initiatives in California.

Staff Recommendation. Hold Open.

6870 CALIFORNIA COMMUNITY COLLEGES

Issue 4: May Revision Proposals

The subcommittee heard the Governor's January budget proposals for the community colleges on February 17, 2021. The May Revision makes various adjustments and investments to the community college budget. The descriptions below summarize the major changes to the CCC budget.

- **Apportionments Cost-of-Living Adjustment.** The Governor's January budget proposed an increase of $111 million Proposition 98 General Fund ongoing, which represents a 1.5 percent cost-of-living-adjustment (COLA) to apportionments. As a condition of receiving these funds, CCC must:

    1. Submit a report by June 30, 2022 with specific plans that each district will implement to reduce equity gaps by 40 percent by 2023 and establish a plan to close gaps by 2027, and
    2. Adopt policies by June 30, 2022 that require districts to maintain their online course and program offerings that is at least 10 percent higher than the amount offered in the 2018-19 academic year.

    The May Revision proposes an additional increase of $185.4 million ongoing Proposition 98 General Fund to reflect a compounded cost-of-living adjustment of 4.05 percent.

    The May Revision also rescinds the apportionment requirements noted above, and instead requires these as a condition of receiving Student Equity and Achievement Program funds.

- **Apportionment Deferrals.** The Governor's January budget proposed just over $1.1 billion one-time Proposition 98 General Fund to pay down deferrals in the budget year, and for 2021-22, $326 million in deferrals would remain in place. Specifically, a portion of CCC's May 2022 and June 2022 apportionment payment would be deferred to early 2022-23.

    The May Revision includes an increase of approximately $326.5 million one-time Proposition 98 General Fund to fully retire deferrals from the 2021-22 fiscal year to the 2022-23 fiscal year.

- **Workforce Development Related Proposals.** The Governor proposes the following workforce related proposals at the CCCs:

    - **High Road Training Partnerships and Regional Partnerships.** The May Revision proposes $20 million one-time Proposition 98 General Fund to support CCC participation in High Roads Training Programs and regional partnerships developed by the California Workforce Development Board.

        Similarly, the Governor also proposes $157 million one-time General Fund for a regional workforce investment package between the California Workforce Development Board and the CCC Chancellor's Office that strengthens linkages between workforce training and the CCCs, using existing regional consortia to build upon existing training programs and develop new programs. This proposal will be heard in Senate Budget Subcommittee No. 5.

  - **Strong Workforce Program.** The May Revision proposes an increase of approximately $12.4 million ongoing Proposition 98 General Fund to increase program funding by five percent. The state currently provides $248 million for this program.

  - **Work-Based Learning.** The Governor's January budget proposed $20 million one-time for work-based learning. The May Revision proposes an increase of $10 million one-time Proposition 98 General Fund to develop work-based learning opportunities in (1) cloud computing, and (2) zero emissions and supply chain fields.

    Specifically, the May Revision provides $5 million for work based learning in the cloud computing sector to: (1) develop a cloud computing skills and certificate degree programs, (2) Collaborate with employer partners in the sector to develop programs and place students in scholarship and jobs, and (3) serving students who are underrepresented in cloud computing and technology sector as a whole.

    The BBL also specifies that $5 million for sectors impacted by the Los Angeles and Long Beach Ports' goals for zero emission by 2035, including transportation industries investing in zero emissions technologies and supply chain management sector.

    In addition, the MR modifies the BBL and specifies that work-based learning models and programs include competency-based education or credit for prior learning.

- **Competency-Based Education Workgroup Pilot.** The May Revision proposes $10 million one-time Proposition 98 General Fund to establish a workgroup for a competency-based education pilot program. The workgroup shall develop recommendations to support the implementation of competency-based education, including, but not limited to, the following:

  - A reimbursement funding model and attendance accounting guidelines and,
  - local structures needed to support development and implementation, including curriculum development and administration.

- **Zero-Textbook-Cost Degrees.** The May Revision proposes $100 million one-time Proposition 98 General Fund, when combined with $15 million one-time Proposition 98 General Fund proposed in the Governor's Budget would provide a total of $115 million one-time Proposition 98 General Fund to develop and implement zero-textbook-cost degrees and open educational resources.

- **Dual Enrollment.** The May Revision proposes an increase of $75 million one-time Proposition 98 General Fund to expand new and existing College and Career Access Pathways (CCAP) agreements between school districts and community colleges.

- **Common Course Numbering.** The May Revision proposes an increase of $10 million one-time Proposition 98 General Fund to plan for and begin developing a common course numbering system throughout the community college system, which should better enable students to identify the courses needed to complete a degree or certificate, or transfer to a four-year institution. This investment would also support the long-term development and integration of a common application platform within the proposed Cradle-to Career Data system.

- **Guided Pathways.** The May Revision proposes $150 million one-time Proposition 98 General Fund to further support colleges' efforts to implement Guided Pathways programs. These resources would provide continued support for the development of Guided Pathways programs over a five-year period.

- **Program Pathways Technology.** The May Revision proposes an $10 million ongoing Proposition 98 General Fund for the systemwide acquisition of software that visualizes and clearly maps out curricular pathways for students choosing their pathway and for students needing help to stay on their pathway. This investment would also support the long-term development and integration of a common application platform within the proposed Cradle-to Career Data system.

- **Retention and Enrollment Strategies.** The May Revision proposes an increase of $100 million one-time Proposition 98 General Fund to support efforts to bolster CCC student retention rates and enrollment. This is in addition to the $20 million one-time provided in the early action agreement, AB 85 (Committee on Budget), Chapter 4, Statutes of 2021.

- **English as a Second Language.** The May Revision proposes $50 million ongoing Proposition 98 General Fund to expand vocational training opportunities and English as a Second Language (ESL) programs for ESL students at the community colleges. The Administration expects that these programs to be linked to pathways enabling ESL students to subsequently enroll in for credit certificate, credential, or degree programs.

- **Student Basic Needs.** The May Revision proposes an increase of $30 million ongoing Proposition 98 General Fund for colleges to establish basic needs centers and hire basic needs coordinators. The Governor's January budget proposed $100 million one-time for basic needs, and $30 million ongoing for technology and mental health.

- **Student Equity and Achievement Program.** The May Revision proposes an increase of approximately $23.8 million ongoing Proposition 98 General Fund to increase program funding by five percent.

- **Dreamer Resource Liaisons.** The May Revision proposes an increase of $5.8 million ongoing Proposition 98 General Fund to further support Dreamer Resource Liaisons and student support services for immigrant students, including undocumented students in community colleges, pursuant to Chapter 788, Statutes of 2019 (AB 1645).

- **Library Services Platform.** The May Revision proposes an of $4 million ongoing Proposition 98 General Fund to support a systemwide technology platform for library services to better manage and deliver digital information to support teaching and learning.

- **COVID-19 Response Block Grant.** The May Revision proposes $50 million one-time Proposition 98 General Fund to support grants to assist community colleges with responding to the COVID-19 Pandemic and transitioning back toward in-person education.

- **Deferred Maintenance.** The May Revision proposes $314.1 million one-time Proposition 98 General Fund and $250 million one-time American Rescue Plan Act of 2021 funds to address deferred maintenance.

- **Student Success Completion Grant.** The May Revision proposes an increase of $27.2 million ongoing Proposition 98 General Fund to support revised estimates of students eligible for the program.

- **CCC Registry Modernization.** The May Revision proposes $1 million ongoing Proposition 98 General Fund to support the modernization of the California Community College Registry, which is an online database of job opportunities for the CCC.

  The CCC Registry is an online database of job opportunities for the California Community Colleges. The budget bill language specifies that funds used to update and modernize the CCC Registry's interface and technological capability, including to better enable centralized recruitment opportunities, create a repository of resources for job seekers and college employers, and to update the data collection and analysis capabilities of the system. Funds may also be used to add systemwide online trainings to the CCC Registry on topics related to faculty and staff diversity, such as promoting cultural competency and addressing unconscious bias.

- **Equal Employment Opportunity (EEO) Programs.** The May Revision proposes an increase of $20 million one-time Proposition 98 General Fund to support the implementation of EEO best practices, as developed by the Chancellor's Equal Employment Opportunity and Diversity Advisory Committee.

Comparing CCC Proposition 98 Spending Proposals Under Governor's Budget and May Revision

Reflects New Spending, 2019-20 Through 2021-22 (In Millions)

	Governor's Budget	May Revision	Change
Ongoing			
COLA for apportionments[a]	$111.1	$296.5	$185.4
Vocational ESL programs	0.0	50.0	50.0
Basic needs centers and coordinators	0.0	30.0	30.0
Student mental health and technology	30.0	30.0	0.0
Student Equity and Achievement Program[b]	0.0	23.8	23.8
Enrollment growth (0.5 percent)	23.1	23.6	0.6
COLA for select categorical programs[c]	14.2	17.5	3.4
California Apprenticeship Initiative	15.0	15.0	0.0
Strong Workforce Program[b]	0.0	12.4	12.4
Online tools	10.6	10.6	0.0
Guided Pathways technology	0.0	10.0	10.0

CENIC broadband	8.0	8.0	0.0
Dreamer resource liaisons	0.0	5.8	5.8
Library services platform	0.0	4.0	4.0
Adult Education Program technical assistance	1.0	1.0	0.0
Subtotal	**$213.0**	**$538.3**	**$325.3**
One Time			
Deferral paydown	$1,126.8	$1,453.2	$326.5
Deferred maintenance projects[d]	0.0	314.1	314.1
Student emergency financial aid grants[e]	250.0	250.0	0.0
Guided Pathways	0.0	150.0	150.0
Retention and enrollment strategies[f]	20.0	120.0	100.0
Zero-textbook-cost degrees	15.0	115.0	100.0
Student basic needs	100.0	100.0	0.0
Dual enrollment expansion incentives	0.0	75.0	75.0
COVID-19 response block grant	0.0	50.0	50.0
Work-based learning	20.0	30.0	10.0
Equal employment opportunity best practices	0.0	20.0	20.0
Faculty professional development	20.0	20.0	0.0
High Road Training Partnerships	0.0	20.0	20.0
Common course numbering	0.0	10.0	10.0
Competency-based education pilot	0.0	10.0	10.0
Instructional materials for dual enrollment students	2.5	2.5	0.0
CCC jobs registry	0.0	1.0	1.0
AB 1460 implementation/anti-racism initiatives	0.6	0.6	0.0
Subtotal	**$1,554.9**	**$2,741.5**	**$1,186.6**
Total	**$1,767.8**	**$3,279.7**	**$1,511.9**

[a] Proposed COLA increased from 1.5 percent in January to 4.05 percent at the May Revision.

[b] The May Revision funds a 5 percent increase.

[c] Applies to the Adult Education Program, apprenticeship programs, CalWORKs student services, campus child care support, Disabled Students Programs and Services, Extended Opportunity Programs and Services, and mandates block grant. Proposed COLA increases from 1.5 percent in January to 1.7 percent at the May Revision for all but apprenticeship programs, which increases from 1.5 percent in January to 4.05 percent at the May Revision.

[d] The May Revision also provides $250 million one-time federal American Rescue Plan funds (Coronavirus Capital Projects Fund) for this purpose, bringing the total amount of one-time funding to $564.1 million.

[e] Of the amount proposed in January, $100 million was adopted as part of the early action package. The May Revision would fund the remaining $150 million proposed in January.

[f] The proposed January amount was funded through the early action package. The May Revision proposes to fund another $100 million for this purpose.

COLA = cost-of-living adjustment. ESL = English as a Second Language. CENIC = Corporation for Education Network Initiatives in California. AB = Assembly Bill.

Staff Recommendation. Hold Open.

6890 CALIFORNIA STUDENT AID COMMISSION

Issue 5: May Revision Proposals

The subcommittee heard the Governor's January budget proposals on February 24, 2021. The May Revision proposed changes to reflect updated estimates of costs to implement various CSAC operated programs, including the Cal Grant Program and Middle-Class Scholarship Program. The most significant May Revision proposal for CSAC is the Golden State Education, Entrepreneurship and Training Grant Program.

- **Golden State Education, Entrepreneurship and Training Grant Program.** The May Revision proposes $1 billion in one-time American Rescue Plan Act of 2021 funds for the CSAC to establish a one-time grant program to support displaced workers seeking reskilling and up-skilling, educational opportunities, or to support some of the costs to start a business. The program will:

  - Authorize CSAC to disseminate the funds to the higher education segments, and authorize UC, CSU, and CCC campuses to receive these funds and grant them to individuals displaced from their employment due the COVID-19 Pandemic on behalf of CSAC.

  - Allow recipients to use their grants to cover the costs of postsecondary programs, high-quality training programs, or to start a business for which the recipient has filed for a business license and developed a business plan.

  - Require at least half of the amount appropriated for this purpose to be used to provide grants to eligible individuals who are caring for a dependent child.

  - Encourage UC, CSU, and CCC campuses to match grant funds used at their institutions, which could include UC and CSU extension programs, with institutional funds.

  - Provide a minimum grant amount of $1,000, up to $2,500.

  The proposed trailer bill language specifies that grants will be available to workers that were displaced from their employment due to the COVID-19 pandemic and who were not already accessing educational or training program, and who meet income and asset qualifications to be eligible for the competitive Cal Grant A program. The trailer bill specifies that CSAC shall prioritize grants towards participants that are the greatest percentage away from the average monthly family income in calendar years 2018 and 2019 needed to meet the average living wage in their county as computed by the living wage calculation developed by Massachusetts Institute of Technology.

  The proposed trailer bill language requires CSAC to develop an application for prospective students to request a grant, and to verify: (1) the applicant was displaced from employment due to COVID-19, and meet income criteria, (2) the applicant was unable to obtain employment that provide a specified monthly wage amount calculated in a formula, (3) that the applicant was not already enrolled in a training or education program at the time of unemployment, (4) that that the grant will supplement and not supplant other financial aid, (5) applicant business license application and business plan.

- **Cal Grant Program Updated Estimates.** The May Revise proposes a decrease of $106.4 million General Fund in 2021-22 to account for the following:

    - A decrease of approximately $63 million in 2021-22 to reflect a decrease in the estimated number of new recipients in 2020-21. This adjustment includes decreased costs of $50.8 million in 2020-21.

    - A decrease of $43.4 million ongoing General Fund associated with the cost to restore Cal Grant A eligibility for students impacted by a change in their living status due to the pandemic. The May Revision also reflects decreased costs of $43.4 million in 2020-21.

- **Former and Current Foster Youth Access Award.** The May Revision proposes a decrease of approximately $5.1 million ongoing General Fund associated with revised estimates of foster youth that would qualify for a supplemental access award funding for all former or current foster youth.

Staff Recommendation. Hold Open.

0650 OFFICE OF PLANNING AND RESEARCH
0985 STATE TREASURER'S OFFICE
6610 HASTINGS COLLEGE OF LAW

Issue 6: Various May Revision Proposals

- **Hastings College Alternative Campus Safety Program.** The May Revision proposes $3 million one-time General Fund, available for a three-year period, to support an alternative campus public safety program.

- **Californians for All College Service Program.** The May Revision proposes $285.21 million one-time ($239.3 million from the Coronavirus Fiscal Recovery Fund) to create the Californians For All College Service Program in partnership with the University of California, California State University system, and California Community Colleges. This program will provide 12,500 part-time service opportunities to college students in critical issue areas such as climate action, education and youth development, specifically tutoring and mentoring, health, and disaster response. These funds are available for encumbrance or expenditure until June 30, 2024.

  The May Revision summary document notes that students will have the opportunity to receive a stipend of up to $7,000 and scholarship of up to $3,000. This program will also create opportunities for AB 540 eligible individuals to serve their communities.

- **Regional K-16 Education Collaboratives.** The May Revision allocates the $250 million one-time General Fund set-aside from the Governor's Budget to a competitive grant program for regional K-16 collaboratives. The program will:

  - Appropriate funds to the Office of Planning and Research to award grants to between five and eight regional collaboratives (this is not specified in BBL), modeled after the Fresno K-16 Education Collaborative.

  - Require eligible collaboratives to include at least one institution from all three segments; to include consideration of regional workforce needs; to focus on streamlining occupational pathways that lead to high-paying, in-demand jobs; and to align higher education with workforce needs.

  - Require eligible collaboratives to adopt recommendations from the February 2021 Recovery with Equity report related to fostering inclusive institutions and facilitating student transitions.

  The proposed budget bill language authorizes OPR to contract with a third-party entity to administrator the program, and also authorizes up to 10 percent of funds ($25 million) to be used for administrative support costs. The funds will be available for encumbrance or expenditure until June 30, 2026.

- **Student Housing.** The May Revision includes $4 billion one-time General Fund, split evenly between fiscal years 2021-22 and 2022-23, at the School Finance Authority under the State

Treasurer's Office. The program will to establish a low-cost student housing grant program focused on expanding the availability of affordable student housing. According to the May Revision summary document, the program will:

- Authorize the California School Finance Authority to award grants to the UC, CSU, and CCCs to build new student housing or to acquire commercial properties that would be transformed into student housing.
- Reduce rent for students by relieving the segments from having to build in construction and/or acquisition costs into rental and meal plan charges.
- Prioritize grants for the conversion of commercial properties that would be transformed into student housing.
- Prioritize access to newly available units for low-income and under-represented students.
- Require student tenants to take an average of 15 degree-applicable units per semester to facilitate timely degree completion and to further reduce their overall cost of completing college.

As of writing this agenda, the trailer bill language is not available.

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 1 Agenda

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

Wednesday, May 19th, 2021
9:00 a.m.
State Capitol - Room 3191

Consultants: Nora Brackbill and Elisa Wynne

AGENDA

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

0954 SCHOLARSHARE INVESTMENT BOARD

Issue 1: California Child Savings Accounts

Panel:

- Gabriela Chavez, Department of Finance
- Brianna Bruns, Department of Finance
- Julio Martinez, Executive Director, Scholarshare Investment Board
- Edgar Cabral, Legislative Analyst's Office

Background:

Many families use 529 savings plans to help save for their children's college expenses. A 529 plan is a tax-advantaged savings account that can be used for the beneficiary's educational expenses, including college expenses and tuition. Funds in the account grow tax free, and withdrawals may also be tax free. Withdrawals not made for a qualifying education expense face a penalty. Research shows that establishing a savings account encourages additional saving for college as a child grows up.

The 2019-20 Budget Act established the California Kids Investment and Development Savings (CalKIDS) Program. Beginning in the 2021-22 fiscal year establishes a CalKIDS 529 savings account for each California resident newborn (born after July 1, 2020) to a low-income family. The budget allocated twenty-five million dollars ($25,000,000) in one-time General Fund dollars to fund initial seed deposits (and potential incentives) in CalKIDS accounts for eligible children and for costs to administer the program. Each CalKIDS account will be seeded with a minimum of $25.

May Revision Proposal:

The May Revision includes approximately $2 billion one-time federal American Rescue Plan Act of 2021 funds in 2021-22, and assumes $170 million ongoing General Fund beginning in 2022-23, to establish college savings accounts for all current low-income public school students.

In 2021-22, each unduplicated student, low-income, English learner, or foster youth, defined by the Local Control Funding Formula, in grades 1st through 12th would receive a $500 investment into a child savings account. Qualifying foster youth and homeless students would each receive an additional supplemental deposit of $500. Beginning in 2022-23, each successive cohort of these student populations would receive the same amount of funding as they enter first grade. Trailer bill language specifies that undocumented children are included in this program.

Statute specifies that funds deposited and interest growth is exempt from state taxes, funds supplement and do not supplant financial aid, and may be used for qualified higher education expenses.

Staff Recommendation:

Hold Open.

6100 DEPARTMENT OF EDUCATION

Issue 2: Proposition 98 May Revision Overview

Panel:

- Aaron Heredia, Department of Finance
- Ken Kapphahn, Legislative Analyst's Office
- Elly Garner, Department of Education

Background:

The May Revision includes $121.7 billion total funds ($70 billion General Fund and $51.7 billion other funds) for all K-12 education programs. K-12 per-pupil funding is $13,977 in Proposition 98 funds, and $21,152 if all funds sources are included.

PROPOSITION 98 – K-14 EDUCATION

Changes to the Minimum Guarantee. The May Revision provides a substantial increase to Proposition 98 funding of $17.7 billion from the Governor's budget for the three-year period of 2019-20 to 2021-22. More specifically, the May Revision funds the Proposition 98 guarantee for the 2019-20 through 2021-22 fiscal years at $79.3 billion, $92.8 billion, and $93.7 billion, respectively. Compared to January, this reflects the following yearly changes:

- A decrease of approximately $215 million in 2019-20.
- An increase of approximately $10 billion in 2020-21.
- An increase of approximately $5.6 billion in 2021-22.

These levels reflect the estimated substantial increase in General Fund revenues over the three-year period in comparison with the Governor's budget proposal, due to the economic impacts of COVID-19. The Proposition 98 Guarantee continues to be calculated under Test 1 for all three years (equal to approximately 38 percent of General Fund revenues, plus local property taxes).

Comparing Proposition 98 Funding Under Governor's Budget and May Revision
In Millions

	2019-20	2020-21	2021-22	Three Year Totals
Governor's Budget				
General Fund	$54,470	$56,942	$60,835	$172,247
Local property tax	25,073	25,887	27,270	$78,230
Totals	**$79,544**	**$82,828**	**$88,105**	**$250,477**
May Revision				
General Fund	$54,483	$67,077	$66,374	$187,933
Local property tax	24,846	25,745	27,365	77,956
Totals	**$79,329**	**$92,822**	**$93,738**	**$265,889**
Change				
General Fund	$12	$10,135	$5,538	$15,686
Local property tax	-227	-142	95	-274
Totals	**-$215**	**$9,993**	**$5,633**	**$15,412**

Source: Legislative Analyst's Office

Proposition 98 Multi-Year Obligation. The 2020-21 budget included a multi-year payment obligation designed to supplement funding provided by Proposition 98 to provide $12.4 billion over a multi-year period. This funding was intended to accelerate the recovery of the Proposition 98 Guarantee from reductions due to the impact of COVID-19. The May Revision notes that the significant increases in the Proposition 98 Guarantee eliminate the need for this payment and removes this payment obligation entirely. In the Governor's Budget, the ongoing portion of the payment was eliminated; however the budget year payment of $2.3 billion was retained.

Public School System Stabilization Account. The factors used in the May Revision Proposition 98 Guarantee calculation trigger deposits of $3 billion into the Public School System Stabilization Account, known as the Proposition 98 Rainy Day Fund, for 2020-21 and 2021-22 combined. Funds from this reserve account may be expended in years when the Proposition 98 Guarantee does not increase enough to cover year-over-year growth and inflation. This additional deposit brings the total in the fund to $4.6 billion and triggers school district reserve account caps in the 2022-23 fiscal year.

Payment Deferrals. In order to reduce Proposition 98 expenditures to the minimum guarantee level, but shield Local Educational Agencies (LEAs) from the impact of cuts, the 2020 budget agreement deferred a total of $11 billion in principal apportionment payments to LEAs, reducing apportionments for the Proposition 98 Guarantee by this amount in 2020-21 in order to meet the Proposition 98 Guarantee as of the 2020 Budget Act. The 2021-22 May Revision includes paying down $8.4 billion in deferrals in 2021-22, while the remainder of $2.6 billion in K-12 funding would continue to be deferred from 2021-22 to 2022-23 and in ongoing years.

Supplemental Payment related to the State Appropriations Limit. Excess revenues above the State Appropriations Limit in 2020-21 and 2021-22 create a Constitutional obligation for the state to make a one-time payment to K-14 schools, supplemental to the Proposition 98 Guarantee funding level, and allocated based on K-12 average daily attendance and full-time equivalent community college students. While this payment amount will not be finalized until the adoption of the 2023-24 budget, the Administration currently anticipates that it will total approximately $8.1 billion, and will be provided to K-14 schools in the 2022-23 fiscal year.

Staff Recommendation:

Hold Open

Issue 3: Local Control Funding Formula and 2021-22 Instruction

Panel:

- Lina Grant, Department of Finance
- Aaron Heredia, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Kenneth Kapphan, Legislative Analyst's Office
- Elly Garner, Department of Education

Background:

Local Control Funding Formula (LCFF). Beginning in 2013-14, the LCFF changed the way funding for education was distributed, collapsing historical revenue limit allocations and more than 30 categorical programs and using new methods to allocate these resources and additional resources over time. The LCFF allows LEAs much greater flexibility in how they spend the funds. There is a single funding formula for school districts and charter schools, and a separate funding formula for COEs that has some similarities to the district formula, but also some key differences.

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

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

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.

- **Concentration Grants** provide an additional 50 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.

- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.

May Revision Proposals:

Local Control Funding Formula (LCFF). The bulk of funding for school districts and county offices of education for general operations is provided through the LCFF and is distributed based on the numbers of students served and certain student characteristics. The state typically annually adjusts the grant amounts by a cost-of-living adjustment (COLA). In the 2020-21 Budget Act, a COLA was not included for the LCFF, due to anticipated reduced revenues due to the pandemic. The May Revision provides a compounded COLA of 5.07 percent (1.7 percent attributed to 2021-22, increased slightly from the Governor's Budget estimate, 2.31 percent to reflect the foregone COLA in 2020-21, and an additional 1 percent increase to the LCFF base rates), approximately $3.7 billion, for the 2021-22 fiscal year, bringing total LCFF funding to $66.2 billion.

LCFF Concentration Factor Increase. The May Revision increases the LCFF concentration rate factor from 50 percent to 65 percent, providing approximately $1.1 billion in ongoing Proposition 98 General Fund, and requires that the increase in funding be used for additional certificated and classified staff on school campuses. LEAs are eligible to receive a concentration grant as part of LCFF funding when the enrollment of unduplicated students (low-income, foster youth, and English learners) is 55 percent of total enrollment or greater. The grant is provided on top of the per-pupil rate for the number of students over 54 percent of enrollment.

2021-22 Instructional Requirements. The 2020-21 budget included a hold harmless on average daily attendance for purposes of LCFF (the hold harmless also applies for the 2021-22 school year) and authorized distance learning for 2020-21, however, the proposed budget makes no similar provisions for 2021-22. Instead, the May Revision proposes not renewing the distance learning authorization provided in 2020-21 and returning to in-person instruction in the 2021-22 school year. The May Revision includes the following changes to the existing Independent Study program to allow LEAs, that choose to offer this option, to use this structure to provide a non-classroom based option to families that do not want to come back in person:

- Access to technology, internet connectivity, and a dedicated and rigorous curriculum
- Tiered re-engagement strategies for students that do not participate in instruction
- Tracking and recording of daily student participation and interaction with teachers.

Staff Recommendation:

Hold Open.

Issue 4: Student Support Proposals

Panel:

- Lina Grant, Department of Finance
- Paula Fonacier Tang, Department of Finance
- Liz Mai, Department of Finance
- Amber Alexander, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Elly Garner, Department of Education

May Revision Proposals:

Expanded Learning Time Program. The May Revision includes a five-year plan to provide after school enrichment programs to Kindergarten through Grade 6 students in local educational agencies (LEAs) that have the highest concentrations of low-income, English learner, and foster youth students.

LEAs that receive funding would be required to provide after school programs that, combined with the instructional day, provide a minimum of nine hours of programming for each school day and for at least 30 intersessional days. LEAs are not required to extend instructional time, but may provide enrichment activities during these expanded hours. While an LEA would receive funds as a result of being eligible for the LCFF concentration grant, the expanded learning program must be provided to all students who wish to attend. Staff to student ratios for Transitional Kindergarten and Kindergarten Students in the expanded learning program must be 1:10.

The program is funded with $1 billion ongoing Proposition 98 in 2021-22, and grows to $5 billion at full implementation in 2024-25. The program would be phased in over the five year period with funding provided in the following order:

- For LEAs with unduplicated pupil percentages greater than or equal to 80 percent as of the 2021-22 fiscal year, meet the requirements of the program by July 1, 2022.
- For LEAs with unduplicated pupil percentages greater than or equal to 70 percent as of the 2022-23, meet the requirements of the program by July 1, 2023.
- For LEAs with unduplicated pupil percentages greater than or equal to 60 percent as of the 2023-24 fiscal year, meet the requirements of the program by July 1, 2024.
- For LEAs with unduplicated pupil percentages greater than or equal to 55 as of the 2024-25 fiscal year and every subsequent fiscal year, meet the requirements of the program by July 1, 2025.

The Department of Finance estimates that LEAs receiving funding in the 2021-22 fiscal year would need to use funds from additional sources (likely one-time federal or other state funds) to fully cover the costs of the program, but at full implementation, the costs would be fully covered by program allocations.

In-Person Instruction Health and Safety Grant. The May Revision provides $2 billion one-time Proposition 98 General Fund for health and safety activities, including testing and vaccine initiatives, enhanced cleaning, personal protective equipment, and improved ventilation. These funds will supplement the $2 billion appropriated by Chapter 10, Statutes of 2021 (AB 86) to schools that were open for in-person instruction by April 2021 and will be appropriated in proportion to LCFF allocations.

Targeted Intervention Grant. The May Revision proposes $2.6 billion one-time funding ($2 billion federal funds and $623 million Proposition 98 General Fund) to LEAs to provide research-tested interventions for students, including intensive tutoring. These funds will supplement $4.6 billion appropriated by Chapter 10, Statutes of 2021 (AB 86) to schools for targeted student academic supports. LEAs can use these funds for costs going back to March 13, 2020.

Community Schools. The May Revision includes $3 billion in one-time Proposition 98 General Fund (increased from $264.9 million proposed in the Governor's Budget) for grants to LEAs to support existing networks of community schools, establish new community schools, and to coordinate a wide range of services to these schools, with priority given to schools in high-poverty communities.

<u>Staff Recommendation:</u>

Hold Open.

Issue 5: Teacher Workforce and Professional Development

Panel:

- Kim Leahy, Department of Finance
- Dr. Mary Sandy Executive Director, Commission on Teacher Credentialing
- Michele Perrault, Commission on Teacher Credentialing
- Elly Garner, Department of Education
- Amy Li, Legislative Analyst's Office

May Revision Proposals:

Teacher Training, Recruitment, and Retention. The May Revision includes $3.3 billion in programs and funds to recruit, retain, and support educators, including:

WORKFORCE PREPARATION

$550 million one-time Proposition 98 General Fund over five years to support approximately 22,000 teacher candidates in residencies and other grow-your-own credentialing programs, dedicated to preparing and retaining teachers in high-need communities and subject areas, including special education, bilingual education, and STEM.

$500 million one-time General Fund over five years for the Golden State Teacher grants, which would support a combined total of at least 25,000 grants for teacher credential candidates who commit to teach at a priority school, in a high-need subject matter area, for four years.

$125 million one-time Proposition 98 General Fund over five years for the Classified School Employee Teacher Credentialing Program to support more than 5,000 classified school staff in becoming credentialed teachers.

$65.5 million one-time Proposition 98 General Fund and $45.6 million one-time General Fund to establish the Roadmap to Pre-K through 12 Educational Employment Program, a long-term and comprehensive strategy for teacher recruitment and development

$20 million one-time General Fund to provide a credential fee waiver in 2021-22 for individuals entering the K-12 educator workforce.

$15 million one-time Proposition 98 General Fund over three years to support 6,000 teachers in completing the coursework necessary to receive state certification to teach computer science.

RETENTION AND TRAINING

$1.5 billion one-time Proposition 98 General Fund over three years for the Educator Effectiveness Block Grant, to provide local educational agencies with training resources for classified, certificated, and administrative school staff in specified high-need topics, including accelerated learning, re-engaging students, restorative practices, and implicit bias training.

$250 million one-time Proposition 98 General Fund over five years for incentives for 2,500 National Board Certified teachers that teach in high poverty schools to attract and retain them as mentors

$75 million one-time Proposition 98 General Fund, available over five years, for the California Early Math Initiative to provide teachers with professional development in mathematics teaching strategies for young children pre-K through third grade through the statewide system of support. Additional funding could also support state-level capacity to broaden the reach of the Early Math Initiative among California State Preschool and other programs across the state.

$60 million one-time Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides matching funds for intersessional pay for classified employees that work less than 12 months per year.

$25 million one-time Proposition 98 General Fund over five years for the 21st Century School Leadership Academy, to provide high-quality professional learning for administrators and other school leaders.

Staff Recommendation:

Hold Open

Issue 6: Early Education

Panel:

- Jessica Holmes, Department of Finance
- Aaron Heredia, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Ken Kapphahn, Legislative Analyst's Office
- Sara Neville-Morgan, Department of Education

Background

Transitional Kindergarten (TK). TK is the first year of a two-year kindergarten program, available to children who turn five between September 2 and December 2. It started in the 2012-13 school year, after the cutoff date for kindergarten moved from December to September. School districts are required to offer TK, and it is funded through the Local Control Funding Formula (LCFF). Roughly 100,000 students in California are enrolled in TK.

Early Transitional Kindergarten (ETK). Starting in 2015-16, schools could choose to offer TK to younger four-year-olds (born after December 2), but they don't receive state funding until the student turns five. Uptake of this program varies widely; some LEAs enroll all children who will turn five by the end of the school year, and some do not offer it at all. According to CDE, 17,000 students were served by ETK programs.

Preschool for four-year-olds. Currently, four-year-olds are served by a mixture of State Preschool (for income-eligible students) and early TK (if provided). In 2018-19, 143,000 three- and four-year-olds were enrolled in State Preschool. Four-year-olds make up 63 percent of that enrollment. Aside from income eligibility, these programs vary in other ways, including teacher credentialing requirements and length of school day (see table below from the LAO[1]). Income-eligible four-year-olds end up in either preschool or TK due to combination of these factors, availability of early TK in their area, and available State Preschool slots.

[1] https://lao.ca.gov/reports/2021/4350/Transitional-Kindergarten-Proposals-020521.pdf

	Transitional Kindergarten	State Preschool
Age	Four-year olds with birthdays between September 2 and December 2, with option to serve some younger students.	Three- and four-year olds.
Income Eligibility	None.	A family of three must generally earn at or below $73,885.
Program Duration	Must operate at least 180 days per year, at least three hours per day but determined by district.	Must operate at least 246 days per year, 6.5 hours per day for full-day program; at least 175 days per year, 3 hours per day for part-day program.
Work Requirement	None.	None for the part-day program. Working families are prioritized for the full-day program.
Staffing Ratio	1 to 33 maximum teacher-child ratio.	1 to 24 maximum teacher-child ratio and 1 to 8 maximum adult-child ratio.
Funding Source	Proposition 98 General Fund.	Proposition 98 and Non-Proposition 98 General Fund.
Providers	School districts.	School districts, county offices of education, community colleges, and community-based organizations.
Teacher Requirements	Bachelor's degree, multiple subject teaching credential, and a Child Development Teacher Permit or at least 24 units of ECE/CD or comparable experience.[a]	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units).

[a] Child Development requirements effective August 1, 2021.
ECE/CD = Early Childhood Education/Child Development.

Source: Legislative Analyst's Office

<u>May Revision Proposals:</u>

Universal Transitional Kindergarten (TK). The May Revision includes a proposal to provide transitional kindergarten to all four year olds by 2024-25. The 2021-22 year would be used as a planning year for LEAs, and additional TK access would be provided for four-year-olds, increased in increments of three months of age per year from 2022-23 through 2024-25, when all four-year-olds would be eligible. The Proposition 98 guarantee is proposed to be rebenched or increased by ongoing General Fund to cover resulting LCFF average-daily-attendance (ADA) increases. The costs of this plan are anticipated to be approximately $900 million ongoing General Fund in 2022-23, growing to $2.7 billion in 2024-25.

Additionally, the May Revision repurposes $250 million one-time Proposition 98 General Fund proposed in the Governor's Budget to incentivize transitional kindergarten expansion to instead be used for planning and implementation grants for all LEAs.

The May Revision also proposes $380 million ongoing Proposition 98 General Fund in 2022-23, growing to $740 million in 2024-25, to provide one additional certificated or classified staff person in each transitional kindergarten classroom. For many classrooms, this will reduce adult-to-child ratios from 1:24 to 1:12.

Additionally, the May Revision includes $10 million one-time General Fund for the Department of Education to update the Preschool Learning Foundations, the recommended learning standards for preschool and transitional kindergarten, to reflect the most recent research on early childhood development and provide comprehensive resources for pre-kindergarten teachers.

California State Preschool Program. The May Revision maintains the level of funding available for the State Preschool Program, and does not provide any changes to the reimbursement rates at this time. The Administration notes it will develop a comprehensive plan to be implemented in 2022-23 to support existing State Preschool Program providers to maintain their contracts while transitioning to serve younger children, in alignment with the Master Plan for Early Learning and Care, to ensure all eligible three-year-olds have access to a high quality early learning.

Staff Comments:

Staff notes that this issue overlaps with those in the child care area. To the extent that a Universal Transitional Kindergarten proposal is adopted, four year old children who may have attended state preschool or federal Head Start programs may attend Transitional Kindergarten instead. These changes will impact the type and length of programs offered to families and the business models of state preschool and child care providers. While TK provides educational benefits for all children, regardless of income, it may not meet the needs of our most vulnerable families who need year round child care that includes kindergarten preparation, but with hours and access that match families' work schedules. Finally, while the May Revision includes planning time and funds for the TK proposal, no such plan or planning funding is provided for preschool and child care during this same time period.

In the child care area, as discussed in the Subcommittee #3 hearing on May 18, 2021, the May Revision included a historic increase of 100,000 slots in child care. However, several items highlighted in the Senate's Build Back Boldly budget plan are not included in the May Revision. In addition to reimbursement rate reform, which is crucial to any plan to further invest in a mixed delivery system that includes TK, the plan called for up to 200,000 additional slots, and additional investments in child care workforce training, ensuring that essential workers who had temporary care vouchers during the pandemic are retained in the system, and other ongoing stabilization measures for providers.

Staff Recommendation:

Hold Open

Issue 7: Other K-12 Education Proposals

<u>Panel:</u>

- Alex Shoap, Department of Finance
- Liz Mai, Department of Finance
- Amber Alexander, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Amy Li, Legislative Analyst's Office
- Elly Garner, Department of Education

<u>May Revision Proposals:</u>

- **School Nutrition.** The May Revision makes the following investments in the school nutrition program.

  - $150 million ongoing Proposition 98 General Fund to encourage LEAs to participate in one of the federal universal meal provisions.

  - $100 million one-time Proposition 98 General Fund to provide school kitchen infrastructure upgrades and training for school cafeteria staff.

  - $30 million one-time General Fund (up from $10 million in the Governor's Budget) to the Department of Food and Agriculture to support the Farm to School initiative.

- **Special Education.** The May Revision includes an increase of $186.1 million ongoing Proposition 98 General Fund for an compounded COLA of 4.05 percent for Special Education in 2021-22 (1.7 percent attributed to 2021-22, increased slightly from the Governor's Budget estimate, and 2.31 percent to reflect the foregone COLA in 2020-21).

- **Federal Special Education Stimulus Funds.** The May Revision includes the following investments with federal Individuals with Disabilities Education Act (IDEA) funds:

  - $277.7 million one-time to LEAs to increase general statewide special education resources.

  - $15 million to provide technical assistance and support to LEAs in developing and administering comprehensive individualized education programs and to develop tools and resources to assess and address academic impacts of the Pandemic on students with disabilities.

  - $2.3 million (of which $965,000 is available on a one-time basis) and six positions for the Department of Education to address special education complaints, perform court-ordered special education monitoring of local educational agencies, and to purchase special education monitoring software.

  - o $1.2 million (of which $1.1 million is available on a one-time basis) and one position to improve coordination between the California Department of Education, the California Department of Developmental Services, and LEAs to support the transition from IDEA Part C to Part B programs, and convene stakeholder workgroups to address data sharing and disseminate best practices to increase access to more inclusive settings for three-, four-, and five-year-olds.

- **Foster Youth.** The May Revision provides $30 million in one-time Proposition 98 General Fund to County Offices of Education to coordinate with LEAs and provide direct services to foster youth.

- **Career Technical Education ROCPs**. The May Revision includes $86.4 million one-time Proposition 98 General Fund for career technical education regional occupational centers or programs (ROCPs) operated by a joint powers authority to address costs associated with the COVID-19 Pandemic.

- **County Offices of Education**. The May Revision includes an increase of $29.7 million ongoing Proposition 98 General Fund to reflect a compounded 5.7 percent COLA and average daily attendance changes applicable to the LCFF.

- **Cost-of-Living Adjustments**. The May Revision includes an increase of $2.4 million ongoing Proposition 98 General Fund to reflect a 1.7 percent COLA for categorical programs that remain outside of the LCFF and Special Education, including Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program

- **State Special Schools.** The May Revise provides $20 million, one-time General Fund, to the State Special Schools for deferred maintenance facility needs.

- **Curriculum, Accountability, & Assessments.** The May Revise proposes numerous new curriculum-related proposals, including $3 million for LGBTQ curriculum & training, $15 to the Collaborative for Education Excellence (CCEE) to curate high quality open-resource platforms, $2 million for the Commission on Teacher Credentialing (CTC) for dyslexia teacher professional development support, and $10 million for one or more LEAs for reading instruction technical assistance, including dyslexia.

- **California Department of Education State Ops.** Across all funding sources and programs, the May Revise reflects an increased investment of $84 million ongoing for 56.2 positions at the Department.

<u>Other Proposals:</u>

- Eliminates Differentiated Assistance identification by dashboard data in 2021-22, and authorizes a $400,000 evaluation for the program, with results in 2022.
- Provides $3.5 million for the San Francisco Unified School District's Exploratorium partnership.
- Provides $10 million for Oakland Unified School District's operating budget deficit pursuant to Education Code section 42160.

- Appropriates $5.2 million for 10 schools as part of the Broadband Infrastructure Grant Program.
- Various technical federal fund adjustments.
- Appropriates $3.9 million ongoing Proposition 98 for SACS.
- Makes reporting changes to the January Budget School Climate Survey proposal.
- Extends the Out-of-State Care funding formula to 2022.
- Adds the feminine hygiene supply requirement to the K-12 Mandate Block Grant.
- Various closure-related proposals regarding the State Seal of Biliteracy, and Charter School renewals.
- Changes the LEA audit review timeline for the 2021-22 fiscal year.
- Clarifies apportionment limit offsets.
- Technical amendments to January Budget TBL for Pioneer Union School District Hold Harmless,
- New technical TBL for the California School Finance Authority intercept, Learning Continuity Plans, AB 86 funding for closed charter schools, School Bond reporting.
- Directs CDE to not produce a 2021 School Accountability Dashboard.
- Exempts federal funds from the Routine Maintenance reserve calculations.
- Makes changes to assessment statutory requirements to align with federal waivers.
- Withdraws the Adults in Charter Schools proposal from January Budget.

Staff Recommendation:

Information Only