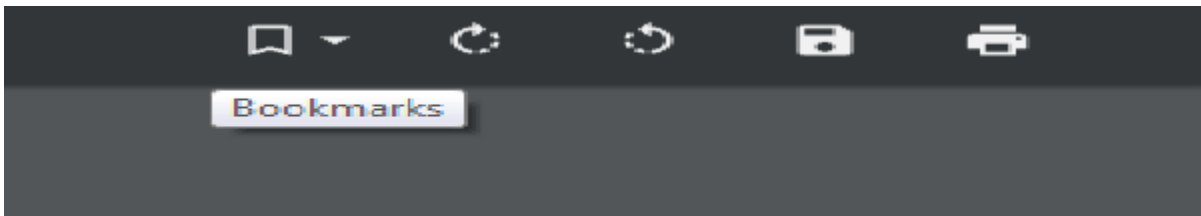


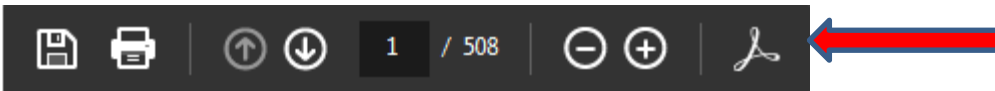
Senate Budget and Fiscal Review

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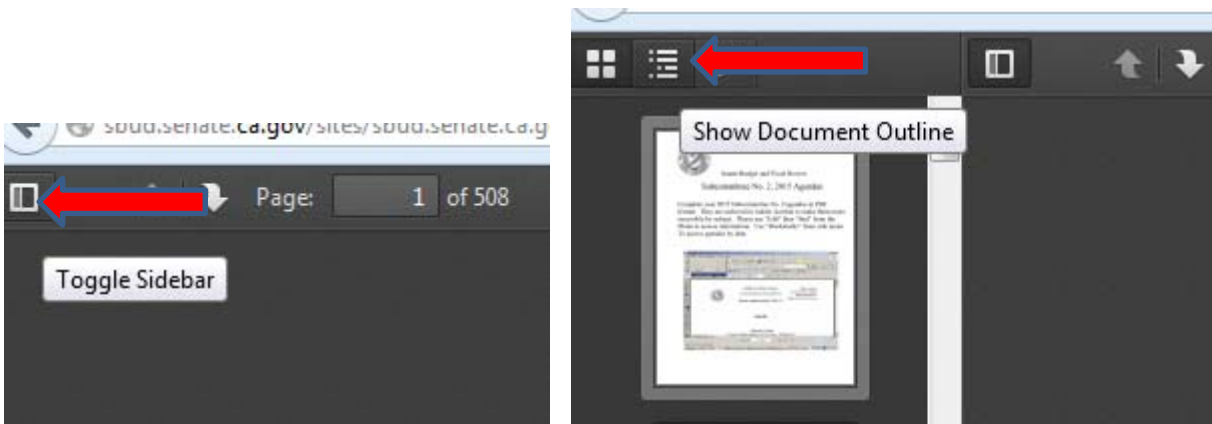
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SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE NO. 1 ON EDUCATION

Senator Richard D. Roth, Chair

and

SENATE EDUCATION COMMITTEE

Senator Connie M. Leyva, Chair

Thursday, February 13th, 2020

9:30 a.m. - State Capitol - Room 4203

**JOINT OVERSIGHT HEARING:
Update and Review of Calbright College**

Consultants: Anita Lee and Olgalilia Ramirez

Panels

- I. Overview of Calbright College
 - Paul Steenhausen, Legislative Analyst's Office
- II. Updates on Calbright College
 - Tom Epstein, President of the Board of Trustees, Calbright College
 - Eloy Ortiz Oakley, Chancellor, California Community Colleges
- III. Stakeholder Perspective
 - John Stankas, President, Academic Senate for California Community Colleges
 - Jim Mahler, President of Community College Council, California Federation of Teachers
 - Dr. Bill Scroggins, President and Chief Executive Officer, Mt. San Antonio College
 - Kimberly Rosenberger, Government Relations Advocate, Service Employees International Union State Council
 - Brandon Hooker, Senior Research Data Specialist, Labor Market Information Division at the Employment Development Department
- IV. Public Comment

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SUMMARY

AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018, created a fully online community college, known as Calbright College, to be administered and overseen by the California Community Colleges Board of Governors (BOG) who act as the college's Board of Trustees (BOT). 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. 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.

The 2018 budget provided \$100 million Proposition 98 General Fund one-time for startup costs and \$20 million Proposition 98 General Fund ongoing for operations. The startup funding may be spread over a seven-year period and used for technology, building space, and business plan development, among other things.

At the January 13, 2020 BOT meeting, Calbright College Chief Executive Officer (CEO) Heather Hiles resigned, effective March 31, 2020, and will be on leave until that time. On February 11, 2020, the BOT appointed Ajita Menon as interim President and CEO.

BUDGET SPENDING

As noted above, the 2018 budget provided Calbright College \$100 million Proposition 98 General Fund one-time for startup costs and \$20 million Proposition 98 General Fund ongoing for operations. During the 2018 budget deliberations, the Administration provided the Legislature a breakdown of how funds will be used:

- \$20 million Proposition 98 General Fund ongoing: (1) \$11 million for academic and classified salaries and benefits, (2) \$3 million for technology, (3) \$5 million for program pathways implementation, and (4) \$1 million for professional services.
- \$100 million Proposition 98 General Fund one-time: (1) \$11 million for operating expenses, (2) \$25 million for technology and capital outlay, (3) \$23 million for core functions, (4) \$16 million for scaling efforts, (5) \$5 million for implementation of business plan and accreditation, and (6) \$20 million for research and development.

Update on Calbright Spending Plan. In 2018-19 Calbright College spent approximately \$3.4 million Proposition 98 General Fund ongoing, which almost exclusively paid for other operating expenses (\$1.6 million of which was for administrative support for the Foundation for California Community Colleges and \$1.4 million was for consultants). The college did not spend any of the one-time funding.

In 2019-20, Calbright College plans to spend \$19.87 million Proposition 98 General Fund ongoing as follows: (1) \$17.5 million on academic and classified salaries and employee benefits, and (2) \$2.4 million on other operating expenses and technology. Calbright College also plans to spend \$14.8 million in 2019-20 for capital outlay, which is funded by ongoing carryover from the 2018-

19 budget. In addition, Calbright College plans to spend \$15.6 million Proposition 98 General Fund one-time as follows: (1) \$5.5 million on operating expenses and learner supports, (2) \$2.9 million on outreach, and (3) \$7.2 million on technology capital outlay.

The balance of Calbright College's budget is \$84.4 million Proposition 98 General Fund one-time and \$5.2 million Proposition 98 General Fund ongoing from 2018-19 unspent. Based on the milestone report, Calbright intends to expend the remaining one-time funds in Fiscal Year 2021-22. Staff notes that Calbright College's spending plan does not track neatly with the breakdown that the Administration provided the Legislature during the 2018-19 budget process. From conversations with Calbright College, the Administration's proposal was in place by the original implementation team, and was a point in-time projection of the spending needs and funding uses.

Cost Per Student. The milestone report also notes that based on planned enrollment and proposed budget, the cost per student enrolled in college will be approximately \$98,000 in 2019-20 and will decrease to approximately \$1,530 by 2025-26. Calbright College notes that this is because in 2019-20, it plans to enroll 350 students and in 2025-26 it plans to enroll 22,400 students, and systems and processes are being built and scaled.

Fifty Percent Law. Calbright College is required to comply with §84362 of the Education Code, also known as the 50 percent law. The 50 percent law requires districts to spend 50 percent of their general operating budget on salaries and benefits of faculty and instructional aids engaged in direct classroom instruction. During the November 18th Board of Trustees meeting, Calbright College noted that the Chancellor's Office will not be evaluating Calbright College for compliance with the 50 percent law because they do not receive apportionment. However, the Chancellor's Office has since clarified with staff that the receipt of apportionment is not a required condition for compliance with the 50 percent law.

Existing law, §84040 of the Education Code, requires each community college district to provide an annual audit of all funds and the fiscal condition of the district to the BOG. The Chancellor's Office determines the amount a district needs to spend to meet the 50 percent law based on these documents. The penalty associated with failing to comply with the 50 percent law is to withhold state apportionment. Calbright College was not evaluated for 2018-19 compliance with the 50 percent law because Calbright did not have specified education expenditures. As described in the *Update on Calbright Spending Plan* section of this report, the college spent \$3.4 million Proposition 98 General Fund for operating expenses. For future years, Calbright College will be subject to the 50 percent law consistent with all California community college districts.

Financial Reporting. Existing law, §70901(b)(2) of the Education Code, requires the BOG to provide general supervision over community college districts. The BOG is required to evaluate and issue annual reports on the fiscal and educational effectiveness of community college districts according to outcome measures cooperatively developed by districts, and provide assistance when districts encounter severe management difficulties.

Additionally, Title 5 §58310 of the California Code of Regulations, requires that a designee of the governing board of each community college district submit a quarterly report and present on the

financial condition of the district to the district's governing board. The district is also required to submit copies of the report to the Chancellor at least 45 days after each quarter.

Calbright College has informed staff that the college has submitted financial reports for 2018-19 and the first quarter of 2019-20 in the format prescribed by the Chancellor's Office. The college is working to finalize and submit their second quarter of 2019-20 financial report to the Chancellor's Office. The college has also submitted their 2018-19 Report on Audit of Financial Statements to the Chancellor's Office.

The Legislature may wish to ask the Chancellor's Office regarding the BOG evaluation of the college's fiscal and educational effectiveness, pursuant to existing law.

PROGRAMS AND DEGREE

Initially, Calbright College will provide short-term programs for working adults who have no postsecondary education or industry-valued credentials. Within the first three years, Calbright College is required to develop at least three short-term program pathways linked with industry needs. 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. This means that students are not bound to the traditional start and end dates of the academic calendar (semester or quarter). For every 10 pathways offered by the online college, at least one pathway must be developed in collaboration with an existing community college.

Competency Based Education. Existing law requires Calbright College to use competency based education that recognize students' prior learning – this includes military services, registered apprenticeship training, existing industry certifications, or other career experience. Calbright College uses a direct assessment competency based education approach, which involves self-paced learning and evaluation of student achievement based on acquisition of competencies rather than the credit hours or clock hours of instructional time (such as traditional semesters and quarters). Examples of direct assessments include projects, papers, presentations, exams, or portfolios that demonstrate mastery of a desired skill. According to a 2020 Chancellor's Office report, *Recommendations to Encourage the Use and Development of Competency-Based Courses and Programs and Review of the Statewide Approval Process to Offer Online Courses Under a Flexible Calendar*, under the direct assessment approach, programs establish "credit-hour equivalencies" for the student learning outcomes they evaluate and transcripts reflect competency gains rather than grades or credit hours earned.

Programs. During the 2018-19 legislative session, the Chancellor's Office announced the first three programs in medical coding, information technology and supervisor roles. Calbright College is currently offering programs in medical coding for professional services, introduction to cybersecurity (Security+), and introduction to information technology support (A+). The college is currently not offering a program regarding supervisor roles. Calbright College states that prior to the appointment of the college's current management, a decision was made not to develop the supervisor program because most of the jobs would be in retail, and the estimated wage gains were not significant enough.

Career Development and College Preparation (CDCP). Calbright College notes that their programs are non-credit Career Development and College Preparation (CDCP) pathways. CDCP provides instruction in elementary and secondary education, English as a second language (ESL), vocational skills, and workforce preparation that is part of a sequence of related courses leading to a certificate.

Enrollment. From October 1 through December 31, 2019, 2,625 students started their applications, 1,412 completed applications, 651 completed orientation, 465 completed their education plan, 449 enrolled in essentials courses, and 20 enrolled in a program pathway. Approximately 40 percent of students selected the IT support program, 20 percent selected the cyber security program, and 40 percent selected the medical coding program.

Of the 450 students that are enrolled in program essentials, 145 students (or 32 percent) are from Los Angeles County, 166 students from Orange, Riverside, Sacramento, San Bernardino and San Diego combined (or 36.8 percent), with the remaining 139 students spread throughout the state.

The chart below displays demographic data regarding enrolled Calbright College students, and compares them to CCC systemwide data from Data Mart.

	Calbright College Percentage	2018-19 Systemwide Percentage	2018-19 Systemwide Percentage – noncredit students
Ethnicity			(noncredit and vocational noncredit)
None stated	12	5.1	12.6 and 12.4
Hispanic or Latino	16	45.3	41.5 and 34.9
Asian	9	11.5	17.4 and 14.2
Black or African American	18	5.8	3.2 and 4.9
American Indian / Alaskan Native	2	0.4	0.24 and 4.0
Native Hawaiian or Other Pacific Islander	0	3.0	0.2 and 0.4
White	37	25.2	22.3 and 28.0
Multi-ethnicity	N/A	3.9	10.6 and 1.7
Age Range			(noncredit and vocational noncredit)
Less than 20 years old	0.9	28.9	14.5 and 3.7
Age 20-24 years old	7.3	28.9	10.4 and 11.2
Age 25-39 years old	49.1	26.9	25.5 and 36.8
Age 40 and above	42.7	15.3	49.5 and 48.4

Higher Education Attainment Level		Percentage of students in Spring 2019	Percentage of noncredit students in Spring 2019
No response	20	15.3	42.4
Bachelor's degree or higher	24	8	15.1
No degree	47	71.6	25.1
Associated degree	9	4.1	3.9
High School Education Level		Percentage of students in Spring 2019	Percentage of noncredit students in Spring 2019
Received a H.S. diploma in the US	74	62.2	14.6
Passed H.S. equivalency test and received a certificate	10	3.6	1.9
Received a diploma or from a foreign secondary school	11	4.7	8.1
Received a Certificate of California HS Proficiency	1	1.2	0.5
Enrolled in adult School	1	0.5	1.7
Not a graduate of, and no longer enrolled in H.S.	3	2.4	11.1

Associate Degree in General Studies. The Calbright College Milestone Report, which was released on August 1, 2019, notes that it will offer an Associate Degree in General Studies.

Calbright College announced it will seek accreditation initially through the Distance Education Accrediting Commission (DEAC) and in the long-term will seek accreditation through Accrediting Commission of Community and Junior Colleges (ACCJC). ACCJC requires that an institution offer an associate degree with appropriate general education and area of studies. Accreditation is described more in depth later in the agenda. Calbright College has informed staff that the purpose of the associate degree in general studies is to meet standards for regional accreditation, and that it is not the intent of the college to expand associate degree offerings. However, it is unclear if an associate degree in general studies will meet ACCJC standards or if a four-year institution will accept credits associated with this degree.

INDUSTRY AND EMPLOYER NEEDS

Education Code §75007 (b)(2) specifies that while Calbright College seeks accreditation, California Workforce Development Board (CWDB) and the Employment Development Department (EDD) shall determine whether programs offered by the online college have job market value to California industries by utilizing existing programmatic review process. It is unclear if Calbright College has worked with CWDB and EDD, and whether they have determined

whether these programs have job market value. As of early January, CWDB staff indicated that they did not receive contact from Calbright College on this matter.

The Chancellor's Office requested Calbright College provide labor market information to the Chancellor's Office during their program review and approval process. Staff requested a copy of the labor market data that was submitted and reviewed, however, the Chancellor's Office notes that "they did not maintain a copy as the information was not required to be chaptered at the state."

The Chancellor's Office operates under a data sharing agreement with the EDD to collect wage and employment data for program graduates. This information is provided to colleges and the Chancellor's Office through Launchboard, and to the public through the Student Success Metrics and Salary Surfer. Salary Surfer uses the aggregated earnings of graduates from a five-year period to provide an estimate on the potential wages to be earned two and five years after receiving a certificate or degree in certain disciplines. However, a 2017 Legislative Analyst's Office (LAO) Report, *Effects of Increases in Noncredit Course Funding Rates*, which reviewed career development and college preparation (CDCP) programs, notes that "the CCC Student Success Scorecard measures completion of certificates, degrees, or transfer within six years for students who initially enrolled in CDCP courses, but the Salary Surfer, which shows earnings of certain CCC graduates, as well as CCC's basic skills outcomes tracking tool, exclude noncredit students." Calbright College's programs are noncredit CDCP.

Job and Salary Projections. Calbright College notes that they are working with the Chancellor's Office to formalize their relationship with EDD. They also note that they consulted with data from EDD to help establish the first three job training programs. According to Calbright College's milestone report, an estimated 11,000 new medical coder jobs will be added between 2017 and 2024. The milestone report also cited a CompTIA report, *Cyber States 2018*, which states that 400,000 technology jobs were posted in California 2017.

According to the Centers of Excellence (COE) for Labor Market Research, which provides labor market research for community colleges, notes that the 2018 median pay for medical records and health information technicians was approximately \$45,000. COE notes that the median wage for a computer user support specialist, who has some college and no degree, is approximately \$53,500.

In April of 2018, the Chancellor's Office and the Service International Employees Union - United Health Workers (SEIU-UHW) announced a potential partnership with Calbright College to develop a medical coding program for their members. However, in 2019, SEIU-UHW instead partnered with Western Governors University (WGU) for a medical coding program.

Business Partnerships. Calbright College has stated that they will announce their first business partnerships in 2020. The college notes that it will target large-scale private employers. As noted earlier, 20 students are currently enrolled in the program pathways; the Legislature may wish to consider the timing of when students are ready to be placed in an apprenticeship or internship and when the employer partnerships are formalized. Additionally, the Legislature may wish to consider where students are located and where the business partnerships and apprenticeships are, and if this may impact access to training. Lastly, the Legislature may wish to ask how Calbright College is

working with local workforce investment boards and labor organizations to address local workforce needs and employee upskilling.

PROGRAM AND DEGREE DUPLICATION

Existing law, §75001(d)(1) of the Education Code, specifies that Calbright College must create new programs that are not duplicative of programs offered at other local community colleges. Existing law, §75001(f)(1) and (2) of the Education Code, also specifies that it is the intent of the Legislature that the college create unique content and deliver it in a manner that is not duplicative of programs offered at other local community colleges. For each new program, created the Chancellor's office must notify the Legislature and the Department of Finance on how the program is not duplicative of programs offered at other colleges.

Programs. Calbright College currently offers programs in medical coding, cyber security and information technology. Many community colleges currently offer programs in these areas. The Academic Senate provided staff with the following non-exhaustive list of programs that may be similar:

- Medical Coding
 - Santa Barbara College: A fully online program available to students statewide and features a certificate of achievement that is available through the California Virtual Campus – Online Education Initiative (CVC-OEI).
- Cybersecurity
 - Merritt College: An online degree and certificate program.
 - San Diego Continuing Education: A competency based noncredit program.
 - Cosumnes River College, Fresno City College, Pierce College and Cerro Coso College partnership: A fully online program, available to students statewide, and offers online certificates of achievement through the CVC-OEI.
- Introduction to Information Technology and Support:
 - Cerro Coso College: A fully online program, available to students statewide, and features a fully online certificate of achievement through CVC-OEI.
 - San Diego Continuing Education: An interactive competency based online micro-credential academy that is free, fully online, and offers flexible scheduling. This program is set to launch in the fall of 2020.

Certificates of achievements (COA) are short programs of study designed for students wishing to enter a new career or enhance their current job skills. Typically, COAs focus on major courses and do not include general education coursework. In many cases, COA coursework can also satisfy Associate Degree or Associate Degree for Transfer (ADT) requirements.

The Chancellor's Office states that the courses and programs highlighted by the Academic Senate do not use direct-assessment competency-based education, do not have an open entry and exit enrollment, do not offer a Career Development and College Preparation (CDCP) Competency Certificate, and are not non-credit programs (except for the San Diego cyber security program).

On September 30, 2019, the Chancellor's Office notified the Department of Finance and the Legislature that the "combination of the Calbright College programs' design elements involving competency-based learning, asynchronous self-paced learning, applied learning, and statewide online platform, establish that the programs are not duplicative of programs offered at other community colleges." The Chancellor's Office notes that while these individual elements may be implemented in existing programs, no existing program includes all of these elements.

The Chancellor's Office further states that statute did not define "not duplicative," and determined that it "not intended to be so broad as to preclude any overlap between Calbright College programs and other community college programs... statute does not require all content to be unique."

The Chancellor's Office further states that "while it may not be clear at this time where the line will be between a Calbright College program that is not duplicative and Calbright College program that is duplicative, this line will be clearer overtime as the Chancellor's Office considers additional Calbright College programs."

However, according to the Academic Senate of the California Community Colleges letter dated October 7, 2019, "California Code of Regulations Title 5 defines an 'education program' as 'an organized sequence of courses leading to a defined objective, a degree, a certificate, a diploma, a license, or transfer to an institution of higher education' In order for a program to be 'non-duplicative,' the program must consist of unique content, regardless of how the content is delivered. Any program that currently exists at any college, regardless of mode of delivery, would be a duplicative program."

The Legislature may wish to consider whether the Chancellor's Office and Calbright College's interpretation of duplication is consistent with the Legislature's intent. The differences in interpretation of duplication among stakeholders has led to confusion in the field, particularly among faculty and community colleges. In order to ensure compliance with statute and legislative intent of the college, the Legislature may wish to clarify the definition of duplication.

General Studies Associate Degree. According to the milestone report, Calbright College believes that the associate degree in general studies will not be duplicative of associate degrees at other community colleges. However, according to an August 5, 2019 letter, the Academic Senate for California Community Colleges stated that general studies degrees do not exist at other colleges because "Title 5 §55063 was amended in 2009 to clarify that a degree requires both a specific area of focus – an area of emphasis or a major- and general education; under Title 5, a degree cannot consist solely of general education... After 2009, colleges were required to delete general studies degrees as inappropriate to meet student needs." Furthermore, ACCJC accreditation standards require "all degree programs include focused study in at least one area of inquiry or in an established interdisciplinary core."

The Chancellor's Office has not received a request from Calbright College to offer a general studies associates degree. If the Chancellor's Office receives a request to approve an associate's degree from Calbright College, the Academic Affairs Division will evaluate against all requirements for degree offerings, as is required of all colleges.

The Legislature may wish to consider if offering a general studies associate degree is appropriate given Title 5 regulations and ACCJC accreditation standards. Furthermore, the Legislature may also wish to consider Calbright College's interpretation of duplication in the context of the associate's degree in general studies compared to the other programs the college offers. Specifically, the Legislature may wish to ask how Calbright determined that the associate degree in general studies is not duplicative.

ACCREDITATION

Accreditation is a voluntary, non-governmental peer review process used to determine academic quality. Accrediting agencies are private organizations that establish operating standards for educational or professional institutions and programs, determine the extent to which the standards are met, and publicly announce their findings.

Under federal law, the United States Department of Education (USDE) establishes the general standards for accreditation agencies and is required to publish a list of recognized accrediting agencies that are deemed reliable authorities on the quality of education provided by their accredited institutions. There are three basic types of accreditation:

- a) *Regional Accreditation.* There are six USDE-recognized regional accrediting agencies. Each regional accreditor encompasses public, the vast majority of non-profit private (independent), and some for-profit postsecondary educational institutions in the region it serves. California's regional accrediting agency is separated into two commissions: the Accrediting Commission for Community and Junior Colleges (ACCJC) and the Senior College and University Commission (WASC-Sr.).
- b) *National Accreditation.* National accreditation is not based on geography, but more focused to evaluate specific types of schools and programs. National accreditation is designed to allow nontraditional colleges (trade schools, religious schools, certain online schools) to be compared against similarly designed institutions. Different standards and categories are measured, depending on the type of institution.
- c) *Specialized/Programmatic Accreditation.* Offered by accrediting agencies that represent specific fields of study, these agencies do not accredit entire colleges but instead accredit the programs within colleges that prepare students for the specific field or industry. In most cases, specialized accreditation alone does not enable participation in state and federal financial aid programs.

The ACCJC is the regional accrediting agency for California community colleges. It accredits institutions in the western region of the country (California, Hawaii, and U.S. territories) which have as a primary mission the granting of associate degrees, but which may also award certificates and other credentials.

Colleges that offer predominantly distance or correspondence education may seek accreditation from the Distance Education Accreditation Commission (DEAC). DEAC is recognized by the

USDE as a national accrediting agency for distance education institutions. National accreditation is popular among online colleges as well as technical training, vocational and professional certification programs.

Students attending an unaccredited college may experience limitations including being ineligible to sit for some applicable licensure examination or for government financial aid programs. Additionally, a degree program that is unaccredited or a degree from an unaccredited institution is not recognized for some employment positions.

Existing law requires the college seek accreditation and meet requirements for student to become eligible for federal and state financial aid. Statute also requires the College to provide evidence of having achieved pre-accreditation by April 1, 2022 and full accreditation from an agency recognized by the USDE by April 1, 2025. Calbright College had considered seeking accreditation from both the ACCJC and DEAC. It appears that the college has moved forward with the DEAC and it is unclear whether it plans to pursue ACCJC accreditation in the future. The accreditation process takes 18-24 months for DEAC. While Calbright College is seeking accreditation, current law requires the College to inform potential and enrolled student regarding the implications of taking courses prior to accreditation and how the college will help students rectify this issue in the future.

MILESTONES

Several Milestones and Reporting Requirements for College. Existing law requires the online college to meet certain program, administrative, and accreditation milestones within the first seven years. For example, by July 1, 2019, the college must:

1. Develop a seven-year implementation plan, validate a business plan, and develop three program pathways.
2. Develop internal business processes and personnel policies, such as hiring, salaries, and evaluations, and establish outcome goals including job classifications.
3. Map the student experience.
4. Develop an accreditation plan.
5. Create a statewide outreach plan, which includes working with immigrant groups and community based organizations.
6. Define the duties for instruction support, program development and other student experiences.
7. Establish a process for recognition of prior learnings.
8. Enroll students by the last quarter of 2019.

According to responses from Calbright College, the college believes it is in progress to meeting these statutory milestones. The remaining milestone goals and Calbright's stated progress towards them are described the attachments titled, "*California Online Community College Act*" and "*Statutory Milestone Update.*"

Existing law, §75011 of the Education Code, requires the college to report by August 1, 2020, regarding start up milestones, including enrollment and program pathways. The college is also

required to report by August 1, 2021 regarding startup milestones, including student enrollment, the number of designed programs, and student outcomes. This report will be a comprehensive status report on the college's activities and outcomes, including information regarding student employment and earning gains after completion of programs as well as other student success metrics, and a qualitative description of the college's efforts and progress to reach and serve working adults.

In addition, by August 1, 2022 and each year thereafter, the college must also report on the progress on transition planning for the scaling phase and qualitative description of innovative teaching and student support practices and technologies developed by the college.

By January 1, 2026, an independent evaluator must assess Calbright College regarding progress on program production, relationships with industry partners and student success outcomes.

STUDENT AND EMPLOYMENT SERVICES FEES

Student Fees. Existing law authorizes Calbright College to establish an affordable fee structure that is equivalent to or less than fees charged by traditional community colleges. Students must also be eligible for fee waivers such as the College Promise Grant. The enrollment fees at the CCCs are the lowest in the country, at \$46 per unit, and have not changed since 2012-13. During the 2018-19 budget deliberations, the Chancellor's Office stated that Calbright College's new fee structure could be an experimental, subscription-based flat rate for a set time period (or academic term). Prior to establishing the fee structure, the college must notify the Legislature and the Department of Finance 60 days before the effective date of the structure.

According to the Milestone Report, it is the college's goal to offer free programs to students. However, information regarding this was not found on the college's website, and the "financial aid" tab for students was under construction. Calbright College notes that they are offering non-credit Career Development and College Preparation (CDCP) pathways, and since students are not earning credit, students are not charged credit fees. Additionally, Calbright College staff has indicated that they will pay for students' credential examination fees.

Employment Services Fees. Calbright College notes that once a student achieves their student learning outcomes, the student will be placed in a paid apprenticeship or internship. The milestone report states that the college intends to generate revenue through employment services fees. These fees include:

1. **Employer of Record Services Fees:** Calbright College will contract with employers to act as the employer of record, such as workers' compensation, during the student's paid apprenticeship. The target indirect costs will be between 15 percent and 30 percent of direct costs.
2. **Job Placement Fees:** Employers who employ a Calbright College graduate, and who do not participate in the apprenticeship phase, will pay a 15 percent placement fee on the first year base compensation for the position.

As noted earlier, Calbright College has not finalized their employer partnerships, and therefore it is unclear what the employment services fee will be or how much students will earn on their paid apprenticeships or internships. Calbright College notes that most of their students are working adults, which is why they are interested in the flexible course schedule that Calbright offers. The Legislature may wish to consider how students will be able to schedule their paid internships and apprenticeships when many students are working adults.

The Legislature may also wish to consider what the rationale is for authorizing Calbright College to offer an alternative fee structure if the college is currently offering free programs through the CDCP programs. The Legislature may wish to ask Calbright College if it plans to change its fee structure or program offerings, such as credit programs.

GOVERNANCE

Existing law specifies the Community College Board of Governors (BOG) serve as the Board of Trustees (BOT) of Calbright College. The 17-member BOG is appointed by the governor and formally interacts with state and federal officials and other state organizations. Existing law states that the BOG is expressly determined to not have a conflict of interest in the administration of Calbright College.

Unlike the BOG, each of the 72 community college districts has a locally-elected BOT, responsive to local community needs and charged with the operations of the local colleges, and typically serves four-year terms. Local BOT are elected either at large from the community college district boundaries or based on each trustee areas in the community college district.

Under this model, the BOG both oversees the entire statewide system and all 114 colleges, as well as manage the activities of Calbright College such as hiring of personnel and faculty, and curriculum development. Many Calbright College BOT meetings have been held on the same day as the BOG meetings, which have created time constraints in deliberating the college's activities. Additionally, the BOG have also met to discuss Calbright College's activities on the same day the Calbright College BOT have met. In recent BOG's meetings, several board members as well as the public have questioned whether the BOG were the appropriate entity to act as the BOT to oversee the activities of Calbright College. While existing law expressively states that the BOG does not have a conflict of interest in the administration of Calbright College, the Legislature may wish to consider whether it is appropriate to have BOG and BOT meetings on the same day, especially when both meetings will be discussing Calbright College's activities, or if this blurs the line of accountability and oversight.

As noted earlier, at the January 13, 2020 BOT meeting, Calbright College Chief Executive Officer (CEO) Heather Hiles resigned, effective March 31, 2020, and will be on leave until that time. On February 11, 2020, the BOT appointed Ajita Menon as interim President and CEO.

STAFFING AND HIRING

Existing law specifies that Calbright College's chief executive officer is authorized to hire sufficient number of qualified faculty that meet minimum qualifications established by the college. Existing law also states that the BOG must employ and assign all personnel consistent with the minimum standards and establish employment practices, salaries and benefits for all employees. Existing law requires the BOG to contract with a community college district BOT for the purpose of establishing a separate collective bargaining agreement for Calbright College employees pursuant to the Educational Employment Relations Act. This allows faculty and staff to negotiate salaries, health, benefits, working conditions, class size, among others.

Staffing and Hiring Update. Calbright College has an agreement with South Orange Community College District (SOCCD) to provide support and consultation services, additionally the milestone report identifies SOCCD as the partner to assist the college for the purposes of collective bargaining. At this time, the college has hired 31 administrators and two classified employees. The college has not hired full-time faculty nor have they established an academic senate or collective bargaining agreement.

Calbright College's BOT considered an item to hire faculty at their December 2019 and January 2020 board meetings, however, the items were not acted on. These items considered hiring two instructors, two learner coaches and one counselor. While each community college district may have different hiring processes and procedures, §87360 (b) of the Education Code states that "hiring criteria, policies, and procedures for new faculty members shall be developed and agreed upon jointly by representatives of the governing board, and the academic senate, and approved by the governing board."

According to the SOCCD administrative regulation (AR) 4011.1, two thirds of the recruitment committee must be full-time faculty. Additionally, depending on the local process, discipline faculty may be involved in writing the job description, determining additional desirable or preferred qualifications, and applicant screening criteria. AR 4011.1 states that departmental faculty have 10 business days to review and comment on the job announcement draft and prepare a list of qualifications for the positions. The departmental faculty may also recommend supplementary duties and responsibilities. AR 4011.1 also states that at least two discipline experts from the committee shall determine which applicants meet minimum qualifications as described in the job announcement and in accordance to the minimum qualifications as determined by the BOG.

It is unclear if faculty were involved in Calbright College's initial hiring committee, interviews, development of the job descriptions, or other hiring processes. In the legislative findings and declarations section of Calbright College's authorizing statute, it states that "California recognizes the dedication of every faculty member, classified staff member, manager and administrator of the Community College system toward support the success of California's community college students. As dedicated leaders, innovators and educators, faculty will be integral to the success of the California Online Community College." Providing the academic senate and faculty the opportunity to meaningfully participate in the hiring process may help ensure discipline expertise, quality of their faculty peers and success for students.

Calbright College staff recently indicated that they will create a hiring committee with the state academic senate to help develop faculty and counselor hiring processes and procedures. As noted earlier, approximately 20 students have completed the program essentials portion of their curriculum and are now enrolled in the program pathways. As more students complete their “essentials courses” and begin their program pathways, faculty will be needed to provide instruction and support for students, as well as program and discipline expertise.

OTHER ONLINE EDUCATION PROGRAMS

Leveraging Existing CCC Programs. Existing law requires Calbright College to utilize and leverage, where appropriate, existing community college programs and activities including Zero-Textbook-Cost Degree Grant Program, Open Educational Resources, the Strong Workforce Program, Online Education Initiative (OEI) and the Guided Pathways Program framework.

Calbright College states that they have utilized some OEI resources, such as adopting best practices for online learning and instructional design. However, they have not utilized or leveraged the other programs listed above. Since it is clear that the Legislature’s intent to build upon existing work and promote collaboration, the Legislature may wish to ask what the rationale is for not utilizing and leveraging existing programs and resources within the community college system. Furthermore, since many community colleges are currently offering online education or CDCP programs, the Legislature may also wish to ask how Calbright College has worked or consulted with other colleges in developing their curriculum, pathways, and student support services among others.

Online Education Initiative. The OEI was established in 2013, and includes several projects: (1) a common course management system (Canvas) for colleges, (2) resources to help community college faculty design high-quality courses, (3) online learner readiness modules, (4) tutoring and counseling platforms, (5) exam-proctoring solutions, and (6) the CCC Online Course Exchange. Currently, 57 community colleges participate in the OEI consortium.

The state initially funded the OEI with \$17 million Proposition 98 General Fund in 2013-14 and has provided a base amount of \$10 million Proposition 98 General Fund annually thereafter to increase CCC students’ access to and success in online courses. The 2016-17 budget included \$20 million one-time Proposition 98 General Fund to accelerate progress on the initiative. The 2017-18 budget increased the base amount by \$10 million Proposition 98 General Fund ongoing; bringing annual funding to \$20 million Proposition 98 General Fund ongoing to provide systemwide access to Canvas. The 2018-19 budget provided \$35 million Proposition 98 General Fund one-time for the Improving Online CTE Pathways Grant, which is described later in the agenda.

Online Course Exchange. The CCC Online Course Exchange has six participating colleges that allow a student to search for an open online class across the participating colleges and enroll instantly without submitting an additional application. By June 2020, 11 additional colleges plan to participate in the online course exchange. The goal is to have this level of connectivity systemwide by June 2023.

California Virtual Campus. OEI also houses the California Virtual Campus, which provides an online course finder for 70 community colleges, and holds information regarding 88 associate degree for transfer programs that contain an online pathway, 73 short-term fully online certificates of achievement, and course section data for 17,280 courses.

Canvas. Calbright College is also required to contribute online content and classes to the OEI's common course management system, Canvas. Canvas allows students taking online courses to (1) interact with faculty, (2) access course materials, content and assignments, (3) submit work, (4) post materials, and (5) access help resources. Canvas is being used at 114 community colleges and students can use it on their mobile devices. Prior to Canvas, students taking online courses and faculty teaching online courses at multiple colleges had to navigate different interfaces and websites across colleges. Students from across the state, regardless of which college they are enrolled, will utilize canvas, which will help provide students consistency in their education experience. Canvas provides efficiencies in cost, training and ease of access for students.

Calbright College is required to inform professional development opportunities to the rest of the system regarding innovative teaching and support methodologies and technology through the OEI and Institutional Effectiveness Partnership Initiative.

Calbright College internally decided that the use of Canvas was not an appropriate learning management system for its courses because Canvas was not built for competency based programs. This was not publically discussed prior to the finalization of this decision.

Improving Online CTE Pathways Grant Program. The 2018-19 budget provided \$35 million one-time Proposition 98 General Fund to provide competitive grants to community college districts that develop online programs and courses that support either of the following:

1. Lead to short-term, industry-valued certificates or credentials, or programs; or
2. Enable a student in a pathway developed by the California Online Community College to continue their education in a pathway offered by an existing college.

Grants may not exceed \$500,000 per college/district and grants may be awarded to individual colleges or districts or multiple colleges or districts working as partners.

One hundred colleges responded to a Request for Applications process, and 70 qualifying projects were funded. These grants will create 407 new or improved fully online pathways leading to higher-wage employment. Many of these new programs will be implemented in June. Additionally, 792 courses were created or improved in 27 CTE discipline areas. The OEI will provide a comprehensive report of the awards to the Legislature in March. Below are summaries of four grants that were funded:

1. **Mt. San Antonio College** was awarded \$250,000 in Improving Online CTE Pathways grant funds from CVC-OEI for a project called 'Promoting Success for Online Students and Faculty.' This project will: a) pilot tools for students to track progress on academic pathways, and b) build a coordinated support structure for students staying on their existing

academic pathways, especially online CTE pathways. Mt. SAC intends to build on existing support for online students by offering targeted support structures for specific groups whose success rates in online classes are disproportionately lower than the overall increase in online success rates.

2. **San Diego Continuing Education** was awarded \$500,000 for a project called ‘Project WIN (Workforce Innovation Now): Initiatives to Support Immediate Online Growth and Quality.’ This project will: 1) serve working adult learners with noncredit career training in Business, Digital Media, and Information Technology; 2) integrate the college’s Strong Workforce Pathways work around intake, assessment, orientation, and counseling in support of online education; 3) create at least one new online CTE program in Coding; and 4) create or revise, and professionalize at least five hybrid certificates with at least ten courses in Business and Accounting, Information Technology, and/or Digital Media with NetLab for IT virtual labs.
3. **Norco College** was awarded \$367,855 for a project called ‘Improving Online CTE Pathways Grant Program.’ This project will adapt Norco’s suite of Game Development programs so that students will have the option of completing them entirely online. Elements include: 1) effective online pedagogy and support strategies; 2) instructional materials including videos that reinforce online learning; and 3) virtual student support systems that will include supplemental instruction, tutoring and a remote game studio lab that will be accessible to students at regularly scheduled timeframes throughout each academic term.
4. **San Bernardino Valley College** was awarded \$482,180 for a project called ‘Creating and Expanding Quality Accessible Online Pathways for Students.’ This project will 1) establish a formalized peer online course review process for CTE courses; 2) explore potential partnerships, curriculum, technologies, and unconventional lab solutions to support CTE programs requiring hands on labs, such as Diesel, to become fully online; 3) increase the number of high-quality fully-online CTE pathways by capitalizing on those programs currently offered partially online; and, 4) develop new fully-online CTE programs to meet workforce and industry needs, targeting American Sign Language Interpreting, Art and Entrepreneurship, and Media Academy.

As noted above, 100 out of the 115 colleges applied for the Improving Online CTE Pathways Grant, which demonstrates the systems interest in offering or improving online education programs. During the 2018 budget deliberations, some members of the Legislature noted that community colleges and OEI are currently offering online education programs. Moreover, some members of the Legislature questioned whether Calbright College should be a separate entity or if the OEI or other community colleges could be provided the flexibility and authority to offer programs that the proposed online college would do. Various organizations and stakeholder groups continue to raise these questions.

Requires Chancellor’s Office to Make Recommendations for Providing Existing Colleges More Flexibility. AB 1809 required the Chancellor’s Office, by January 1, 2019, to recommend to the Board of Governors ways of making online and competency-based programs easier and more attractive for colleges to develop and operate. The Chancellor’s Office recommendations

must include ways to streamline the processes for (1) funding noncredit competency-based programs, and (2) offering online courses under a flexible calendar. The Chancellor's Office submitted the following recommendations to the Board of Governors at their January 18, 2020 meeting.

1. Convene a cross-sector workgroup to recommend a funding structure that would compensate colleges for direct assessment competency-based education offerings. This workgroup would be complemented by the Student Centered Funding Formula Oversight Committee, which is expected to recommend integrating non-credit programs within the new funding formula.
2. Design an alternative approval process for direct assessment competency-based education offerings, and specify policies and regulations to govern this process. This work should build from the foundational California Community College Curriculum Committee process and recommendations.
3. Further research the academic calendar policy constraints to understand the modifications required to enable direct assessment approaches to competency-based education.
4. Further research the options for modular scheduling and course scheduling independent of any term configuration.
5. Follow Calbright College's development of competency-based education to learn from their experiences and to identify policy and regulation barriers and possible modifications.

Staff notes that the Chancellor's Office report to the BOG was more than a year past the statutory deadline. Many of the recommendations from the Chancellor's Office notes that additional research is needed to address the questions raised by the Legislature in 2018. The Legislature may wish to ask the Chancellor's Office what the timeline is for the research and workgroup meetings, who will be involved in these deliberations, and a report back to the BOG as well as the Legislature on their activities. Furthermore, as colleges continue to expand their online programs and as Calbright College continues to develop, the Legislature may wish to continue to monitor and provide oversight over student outcomes, particularly addressing the achievement gaps and job attainment.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 5, 2020
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne

AGENDA

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

6100 DEPARTMENT OF EDUCATION**Issue 1: Overview of Proposition 98 and K-12 Education 2020-21 Budget Proposals (Information Only)****Panel I:**

- State Superintendent of Public Instruction Tony Thurmond

Panel II:

- Lisa Mierczynski, Department of Finance
- Ken Kappahn, Legislative Analyst's Office
- Julian Cuevas, California Department of Education

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 1.27 million of the K-12 students served in public schools are English learners. There are also 72 community college districts, 114 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

The proposed 2020-21 budget includes funding at the Proposition 98 minimum guarantee level of \$84 billion. The Governor's budget also proposes to provide total Proposition 98 funding for 2018-19 of \$78.5 billion, an increase of \$301.5 million over the 2019 final budget act level. For 2019-20, the Governor estimates an increase in the total Proposition 98 minimum guarantee of \$517 million for a total of \$81.6 billion. These adjustments are the result of increased property taxes in 2018-19 and increased General Fund revenues in both years. Additional Proposition 98 funds in 2020-21 are proposed to be used primarily 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. These proposals are more fully described later in this section.

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

revenues and therefore, the Proposition 98 minimum guarantee. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but was designed to phase out over seven years. Anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the income tax portion of Proposition 30 for another 12 years.

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

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

	Pre-Recession 2007-08	Low Point 2011-12	Revised 2018-19	Revised 2019-20	Proposed 2020-21
Sources					
General Fund	42,015	33,136	54,506	56,405	57,573
Property taxes	14,563	14,132	23,942	25,168	26,475
Total	56,577	47,268	78,448	81,573	84,048
Distribution					
K-12	50,344	41,901	69,165	71,482	74,172
CCC	6,112	5,285	9,195	9,477	9,807
Other	121	82	88	90	107
Reserve	0	0	0	524	-38

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 2020-21 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).	8
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is \leq growth in General Fund revenues plus 0.5 percent.	13
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5 percent and attendance.	If statewide personal income growth $>$ growth in General Fund revenues plus 0.5 percent.	10

The Governor’s proposal assumes that in 2018-19, 2019-20, and 2020-21 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 2020-21, the Governor’s Budget adjusts the Test 1 percentage for the continued impact of prior RDA changes. The 2020-21 Proposition 98 guarantee is likely to remain a Test 1 even with some changes in factors at the May Revision. Revenues are growing steadily but slowly, ADA is declining, and property tax growth is high, all contributing to a Test 1 for 2020-21 and for the out-years.

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

Maintenance Factor. When the state suspends the Proposition 98 minimum guarantee or when Test 3 is operative (that is, when the Proposition 98 minimum guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income (as determined by a specific formula also set forth in the state Constitution), the state is

required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student ADA and per capita personal income.

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

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

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2; however, in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession. It was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result, the state funded a maintenance factor payment on top of Test 1 and this interpretation can result in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth. This was the case in 2014-15, when the maintenance factor payment was more than \$5.6 billion. However, 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 2019-20 budget included additional Proposition 98 General Fund to fully pay off settle-up obligations from 2016-17 and prior years. The Governor's budget proposal for 2020-21 increases expenditures to meet the higher guarantee levels calculated for 2018-19 and 2019-20 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. A deposit to the PSSSA was first required in the 2019-20 budget when \$376 million was reserved. The 2020-21 Governor's budget proposal assumes that the 2019-20 deposit is now required to be \$524 million, however that in 2020-21, a withdrawal of \$38 million is made based on the assumption that the guarantee is growing more slowly than per capita personal income.

K-12 Education and Early Education Budget Proposals:

Budget Year – Overall Funding Levels. The proposed budget estimates a total Proposition 98 funding level of \$84 billion (K-14). This is a \$3 billion increase over the 2019-20 Proposition 98 level provided in the 2019 Budget Act (a \$2.5 billion increase over the revised 2019-20 Proposition 98 level, as discussed below). The Administration estimates that the Proposition 98 calculation for 2020-21 will be a Test 1 calculation.

Prior and Current Year Adjustments. The budget proposes to provide total Proposition 98 funding (K-14) for 2018-19 of \$78.4 billion, an increase of \$301.5 million over the 2019 final budget act level. For 2019-20, the Governor estimates an increase in the total Guarantee of \$517 million for a total of \$81.6 billion. These adjustments are the result of increased property taxes in 2018-19 and increased General Fund revenues in both years. The Administration estimates that the Proposition 98 calculations for 2018-19 and 2019-20 are Test 1.

Proposition 98 Changes. The proposed budget includes a Proposition 98 funding level of \$74.3 billion for K-12 programs. This includes a year-to-year increase of \$2.7 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2019-20. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$12,104 provided in 2019-20 (revised) to \$12,600 in 2020-21, an increase of 4.1 percent.

Public School System Stabilization Account (PSSSA). The state's Proposition 98 Rainy Day Fund was established with the passage of Proposition 2 in 2014. The state deposited funds into the PSSSA for the first time in 2019-20, and in the 2020-21 proposed budget this 2019-20 deposit is increased by \$147.7 million for a total of \$524.4 million. Under the requirements of Proposition 2, in 2020-21, a withdrawal of \$37.6 million is projected to be made for a total ending balance of \$486.6 million.

K-12 Education – Major Spending Proposals

K-12 Local Control Funding Formula. The bulk of funding for school districts and county offices of education for general operations is provided through the Local Control Funding Formula (LCFF) and is distributed based on the numbers of students served and certain student characteristics. The state fully funded the LCFF in 2018-19 and has annually adjusted the grant amounts by a cost-of-living adjustment (COLA). The proposed budget provides a COLA of 2.29 percent, approximately \$1.2 billion, for the 2020-21 fiscal year, bringing total LCFF funding to \$64.2 billion.

K-12 Special Education. 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 Special Education Local Plan Areas (SELPA) receive at least the statewide target rate under the existing AB 602 funding formula. The remaining \$492.7 million created the Special Education Early Intervention Preschool grant, to be provided to local educational agencies (LEAs) based on the number of three through five-year olds with exceptional needs. The budget also includes language to specify that the increase in the statewide funding rate is contingent upon the passage of legislation in the 2020-21 budget to reform the special education system to improve outcomes for students. The proposed budget includes the following changes to special education:

- A new special education base formula based on an three year rolling average of average daily attendance (ADA) and a fifteen percent increase to the base formula funding (funded with the \$645 million increase provided in 2019-20).
- An additional \$250 million in ongoing Proposition 98 General Fund based on the number of 3 to 5 year old children with exceptional needs served by the school district.
- \$500,000 one-time Proposition 98 General Fund for a study of current SELPA governance and accountability and \$600,000 one-time Proposition 98 General Fund for two workgroups to study improved accountability for special education service delivery and student outcomes.

The Administration notes that the funding changes included in the 2020-21 proposal would be the first phase of a multi- year reform of special education with future years to focus on incorporating feedback from the study and workgroups, reforms related to whole-child and family wrap-around services, specialized services such as out-of-home and non-public school placements and state special schools, and aligning with recommendations from the forthcoming Master Plan for Early Learning and Care.

Teacher Training, Recruitment, and Retention. The proposed budget includes a total of \$900 million in one-time Proposition 98 General Fund to be allocated as follows:

- \$350 million to increase funding for the Educator Workforce Investment Grant, which supports professional learning opportunities for teachers and paraprofessionals across the state. This new funding will be provided through a competitive process focused on professional learning related to special education, mental health, interventions, English language learners, social-emotional learning and restorative practices, non-discrimination and anti-bullying, computer science, science, technology, engineering, and math.

- \$18 million for the California Collaborative for Educational Excellence to increase awareness of supports and services in the areas of focus identified in the Educator Workforce Investment Grant increase.
- \$193 million for the Workforce Development Grant Program to address workforce shortages in high-need subjects and areas.
- \$175 million to expand the Teacher Residency Program for sponsored, one-year intensive, mentored, clinical teacher preparation programs, for high-need subject areas in high-need communities.
- \$100 million for the California Teacher Credential Award Program for stipends for fully-credentialed teachers who complete four years of teaching in high-need subject areas in high-need schools.
- \$64.1 million for the California Classified School Employees Credentialing Program to provide grants to local education agencies to recruit non-certificated school employees to become certificated classroom teachers.
- Finally, the proposed budget suspends accreditation fees for institutes of high education and local educational agencies that administer a teacher preparation or induction program.

K-12 School Facilities. In November 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell \$9 billion in general obligation bonds for K-14 facilities (\$7 billion for K-12 and \$2 billion for community colleges). The proposed budget includes approximately \$1.5 billion in K-12 bond authority in 2020-21, similar to the amount included in 2019-20, for new construction, modernization, career technical education, and charter facility projects.

Community Schools. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish community school grants for local educational agencies supporting innovative community school models, including those focused on mental health and related services, collaborative teaching and leadership, family and community engagement, and extended learning time.

Opportunity Grants. The proposed budget includes \$300 million in one-time Proposition 98 General Fund to establish opportunity grants for the state's lowest performing schools and school districts and to expand the capacity of the California Collaborative for Educational Excellence to support and assist grantees, and the system as a whole.

Child Nutrition. The proposed budget includes \$60 million in ongoing Proposition 98 General Fund to increase funding for school nutrition and \$10 million in one-time Proposition 98 General Fund to provide training for school food service workers. This is related to a \$10 million proposal for the Department of Food and Agriculture to establish a Farm to School Grant Program.

Computer Science. The proposed budget includes a total of \$18.8 million in one-time Proposition 98 General Fund to support computer science (\$15 million for grants to local educational agencies for teacher training, \$2.5 million for a county office of education to compile and share resources statewide, and \$1.3 million for a computer science University of California subject matter project).

K-12 Enrollment. The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$268.5 million Proposition 98 General Fund in 2019-20, as a result of a decrease in the projected ADA, as compared to the 2019 Budget Act. For 2020-21, the Governor's proposed budget reflects a decrease of \$175.1 million Proposition 98 General Fund to reflect a projected further decline in ADA for the budget year.

Cost-of-Living Adjustments. The proposed budget also provides \$122.4 million Proposition 98 General Fund to support a 2.29 percent COLA for categorical programs that are not included in LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes COLAs for school districts and county offices of education.

Local Property Tax Adjustments. The proposed budget includes an increase of \$7.3 million in Proposition 98 General Fund in 2019-20 and a decrease of \$1.1 billion in Proposition 98 General Fund in 2020-21 for school districts and county offices of education related changes to offsetting local property taxes.

California Newcomer Education and Well-Being Project (CalNEW). The proposed budget includes \$15 million in one-time Proposition 98 General Fund for CalNEW. This program was established in 2017-18 and funded with General Fund. This new funding is available over three years and would assist school districts in supporting students who are refugees or unaccompanied, undocumented minors in their well-being, English language proficiency, and academic performance.

Fresno Integrated K-12 Education Collaborative. The budget also proposes an increase of \$17 million in one-time General Fund to support a plan to design education pathways through K-16 education and into the workforce in the greater Fresno region.

LCFF Fiscal Accountability. The proposed budget includes \$600,000 in one-time Proposition 98 General Fund to support the creation of an online Local Control and Accountability Plan (LCAP) portal and co-locate this new tool with the existing School Accountability Report Card (SARC) for increased public transparency. The Administration also commits to engage in a process to identify areas for strengthening accountability for the provision of services for high need students.

LAO Analysis and Recommendations

The Legislative Analyst's Office (LAO) recently reviewed the Governor's Proposition 98 minimum guarantee calculation for the 2018-19 through 2020-21 period in their recent publication, *The 2020-21 Budget: Proposition 98 Analysis*. The LAO notes that the Administration's revenues over the three year period are very similar to those provided by the LAO in their November forecast. The LAO does note that there is some economic risk in the forecast period, including slow housing markets, job growth, and trade activity.

The LAO also notes that the Proposition 98 Guarantee is sensitive to changes in General Fund revenues, by about 40 cents higher or lower to each dollar of General Fund increase or decrease. The impact of revenue changes would also show up in the amount of funds required for deposit or withdrawal into the Proposition 98 reserve account or the PSSSA. Even if there is an increase in General Fund revenue and in the Guarantee, the LAO notes that this could increase the PSSSA deposit in 2019-20 and reduce the withdrawal in 2020-21, leaving little increase available for new spending.

Finally, the LAO notes that the Administration does assume higher property tax amounts over the forecast period as compared to the LAO's November forecast, primarily due to higher Educational Revenue Augmentation Funds (ERAF) and other smaller differences. Overall, the Administration's property tax estimates are \$671 million above the LAO's estimates over the three-year period. To the extent that local property tax revenue differs from the Administration's January estimates, the minimum guarantee would change on a dollar-for-dollar basis and could impact the size of reserve deposits or withdrawals.

Staff Comments:

Calculation of the Guarantee Level. The minimum guarantee level is calculated based on the best available factors at the time. However, between the January budget proposal and the May Revision of the budget, the minimum guarantee calculation can change significantly, usually due to changes in state revenues. The Legislature will want to consider potential changes in preparing a Proposition 98 expenditure package.

One-Time or Ongoing Funding. In the past six years, enacted budgets have included substantial one-time expenditures within Proposition 98, from \$413 million to \$1.2 billion. While these funds have been dedicated to various one-time education priorities, they have also provided a cushion against having to make difficult cuts should the minimum guarantee decrease in future years. The Governor's proposed 2020-21 budget includes significant one-time Proposition 98 expenditures using ongoing funding, approximately \$1.2 billion. While this continues to provide a healthy recession cushion, school districts continue to experience increasing cost pressures (discussed in more detail below). The Legislature may wish to consider out year projections for the minimum guarantee and how they prefer to balance ongoing needs with prudent budgeting.

K-12 Education Cost Pressures. Despite large increases in Proposition 98 funding over the past few years and changes in the distribution of new revenues through the passage of LCFF, school district finances and fiscal health can vary due to unique local needs, student population, regional cost differences, and the ability to raise additional local funding. School districts generally cite insufficient "base" LCFF funding, declining enrollment, costs of providing special education and annual increases to the employer share of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) as creating the largest cost pressures for their budgets. The 2020-21 Governor's budget proposal reflects a relatively modest COLA, significantly less than the COLA rate in the past few years, however the proposal does include additional investments in special education, an important cost driver for school districts. Many of the other proposals in the Governor's budget target funds for one-time expenditure on programs that reflect the Governor's priorities for improving educational outcomes. These issues will be discussed in more detail in future subcommittee hearings.

Subcommittee Questions:

- 1) Can LAO and DOF comment on the potential economic risks they are continuing to monitor and any updates related to potential economic disruption due to the impacts of the Coronavirus that may have emerged after their respective economic analyses?

- 2) Can the LAO and DOF comments on the use of one-time funding in this budget proposal?

Staff Recommendation:

Hold Open.

6100 DEPARTMENT OF EDUCATION**Issue 2: Special Education Funding Proposals****Panel:**

- Michelle Valdivia, Department of Finance
- Liz Mai, Department of Finance
- Amy Li, Legislative Analyst's Office
- Julian Cuevas, California Department 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.

2019-20 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. These funds were unrestricted. Therefore school districts could use these for any 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 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.

Special Education Oversight. State oversight of special education is primarily through LEA developed LCAPs and the state's California Schools Dashboard. In the development of the template for the LCAP, the State Board of Education (SBE) specifically included a reference to students with disabilities, as follows: "For school districts, the LCAP must describe, for the school district and each school within the district, goals and specific actions to achieve those goals for all students and each student group identified by the LCFF (ethnic, socioeconomically disadvantaged, English learners, foster youth, pupils with disabilities, and homeless youth), for each of the state priorities and any locally identified priorities." As such, the SBE, and through authorizing statute, the Legislature, intended for the goals, actions, and services within the LCAP to be aligned with priorities for all students, including students with disabilities. In practice, the extent to which actions, services and expenditures for students with disabilities are included in the LCAP varies by each LEA.

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

In addition, the state has moved to a rubric for identifying the performance of each LEA on each state indicator by pupil subgroup. The California School Dashboard displays this information online. LEAs failing to meet specified benchmarks or progress towards benchmarks are identified for technical assistance. The first cohort of LEAs was identified for technical assistance under the new Dashboard system in December of 2017. Out of a total of 228 districts identified, 163 were identified based on the performance for their students with disabilities student group in one or more priority areas. In 2018, this grew to 243 out of 374 LEAs identified based on the performance for their students with disabilities student group. And the most recent cohort of LEAs identified in December of 2019, 187 of 333 LEAs were identified based on the performance for their students with disabilities student group. Performance of student with disabilities on standardized tests (including the California Alternate Assessment specifically designed for students with significant cognitive disabilities) has improved over the past several years, but a majority of students with disabilities still fails to meet state and federal achievement expectations. The most recent graduation rate data (2017-18 school year data) shows that approximately 71.4 percent of students with disabilities graduate on time with a high school diploma, compared with 83.5 percent for all students.

Recent Statewide Efforts to Improve Special Education Outcomes. 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 county offices of education (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 Superintendent of Public Instruction (SPI) to assist struggling COEs.

Statute also established a formula for providing funding for COEs to support school districts. Under this formula, COEs would receive base funding plus additional funding determined by the number of school districts identified as in need of differentiated assistance on the dashboard, and a total of \$53.8 million in ongoing funding was provided to COEs for this purpose in 2018-19 and increased by an additional \$20.2 million in 2019-20. These funds support COEs in working school districts identified in 2018-19 and 2019-20 for targeted technical assistance in areas of performance deficiencies, which for many LEAs is the students with disabilities student subgroup.

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. Seven geographic leads agencies (COEs and collaborations of COEs) were established to build the capacity of other COEs in the region, coordinating and collaborating on 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 California Collaborative for Educational Excellence (CCEE) or the SPI. As of March 2019, 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 between six and 10 SELPAs to serve as special education resource leads to work with COEs to improve outcomes for students with disabilities. El Dorado County SELPA, West San Gabriel Valley SELPA, and Riverside County SELPA were selected to serve as California's SELPA System Improvement Leads.

The work of the SELPA System Improvement Leads will focus on building the capacity of SELPAs in the areas of data use and governance, continuous improvement, and implementation of high-leverage practices. Over the next five years, the SELPA System Improvement Leads will aim to empower

SELPA and LEAs to improve outcomes for students with disabilities by creating and aligning resources and supports under One System for all students. This will be done through the facilitation of technical assistance, professional learning, and coaching aimed at allowing SELPAs to implement data best practices across LEAs, with a focus on data governance and continuous improvement.

An additional four SELPAs were selected to be statewide hubs on particular issues as follows: 1) Imperial County SELPA – English Language Learners; 2) South County (San Diego) SELPA – Equity and Disproportionality; 3) Marin County SELPA – Autism; and, 4) Placer County SELPA – Open Access Project. The work of the SELPA lead agencies is underway, however statewide impact will likely take some time.

Special Education Teaching Workforce. The state faces two major challenges when it comes to the special education teaching force. The first is an ongoing shortage of special education teachers and specialists and the second is ensuring that teachers, both special education, and general education teachers, are prepared to support all children.

Special education teachers receive their credentials specifically to work with students with disabilities – providing instruction and coordination of services. Special education teachers generally receive a credential specific to the disability types of the students they serve. In addition to teachers, specialists provide a range of direct services to students with disabilities. Services can include providing a student who has a speech impediment with speech therapy and providing sign language interpretation for a student who is deaf. According to the LAO³, school districts have long reported teacher shortages in California (and in most other states), particularly in special education. School districts generally use the same tools to cover special education shortages as they do for teachers in other areas: hiring teachers with short-term permits and waivers, recruitment from outside the district, sharing specialists across schools, and other measures. California has made investments in addressing the teacher shortage, funding programs to: recruit new teachers to the state and candidates into the profession; to provide teacher residencies; to help classified employees obtain their teaching credentials; to increase space in education specialist programs at the California State Universities; and other targeted programs. However, many of these efforts will take a few years before teachers under these programs enter classrooms.

The LAO also notes in their analysis of the special education teacher shortage that special education teachers typically have additional responsibilities, beyond those of general education teachers, such as developing detailed and time-consuming individual education plans for each of their students. They also typically oversee and coordinate teams of specialists who work with students. In addition, the LAO notes that in interviewing school administrators, special education teachers also tend to spend much more of their time involved in litigation and legal challenges brought by dissatisfied parents.

The Commission on Teacher Credentialing (CTC) recently reformed the way the state credentials special education teachers, reducing the number of specialist credential categories. In addition, the CTC reformed the credentialing system for all teachers in the fall of 2017, requiring a “common trunk” approach to teacher preparation that prepares teachers to meet the universal teaching performance expectations (TPE) that are expected of all candidates seeking general education or special education credentials. Commission standards require that candidates learn how to work with all students, including those with disabilities in the general education classroom. This approach includes clinical practice in schools, particularly those serving students with disabilities in the Least Restrictive

³ Legislative Analyst’s Office, The 2018-19 Budget: Proposition 98 Education Analysis, February 7, 2018.

Environment (LRE), and demonstration of the ability to adapt learning for students with disabilities. In their August 2018 commission meeting, the CTC adopted the new Education Specialist Teaching Credential Program Standards and Teaching Performance Expectations to help teacher preparation programs transition to credential changes and new assessments. While these updates are a clear step in the right direction to ensuring teachers feel prepared to teach all students, these changes were recent and do not impact the existing teaching stock, most of which haven't had the benefit of preparation under these new standards.

Governor's Proposal:

2020-21 Proposal:

The proposed budget includes the following changes to special education:

- A new special education base formula based on an three year rolling average of average daily attendance (ADA) and a fifteen percent increase to the base formula funding (funded with the \$645 million increase in 2019-20).
- An additional \$250 million in ongoing Proposition 98 General Fund based on the number of 3 to 5 year old children with exceptional needs served by the school district (Funding would go out on a one-time basis in 2020-21).
- \$500,000 one-time Proposition 98 General Fund for a study of current SELPA governance and accountability and \$600,000 one-time Proposition 98 General Fund for two workgroups to study improved accountability for special education service delivery and student outcomes (\$250,000 for alternative pathways to diploma, and \$350,000 for standardizing the IEP template).

The Governor's budget summary specified the following considerations for future phases:

- 1) Finalizing the new special education funding formula to support equity, and more inclusive practices and early intervention services;
- 2) Incorporating changes in statute based on recommendations from the governance and accountability workgroups established in the Budget;
- 3) Pursuing reforms related to family and student engagement, including whole-child and family wrap around services and refining funding, accountability, and service delivery for specialized services such as out-of-home placements, non-public school placements and the State Special Schools; and,
- 4) Incorporating recommendations from the Master Plan for Early Learning and Care into the K-12 infrastructure of early intervention services for young children with exceptional needs.

The Governor's budget includes the following other special education-related proposals:

- Expand the use of the Educationally-Related Mental Health services funding to mental health services for students at large. Currently funds are restricted to education-related mental health.

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- Place a four-year moratorium on the creation of new single-district SELPAs.
 - Trailer bill language to freeze other components of the AB 602 formula at current rates.

LAO Analysis and Recommendations:

In their recent publication, *The 2020-21 Budget: Proposition 98 Analysis*, the LAO reviewed the Administration's Special Education proposals and notes the following:

- The proposals generally reduce variation in the SELPA base rates, reducing inequities in special education funding and are aligned to recommendations made by the LAO in past years.
- The proposed changes to the three-year average ADA for determining funding would help smooth the associated drops in special education base funding for the majority of districts. For the districts that are growing, this would slow increases in funding.
- The Administration acknowledges challenges in special education, such as teachers not being fully prepared for inclusive classrooms and an increasing need for mental health and social-emotional support for students. However, the Administration does not explain how the funding model would address these challenges specifically.
- The LAO notes that there is a privately funded study underway that may inform some of the future proposals from the Administration. This study was initiated, funded, and developed outside of the legislative process and leaves little room to ensure the Legislature's concerns are incorporated in the study or future proposals.
- The base funding formula proposed does not provide funding for costs of serving preschool-aged children.
- The proposed one-time preschool funds are intended to increase or improve services for children, however the LAO notes that most districts note a need for ongoing funding, mostly to hire staff, to provide these services. Districts are also discouraged from using this funding to provide additional IEP-related services, as this would raise their local MOE.

The LAO also makes the following specific recommendations:

- Adopt the proposal to use the \$645 million augmentation provided last year to develop new AB 602 base rates and the proposed three-year average of attendance to calculate base funding.
- Repurpose the \$250 million preschool-aged children proposal to instead provide an ongoing base augmentation to fund the addition of preschool-aged children into the base formula.
- Consider Legislative priorities when funding additional research or stakeholder input, specifically the LAO recommends the Legislature consider a study or workgroup on:
 - simplifying or updating the state's special education categorical programs; and
 - exploring options for funding high-cost students while also avoiding incentives to over-identify or serve students in more restrictive environments.
- Consider addressing other Legislative priorities outside of the funding formula. To further promote inclusion, the Legislature could expand existing initiatives that provide districts

technical assistance to implement inclusive practices. Alternatively, the Legislature could consider funding a workgroup to identify the key barriers to implementing inclusive practices and provide recommendations for how to address these challenges. These actions can be taken now without having to wait for the Administration to suggest future changes to the special education funding formula.

Staff Comments:

Staff notes that the special education proposal in the 2020-21 Governor's budget makes for a promising start to a conversation in this budget cycle on special education reform and reflects a commitment to addressing this issue that was put in place in the 2019-20 budget. The Legislature and the Governor have similar goals in providing additional funds for LEAs providing special education services to support better outcomes for students with disabilities. When considering the proposal, there are a variety of areas in which the Legislature may wish to consider options and priorities, as noted below.

New Special Education Base Formula. The Governor proposes that 2020-21 is the first year of a multi-year effort to reform special education funding within the state. The largest piece of this reform in the Governor's proposal is an increase to the special education base funding rate. Under the proposal AB 602 funding is estimated to be 15 percent higher than was received in 2019-20, however this increase refers to total funding and the funding increase will vary across school districts.

The Governor's proposal also includes a hold harmless on the base rate for AB 602; no school district would receive less than they received in 2019-20 for the AB 602 base rate funding. It is possible that some districts would receive less than the total special education funding (base rate plus early intervention grant funding) they received in 2019-20. This may be a concern for school districts already receiving relatively higher rates, as they adjust their budgets relative to 2019-20 investments, however their ongoing ADA funding rate would likely be increased under this formula.

The Governor's proposed change in the way ADA is calculated for the AB 602 formula will help school districts facing declining enrollment. The AB 602 formula is census-based, meaning that funds go out based on the total ADA of the school districts within a SELPA. The new approach creates a stronger soft landing for declining enrollment school districts by taking a rolling 3-year average of ADA of each school district and then rolling it up to the SELPA level, so the declining enrollment protection applies at the school district level.

The Legislature may wish to consider the overall funding level that may be needed for special education services and given the historical federal share, what share the state can provide and what share local school districts can be expected to contribute. The Legislature may also wish to consider what adjustments to a future formula will be needed in order to address differing needs and challenges across the state. Additional conversations are needed to shape the parameters of any studies funded in the budget and to further define what future phases of special education reform could look like. In taking a step towards a new funding formula, establishing shared expectations between the Legislature, Governor, and education community for future changes would help to make progress on this important issue.

Special Education Services for Preschool-Aged Children. School districts lack a dedicated funding stream for serving 3 to 5 year old children with disabilities who are not yet in transitional kindergarten or kindergarten. School districts are required to implement a child find program to ensure that they

identify eligible children. School districts must then provide services for this population within their special education funding stream and potentially using other general purpose funding. Early identification and intervention provide benefits for school districts in potentially reduced special education services required in future years and improved outcomes for students.

The 2019-20 budget included some additional funding based on this population and the Governor's recent budget proposal for 2020-21 also includes some funding based on this population but the restrictions on expenditures are different. The new funding for 3 to 5 year old children with exceptional needs served by the school district is similar to the early intervention preschool grant of 2019-20 in that it is allocated on the same basis and is noted to be one-time. However, trailer bill language specifies that funds must be used for increased or improved services for children with exceptional needs. School districts must spend these funds in addition to what they already spend on special education and cannot displace general operations funding used on special education. School districts may not view this as the same fiscal relief they benefited from in the similar 2019-20 grant. The \$250 million allocated for this purpose would remain special education funding in future years at the state level under the special education maintenance of effort but may be allocated differently.

Ongoing funding for the services provided to the 3 to 5 year old population has yet to be determined. The Legislature may wish to consider whether the new proposal is the best next step to move towards supporting services for 3 to 5 years olds and whether the state can further incentivize best practices for serving our youngest children with special needs.

Special Education Workforce. Staff also notes that while ongoing funding is needed to support LEAs in providing special education, there are also a variety of uses for one-time funds that would help to strengthen the system. A teacher shortage is particularly acute in the area of special education across the state. Despite efforts over the past few years to recruit new teachers and retain current teachers, additional supports for the special education teacher workforce are still needed. In addition, students receiving special education services may be integrated into a mainstream classroom, often providing benefits for both the student and the classroom peer group. Current general education teachers may not have received significant amounts of training on special education services. Professional development for general education teachers, special education teachers, and para-educators focusing on best practices for serving special education students in inclusive environments when appropriate is also needed to support the integration of all students.

Child Care and Early Education Connections. The Legislature may also wish to consider whether the state is providing adequate resources for supporting young children with disabilities and their families. The system of subsidized child care and state preschool currently provides over 500,000 slots across child care, state preschool, and transitional kindergarten programs. However, this is only a fraction of the more than two million children who are potentially income-eligible for subsidized care (half of whom are younger than school age). In addition, only a small fraction of children served in non-public school settings, such as state preschool or child care are children with disabilities. Families and children may benefit extensively from not only receiving appropriate special education supports and services, but also from participating in a mainstream setting with their peers, as appropriate, and research shows these benefits have particular value when they are provided earlier in childhood. The Legislature may wish to keep the needs of this population in mind when evaluating special education proposals, but also in considering policies in the early education area.

Subcommittee Questions:

- 1) DOF/LAO: How have school districts used the funding that was provided on the basis of 3 and 5 year olds in the district?
- 2) DOF: What are the priorities for the Administration in special education reform and is there more information on how these phases would roll out?
- 3) DOF: Please comment on the proposed studies/workgroups and why these areas of need are a priority for additional research.

Staff Recommendation:

Hold Open.

6100 DEPARTMENT OF EDUCATION**Issue 3: Perspectives on Special Education Challenges****Panel:**

- Karla Estrada, Director of Systems Improvement and Innovation at the California Collaborative for Educational Excellence
- Kristin Wright, Director of the Special Education Division at the California Department of Education

Background:

California Collaborative for Educational Excellence (CCEE): The CCEE is an agency created to support California's System of Support, a component of the state's new school accountability system, whose guiding principles include local control and continuous improvement. The CCEE also offers specialized services to county offices of education and LEAs including:

- Direct Technical Assistance
- Professional Learning Networks
- The CCEE Resource Collection

The CCEE provides support to school districts in fiscal distress, builds capacity at and supports county offices of education, and may provide direct technical assistance to other school districts as needed. Many of the school districts identified for technical assistance and intervention, through the state's accountability system, are identified due to the performance of their students with disabilities.

In partnership with the CDE, the CCEE facilitates the work of the Special Education Resource (SELPA) Lead Agencies which work collaboratively within the System of Support to improve outcomes for students with disabilities. There are two types of SELPA Lead Agencies which are housed within designated COEs across in the state:

- SELPA System Improvement Leads which build capacity of SELPAs statewide through training and supporting the use of data best practices, as well as evidence-based practices in root cause analyses, systems alignment, and coherence.
- SELPA Content Leads that offer further support to SELPAs so they can help Local Educational Agencies (LEAs) develop and implement evidence-based practices for students with disabilities.

California Department of Education: The CDE provides state leadership and policy direction for school district programs and services for students who have disabilities. The CDE certifies more than a thousand nonpublic schools and agencies that provide special education services to students with disabilities. CDE also provides families with information on the education of children with disabilities. The CDE works cooperatively with other state agencies to provide everything from family-centered services for infants and preschool children to planned steps for transition from high school to employment and quality adult life. These efforts are supported by evaluation of student outcomes and analysis of current research. The CDE responds to consumer complaints and administers the federal

Individuals with Disabilities Education Act for students with disabilities in California. In addition, the CDE works with colleges and universities to deliver staff development and training that ensures that teachers and other service providers are qualified to work with children with disabilities.

Staff Recommendation:

Information Only.

6100 DEPARTMENT OF EDUCATION**Issue 4: California Dyslexia Initiative Proposal****Panel:**

- Michelle Valdivia, Department of Finance
- Amy Li , Legislative Analyst’s Office
- Julian Cuevas, California Department of Education

Background:

Dyslexia is considered a type of “specific learning disability,” which is defined in California’s regulations pertaining to students who qualify for special education services. The International Dyslexia Association defines dyslexia as:

“a specific learning disability that is neurobiological in origin. It is characterized by difficulties with accurate and/or fluent word recognition and by poor spelling and decoding abilities. These difficulties typically result from a deficit in the phonological component of language that is often unexpected in relation to other cognitive abilities and the provision of effective classroom instruction. Secondary consequences may include problems in reading comprehension and reduced reading experience that can impede growth of vocabulary and background knowledge.”

Dyslexia is tracked specifically at the state level, but is considered a specific learning disability. In 2018-19, 300,295 K-12 students were identified with a specific learning disability.

California Education Code Section 56335(a) defines educational services for students with dyslexia as follows: “ ‘educational services’ means an evidence-based, multisensory, direct, explicit, structured, and sequential approach to instructing pupils who have dyslexia.” In the context of educating students with dyslexia, each of these terms has a specific meaning, and together constitute approaches called “Structured Literacy.”

Assembly Bill 1369 (Frazier), Chapter 647, Statutes of 2015, required the Superintendent of Public Instruction to develop and to complete in time for use no later than the beginning of the 2017-18 academic year, program guidelines for dyslexia. The guidelines are to be used to assist regular education teachers, special education teachers, and parents to identify and assess pupils with dyslexia, and to plan, provide, evaluate, and improve educational services to pupils with dyslexia.

The California Department of Education (CDE) consulted with teachers, school administrators, other educational professionals, medical professionals, parents, and other professionals involved in the identification and education of pupils with dyslexia in developing the guidelines. LEAs are not mandated to use the guidelines, but they provide an additional resource as LEAs serve students struggling with dyslexia.

The California Dyslexia Guidelines were first released in August of 2017 and the most recently updated version is currently available on the CDE website. According to the CDE: “*Since the*

publication of the guidelines, many local educational agencies (LEAs) around the state have responded by evaluating and improving support for students with dyslexia and other struggling readers. Their efforts have included developing or revising comprehensive literacy plans, providing professional development on reading instruction and intervention, and implementing evidence-based programs and practices.”

Governor’s Proposal:

The Governor’s Budget proposes to provide \$4 million in one-time Proposition 98 funding for a California Dyslexia Initiative to:

- 1) Build capacity in the state system of support for local education agencies to provide local school early intervention services and supports for students with specific learning disabilities.
- 2) Identify effective models for diagnosis and treatment of specific learning disabilities.
- 3) Develop effective professional development for educators.
- (4) Develop effective partnerships between LEAs through the state system of support structure to disseminate resources identified and developed through the Initiative work.
- 5) Conduct a statewide conference to disseminate the resources identified and developed through the Initiative work.

Under the Governor’s plan, the CDE and the California Collaborative for Educational Excellence (CCEE) will designate a county office of education (COE) to lead the Initiative. The COE will contract with a California postsecondary education institution and work together to develop professional development, provide technical assistance to LEAs, develop a network of educators to provide training and technical assistance to LEAs, provide stipends to school personnel to attend the conference, and develop evaluation tools for strategies identified. The COE, postsecondary institution, and the CCEE shall collaborate to provide a statewide conference related to this Initiative.

The trailer bill language associated with this request specifies that the work would build upon the current California Dyslexia Guidelines and focus on disseminating information and best practices through the statewide system of support

Subcommittee Questions:

- 1) How are resources for dyslexia, including the California Dyslexia Guidelines currently disseminated?
- 2) With one-time funding, does the Administration anticipate the technical assistance networks and supports developed under this proposal will ultimately be sustainable within existing resources and local structures?

Staff Recommendation: Hold Open.

SUBCOMMITTEE NO. 1

Agenda

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



Thursday, March 12, 2020
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion

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Public Comment

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

6440 UNIVERSITY OF CALIFORNIA

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

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

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

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

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

Issue 1: Capital Outlay and Deferred Maintenance

Panel

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

Background

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

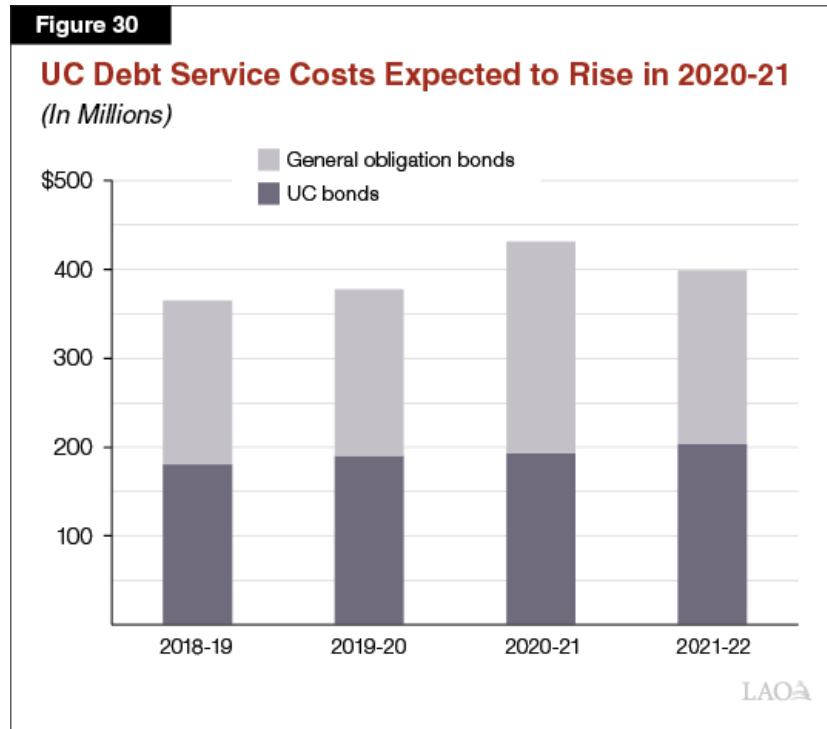
AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, revised this method by authorizing UC and CSU, respectively, to pledge its state support appropriations to issue bonds for state-eligible projects, and as a result, the state no longer issues bonds for university capital outlay projects. The 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 or 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.

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

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

Under the arrangement, the state transferred funds used to pay the associated debt service (\$200 million) into UC's main budget appropriation. Moving forward, UC is expected to use the funds to pay general obligation bond debt service on behalf of the state. As UC retires this debt over time, funds will be freed up to finance additional UC projects. The Legislative Analyst's Office (LAO) display below shows that General obligation bond debt service is projected to increase by \$50 million in 2020-21, then decrease

by \$43 million in 2021-22. The increase in 2020-21 is due to how the State Treasurer chose to schedule certain payments. Given the one-time nature of the increase, UC staff suggest that the university plans to accommodate the higher cost within its existing budget.



Deferred Maintenance. In recent years, the state has tended to provide one-time General Fund to address deferred maintenance projects across many state agencies. From 2014-15 through 2019-20, these statewide initiatives provided UC a total of \$288 million. In addition to these one-time funds, the state recently expanded UC’s bond authority to include the ability to finance deferred maintenance projects.

UC Is Assessing Seismic and Maintenance Backlogs. In past years, UC staff have cited that campuses have backlogs relating to seismic renovation and maintenance projects totaling billions of dollars. The university, however, has not cited specific estimates of the size of these backlogs, primarily given concerns that campuses are not consistently or comprehensively reporting their facility conditions or are using different definitions and methodologies. To obtain better information, UC is in the midst of conducting two standardized system wide assessments.

Assessment of Seismic Safety of Buildings. Campuses are contracting with third-party consultants to assess the condition of their facilities’ structural components. Based on these assessments, consultants are rating each facility a level between one and seven, with seven representing the highest risk during an earthquake. The state did not earmark funding for these facility assessments. According to UC, UCOP and campuses are sharing the cost of conducting them, with funds coming from within their existing budgets.

**UC Rates Buildings Based on Seismic Risk
Ratings Based on UC's Seismic Safety Policy**

Level	Implied Risk to Life	Implied Structural Damage
I	Negligible	0-10%
II	Insignificant	0-15
III	Slight	5-20
IV	Small	10-30
V	Serious	20-50
VI	Severe	40-100
VII	Dangerous	100

Assessment on Maintenance Issues. Known as the Integrated Capital Asset Management Program (ICAMP), the UC is working with a team of in-house experts to assess the condition of campus buildings. The UC's goal is to develop a comprehensive assessment of each campus's maintenance backlog. The university is funding the program with university bonds that the state approved in 2017. According to UCOP, ICAMP results will be available toward the end of the 2020 calendar year.

UC Is Developing a Long-Term Plan to Address Seismic and Maintenance Backlogs. To better guide state and UC funding decisions, the Legislature directed UC in the 2019-20 budget to develop a long-term plan to address its seismic and maintenance issues. In addition to providing the state with estimates of the size of its seismic and maintenance backlogs, UC's plan must include a multiyear strategy to address the backlogs. UC must submit its plan to the Legislature by January 2021.

Proposition 13 General Obligation Bond. On the March 2020 ballot voters considered Proposition 13 which would authorize up to \$2 billion in general obligations bonds for UC facilities (with some of the \$2 billion potentially used for projects at Hastings College of the Law). UC Board of Regents would be required to prioritize UC projects that address life-safety issues, seismic deficiencies, and deferred maintenance. To qualify for funding, UC campuses are required to develop five-year plans to expand affordable housing options for their students.

Governor's Budget Proposal

Governor Preliminarily Approves 18 UC Projects for 2020-21. In September 2019, UC submitted six project proposals to the state for review. (In one of these proposals, UC signaled it intended to fund numerous renovation projects but had not yet finalized the project list.) On January 13 of this year, UC submitted additional information and project proposals, bringing its request for 2020-21 up to 18 projects. The LAO chart on the following page shows that the state cost of these projects in 2020-21 would be \$545 million. UC would finance the \$545 million using General Fund-supported university bonds. The remaining costs would be covered by other fund sources (such as campus reserves) or UC bonds supported from other fund sources. In mid-February, the Administration submitted a letter to the Legislature providing preliminary approval for all 18 projects.

Governor Preliminarily Approves 18 UC Facility Projects for 2020-21 (In Millions)

	Campus	Project ^a	2020-21 ^b State Cost	All Years	
				State Cost	Total Cost
Seismic Renovations					
1	San Diego	Meyer Hall and York Hall ^c	\$52.2	\$52.2	\$54.4
2	Berkeley	Stephens Hall	46.9	46.9	46.9
3	Berkeley	Wellman Hall	43.8	43.8	43.8
4	Davis	Social Sciences and Humanities Building	33.4	33.4	33.4
5	Los Angeles	Public Affairs Building	25.0	25.0	28.8
6	Davis	Voorhies Hall	24.2	24.2	24.2
7	Davis	Young Hall	23.8	23.8	23.8
8	Berkeley	Durant Hall	20.0	20.0	20.0
9	Santa Barbara	Music Building Unit 1	15.0	15.0	15.0
10	Davis	Jungerman Hall	12.2	12.2	12.2
11	Other	Sacramento Learning Complex ^d	11.4	11.4	18.4
12	Davis	Mann Laboratory	5.7	5.7	5.8
13	Berkeley	Moffitt Library	5.3	5.3	5.3
14	Irvine	Social Science Lecture Hall	2.3	2.3	3.6
	Subtotals		(\$321.1)	(\$321.1)	(\$335.6)
Construction					
15	Riverside	New School of Medicine Building	\$93.6	\$100.0	\$100.0
Maintenance					
16	Systemwide	Deferred maintenance	\$35.0	\$35.0	\$35.0
Other					
17	Systemwide	Various planning activities	\$80.0	\$80.0	\$80.0
18	Berkeley	Centennial Bridge relocation	15.2	15.2	27.7
	Totals		\$544.9	\$551.3	\$578.3
^a For most projects, includes all project phases. ^b Funded by university bonds. The total annual debt service for all projects shown is estimated to be \$44 million. ^c UC proposes funding the working drawings phase of this project as part of its \$80 million request for various planning activities. ^d UC recently purchased a new building to house its education and outreach programs in Sacramento, replacing its old seismically deficient (Level V) building. The project would renovate the interior of the new building.					

All but Four of the Projects Entail Seismic Renovations. Fourteen out of the 18 projects are for seismic renovations—together totaling \$321 million in 2020-21. Twelve of the seismic renovations would be on buildings that currently have a Level VI rating (the “severe risk” category), and two would be on buildings that currently have a Level V rating (the “serious risk” category). Nine of the 14 projects are at the Berkeley and Davis campuses. All 14 of the projects aim to upgrade the facilities to at least a Level IV rating (the “small risk” category), the minimally-acceptable level under UC policy. The proposals would approve all project phases (planning, working drawings, and construction), in one year.

UC Proposes Separate Package of “Planning Activities.” UC proposes \$80 million for facility planning activities. Of the total, \$50 million would be to plan for various potential projects. In late January 2020—several months after submitting the original proposal (which had virtually no detail)—UC submitted a list of seven potential projects. UC intends to fund any remaining cost for most of these projects with Proposition 13 funds.

The remaining \$30 million that UC is requesting would be to conduct more in-depth seismic analyses across the UC system. This would fund partial or preliminary plans for seismic projects.

UC Identified Seven Projects to Receive Planning Funds in 2020-21 (In Millions)

Campus	Project	Funds
Santa Cruz	Thimann Laboratories replacement building	\$12.5
Davis	Renovation of five buildings	12.0
Santa Barbara	New physics building	8.0
Berkeley	Evans Hall replacement building	6.0
San Diego	Mayer Hall and York Hall seismic renovation	4.5
Santa Barbara	Chemistry building seismic renovation	4.0
Berkeley	Hesse-O’Brien replacement building	3.0
Total		\$50.0

UC Proposes Three Other Projects. The three remaining projects are for:

- **A New Medical School Building (\$94 Million).** UC’s sole new construction request in 2020-21 would be for a new medical school building at the Riverside campus. The new building is associated with a broader proposal to expand the existing medical school’s operations and enrollment. This proposal would fund the working drawings and construction phase of the project.
- **Deferred Maintenance (\$35 Million).** Similar to the previous three fiscal years, UC is proposing to use university bonds to fund deferred maintenance projects across the system. It has not yet identified the specific projects to be funded.
- **Centennial Bridge Relocation (\$15 Million).** UC also is proposing to relocate a road overpass at the Berkeley campus. This would fund all phases of the project.

Annual Debt Service Costs Would Increase by \$44 Million. When UC undertakes a project, it typically does not issue bonds until the construction phase is about halfway completed. UC covers the costs prior to issuing bonds through low-interest interim borrowing, which is repaid from the bonds.

Because of this practice, UC does not anticipate issuing bonds and paying debt service until 2022-23. Once UC issues bonds, it projects total debt service costs to eventually rise to \$44 million in 2025-26. UC would pay debt service costs over about 30 years, with payments across all years totaling \$1.1 billion (\$545 million in principal and \$533 million in interest). Though the projects would not increase costs in 2020-21, UC debt service costs are nonetheless increasing in the budget year as it begins financing projects the state approved in previous years.

Legislative Analyst's Office Comments

Approving All Project Phases in One Year Is Poor Budget Practice – LAO Recommends Approving Planning Phases Only. As it has done in past years, UC requests that the state approve all project phases—preliminary plans, working drawings, and construction—in 2020-21. While approving all project phases in one year might allow campuses to complete some projects faster, it limits the Legislature's ability to weigh in on a project's final scope and costs. Under the proposed approach, campuses would finalize the scope, cost, and schedule of each project without oversight and approval from the state. Having no subsequent review from the state is particularly of concern because the law granting UC its new capital authority exempted UC from provisions that prohibit state agencies from significantly changing the scope and cost of a project.

For most of the seismic renovation proposals, campuses have not yet decided whether to renovate their buildings to a Level III or Level IV rating. UC staff noted that deciding whether to upgrade to a Level III and Level IV rating requires complex analysis, weighing the benefits of further reducing risks with the added cost and possible project disruptions to building services.

LAO recommends the state approve only the preliminary plans and working drawings phases at this time. Under this more deliberative approach, campuses would return next year to the Legislature with more analysis on the costs and benefits of renovating facilities to a Level III or Level IV rating before commencing with construction. This more incremental approach is consistent with the way the state funds facility projects across many other state agencies.

Package of "Planning" Proposals Has Several Problems - LAO Recommends Rejecting the Proposal. The LAO has four concerns with the \$50 million package of planning proposals, as described below.

- **Funding for Future Project Phases Might Not Be Forthcoming.** UC currently is linking future support of these projects to the passage of Proposition 13. Were voters to reject the measure, it is unclear whether UC would be able to proceed with the projects.
- **Project Proposals Lack Essential Details.** For all but one of the projects, the UC has not provided a complete, standard proposal, including the estimated cost of future phases and justification for the project's scope.
- **Proposed Planning Costs Are High.** The amounts requested for planning are relatively high for several projects - Santa Cruz and Davis' projects requesting \$12.5 million and \$12 million, respectively, for their planning phases. The planning costs of these projects are about double the costliest planning phases UC submitted last year. Because these proposals are not complete, the Legislature lacks adequate information to know whether the relatively high costs are justified.

- **One Project Looks to Be a Low Priority.** One of the proposed projects would construct a new building. Given UC has provided little detail about the new construction project and why it is warranted, coupled with the notable backlog of remaining Level VI seismic renovation projects, the Legislature likely will want to treat this particular project as lower priority.

The LAO recommends UC take time to develop completed proposals and submit them for review as part of the 2020-21 budget.

Using Bond Financing for Initial Seismic Assessments Is Poor Budget Practice – LAO recommends the Legislature Direct UC to Use Other Funds for this Purpose. While the UC indicates that it needs to undertake further seismic assessments, the LAO questions the use of bonds to fund the studies. Consistent with standard bond practices, the LAO believes bond funding is most appropriate to undertake facility projects that have a useful life spanning decades. One-time studies tend not to be good candidates for long-term borrowing. Furthermore, the LAO notes that UC campuses have hundreds of millions of dollars in discretionary reserves. The LAO recommends the UC fund these studies from its existing budget (for example, using its reserves).

UC Lacks List of Proposed Maintenance Projects – LAO Withholds Recommendation on Deferred Maintenance. Under UC's deferred maintenance proposal, UC would notify the Joint Legislative Budget Committee of the projects it wishes to undertake after the state approves the bond funding. In the LAO's view, obtaining a list of project proposals prior to approval would allow the Legislature to conduct regular review of the proposals to ensure greater transparency, oversight, and accountability over use of the requested funds. The LAO withholds assessment and recommendation of UC's deferred maintenance request until the UC submits a list of proposed projects to the Legislature.

If Proposition 13 Passes, Recommend Developing a Plan for Prioritizing Funds. Were Proposition 13 to pass in March 2020, the Legislature will face a key decision regarding whether to use Proposition 13 funds in lieu of UC bonds or in addition to UC bonds. Depending on when UC campuses can meet certain specified conditions (including completing the required affordable housing plans), the Legislature could face this decision as early as this year.

The LAO recommends the Legislature begin considering the financing approach it would like to use were the measure to pass. The LAO also recommends the Legislature begin thinking about what kinds of projects it would like to prioritize over the next few years. Given the Proposition's intent language to prioritize critical life safety and deferred maintenance projects, together with UC's considerable seismic renovation and maintenance project backlogs, the Legislature could give funding priority to these types of projects.

Request UC to Report on Affordable Housing Plans During Spring Hearings. Lastly, were Proposition 13 to pass, the Legislature likely would want to know what is entailed in campuses completing the required five-year affordable housing plans. To this end, the LAO recommends the Legislature direct UC in spring hearings to report on campuses' progress toward developing these plans.

Staff Comments

Seismic Planning Costs. Staff shares similar concerns with the LAO regarding the \$50 million planning proposal and notes that the planning costs for the projects are significantly higher than the costliest planning phases UC submitted last year, as well as the for the seismic retrofit projects that the Administration preliminarily approved. It is unclear what the rationale is for these costs. Additionally,

staff notes that while UC submitted a notification to the Administration in August of 2019 of its intent to spend \$50 million for preliminary plans in, the UC did not submit a complete or standard budget change proposal detailing the scope, costs and justification for the proposals. At this time, approximately 54 percent of voters voted “no” on Proposition 13. If Proposition 13 fails, it is unclear how UC will proceed with these projects.

Deferred Maintenance. Staff shares the LAO’s concerns regarding the lack of information on which projects this proposal would fund. In prior budget acts, the Legislature included budget bill language to require the Department of Finance to notify the Joint Legislative Budget Committee regarding the list of projects and the associated costs 30 days prior to allocation of funds. The subcommittee may wish to request this information prior to the enactment of the budget.

The subcommittee may wish to ask:

1. UC currently is linking future support of these projects to the passage of Proposition 13. Were voters to reject the Proposition, how will UC proceed with the projects?
2. Why is the Administration recommending approving all phases of the capital outlay facilities? What are the benefits of doing so? What will happen if the actual costs are higher or lower than what is estimated?
3. Since campuses have not yet determined whether upgrade their buildings to a seismic Level III or Level IV rating, how did UC come up with the state costs for the proposals?
4. What deferred maintenance projects does the UC plan to address with the \$35 million in university bonds?
5. The LAO notes that the \$80 million in planning activities proposal was not complete and had little detail. Why did UC submit and the Administration provide preliminary approval for \$80 million in planning activities, and when will there be information on these projects?

Staff Recommendation. Hold Open.

Issue 2: UC Medical Education**Panel**

- Kim A. Wilcox, Chancellor, University of California, Riverside
- Cathryn L. Nation, MD, UC Vice President – Health Sciences, UC Office of the President
- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office

Background

California has 13 medical schools, six of which are public institutions, who enroll 7,400 medical students. The state also has 12,700 physician residents trained by nearly 100 sponsors. Residency sponsors consist of medical schools, hospitals, and other medical providers. UC is the sole public higher education institution in the state tasked with providing medical education, and almost half of the state’s medical education and training occurs at UC. Six UC campuses—Davis, Irvine, Los Angeles, Riverside, San Diego, and San Francisco—operate medical schools and residency programs. In 2018, approximately 5,000 medical residents are enrolled in UC-sponsored residency and affiliated family medicine programs.

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.

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

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

California's medically underserved areas and populations, and (6) a description of faculty research activities, including information regarding the diversity of doctoral candidates, and identifying activities that focus on high priority research needs with respect to addressing the state's medically underserved areas and populations.

In April 2019, UC submitted its annual progress report to the Legislature and noted that in the 2018-19 academic year; UCR SOM enrolled a total of 245 medical students in all four years of medical schools, 32 Ph.D. students in biomedical sciences, and 279 residents or fellows in medical specialties. In spring of 2019, UCR SOM planned to admit 70 medical students to start in August 2019. UCR SOM notes that for each cohort of students, up to 24 seats are reserved for students who earned their bachelor's degree at UCR. For the 2018 entering class, 50 percent of students were female, 21.4 percent self-identified as underrepresented in medicine, 37 percent come from socioeconomically or educationally disadvantaged backgrounds, and 71 percent had ties to inland southern California. Of the 128 UCR SOM graduates from 2017-19, 42 graduates or 33 percent were placed in the inland empire for their residency, and 55 medical students or 43 percent were placed in primary care residencies. UCR SOM notes that the school has reached its enrollment capacity and requires additional funding and facilities to increase its capacity to 125 students per class by 2024.

In 2019-20, UCR SOM anticipates receiving \$75 million in total funding, with almost half from clinical revenues. Of this amount, UCOP provided \$2 million and the UCR campus provided \$6.6 million in campus funds to support UCR. UCR SOM notes that they are current operating on a budget deficit of \$9 million.

The 2019-20 budget authorized UCR to create a new medical school building with intent language that the state would increase UC's General Fund support to finance and pay for the debt service of the project.

Psychiatry Graduate Medical Education and Telemedicine. The 2018 budget provided UCR SOM \$15 million one-time General Fund to be spent over five years to support the costs of psychiatry residency slots, including costs to train students and to purchase and operate telemedicine program and equipment. The budget requires UC to report by January 1st each year to the Legislature with information regarding: (1) grant recipients, (2) award amounts, (3) growth in residency positions, (4) employment information on grant-supported residents, and (5) the type of services provided.

In a 2019 report submitted to the Legislature, UCR SOM proposed spending the \$15 million one-time General Fund investment as follows: (1) \$4.1 million to support 18 residents and fellows, (2) \$7.8 million for faculty and administrative staff, and (3) \$3.1 million for non-salary expenses such as program costs, educational debt relief and rent.

In January 2020, the UC submitted a report to the Legislature and noted that in July of 2019, UCR SOM plans to increase general psychiatry resident slots from six slots to eight slots per year. This will increase the number of four-year general psychiatry residency slots from 24 to 32. In July 2021, UCR SOM plans to expand the psychiatry fellowship program by three fellows and the child/adolescent psychiatry program by two fellows. UCR SOM notes that each resident and fellow salary and benefits range from \$80,000 to \$95,000 per trainee. The chart on the following page displays the planned growth in residents and fellows.

Annual Growth in Psychiatric Residents and Fellows 2019-2023

	2019-20	2020-21	2021-22	2022-23	Total
General Psychiatry Residency	2	2	2	4	10
Child/Adolescent Fellowship			2	2	4
Consultation/Liaison Fellowship		1	2	2	5
Forensic Fellowship		1	2	2	5
Addiction Fellowship		1	2	2	5
Geriatric Fellowship			1	1	2
Total	2	5	11	13	31

The report also notes that in 2019-20, UCR SOM expanded its tele psychiatry services to eight new clinical locations in Hemet, Mecca, Brawley, Calexico, Coachella, El Centro, San Manuel and Soboba. While these services are still scaling up, UCR SOM reports that they are currently providing access for 80-100 new patients each month. UCR SOM is continuing to explore and evaluate the deployment of a mobile treatment unit for uninsured and unserved patients.

University of California, San Francisco (UCSF) Fresno. In 1975, UCSF Fresno was established to help support third year rotations for medical students from UC Davis and UCSF. In 2005, UCSF Fresno moved into a new facility adjacent to a Fresno medical center. The site currently holds 150 medical students in clinical rotations and sponsors 320 residents.

UCSF Fresno also supports the San Joaquin Valley (SJV) PRIME Program, which was established in 2011. SJV PRIME medical students complete their two years of basic science instruction at UC, then completes one year of clinical rotations at UCSF Fresno, and then returns to UC Davis to complete their second year of rotations. The 2015-16 Budget Act provided \$1.9 million ongoing to support SJV PRIME to help increase enrollment from 32 students across four years to 48 students.

In 2018, UCSF received LCME accreditation for the Fresno facility to become a branch campus and to provide two years of rotations (rather than only one). In 2019, UC Davis transferred the administration of SJV PRIME to UCSF. In 2019, the first cohort of six students, under this new approach, complete two years of basic science at the UCSF main campus and then conducts their rotations in Fresno for two years. In 2020-21, UCSF plans to enroll a cohort of 12 students, which will bring enrollment up to previous levels.

Similar to UCR SOM, the 2019-20 budget authorized UC to pursue a new medical school project at or near the Merced campus, with intent language that the state will increase General Fund support to finance the project. At this time, UC has not submitted a Merced facility proposal for the state to review.

Governor's Budget Proposal

UCR SOM Operational Support and Enrollment. The Administration proposes an increase of \$25 million ongoing to expand UCR SOM to enhance the school's operational support and expand enrollment. The budget bill includes provision language that states that the funds are to supplement and not supplant existing funds provided by UC for the medical school.

Based on information provided by UCR SOM, the funding will be spent as follows:

1. \$6.5 million for academic salaries (26.2 percent of the total),
2. \$2.5 million for academic benefits (9.8 percent),
3. \$5.1 million for staff salaries (20.4 percent),
4. \$2.9 million for staff benefits (11.9 percent),
5. \$5.4 million for general supplies and expenses (21.7 percent),
6. \$1.3 million for equipment (5.3 percent), and
7. \$1.2 million for facilities (4.8 percent).

This funding will replace funds that UCOP and the campus had redirected to the program. UCR SOM notes that the additional funding will help increase each entering class size from 77 to 125 students by 2024-25.

The Administration, through the AB 94 capital outlay process, also provides preliminary approval of \$94 million in bond authority to support working drawings and construction costs for a new medical school building at UCR. In 2023-24, UC estimates the annual associated debt service would be \$6.8 million to be paid over 30 years. Under this projection, the total cost to pay off the principal and interest would be \$204 million (\$94 million principal and \$110 million interest).

UCSF Fresno. The Administration proposes an increase of \$15 million ongoing for UCSF Fresno to support operational costs and expand services at UCSF Fresno, in partnership with UC Merced. The budget bill includes provisional language that states that the funds are to supplement and not supplant existing funds provided by UC for the medical school. At this time, UCOP and the campus are still finalizing a budget plan for this additional funding.

Legislative Analyst's Office Comments

UCR SOM Operational Support and Enrollment. If the Legislature were to decide to fund enrollment growth at UCR SOM, the LAO recommends it set enrollment targets and specify the period of time over which the school has to meet the targets. The LAO also recommends the Legislature to consider aligning the timing of any General Fund augmentation with the school's enrollment growth plans. Under this approach, the state would ramp up funding as the school's enrollment grows, rather than allocating it all at once in 2020-21. For example, the Legislature could commence enrollment growth funding in 2022-23 (one year prior to the school enrolling a larger student cohort), then spread further augmentations over several subsequent years. Additionally, the LAO also recommends UCR SOM to report during spring hearings on how it plans to use redirected campus funds.

Consider Capital Proposal in Context of School's Expansion Plan and Competing Capital Priorities. The LAO recommends the Legislature ensure that the school's plan to expand its operations is well aligned with its capital expansion plan. The LAO also encourages the Legislature to keep UC's other capital priorities in mind, such as high priority seismic renovation and other maintenance needs.

Withhold Action Pending Comprehensive UCSF Fresno Expansion Plan. At a minimum, the LAO recommends the plan include:

- A summary of different options to expand the center, including prioritizing existing enrollment and clinical slots for San Joaquin Valley focused students, expanding UCSF Fresno into a four-year branch campus, and establishing a joint program with UC Merced.

-
- For each option, a time line of planning activities, including staffing and enrollment levels and implementation deadlines.
 - For each option, an estimate of the total operating cost and a multiyear expenditure phase-in plan, along with revenue projections by source.
 - A space and facility utilization analysis of UCSF's main campus and the Fresno branch campus, along with a capital outlay plan under each option that identifies scope, cost, and schedule.

If the university is unable to provide this information by spring, the Legislature could create a reporting requirement (in provisional budget language or supplemental reporting language). The LAO recommends selecting a due date for the report that aligns with the legislative budget process. For example, were the Legislature interested in funding expansion in 2021-22, it would want the UC report no later than November 2020.

LAO Recommends an Oversight Hearing to Review and Discuss Any UCSF Fresno Expansion Plan. After receiving a comprehensive expansion plan, the LAO recommends the Legislature hold an oversight hearing to vet the plan. The LAO believes such a review is critical given the issues at stake are complex, potentially costly, and could have significant implications for people living in the region.

Staff Recommendation. Hold Open.

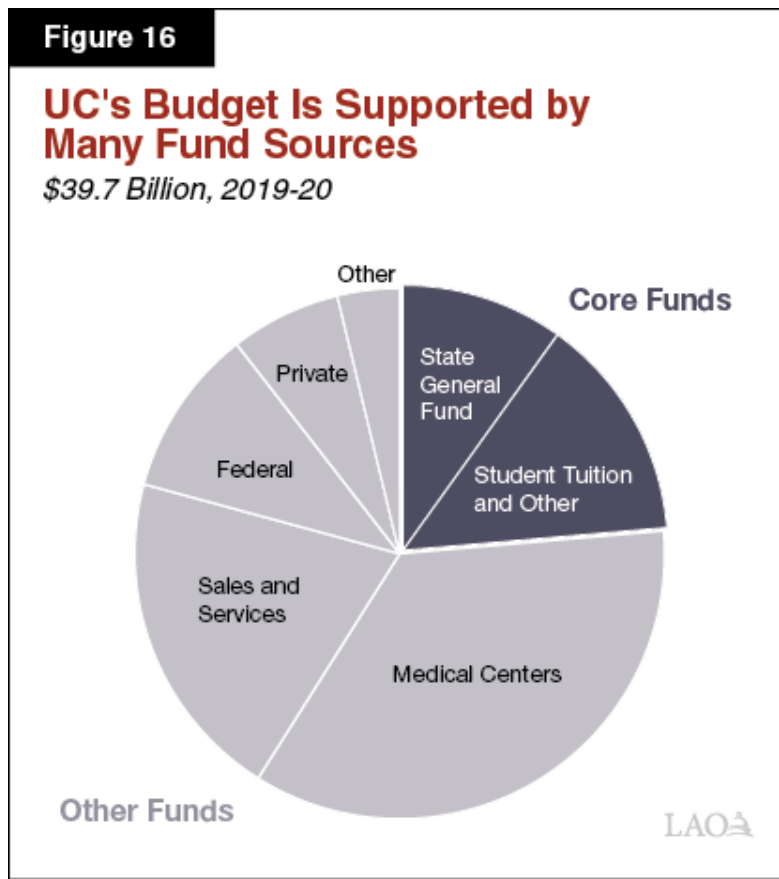
Issue 3: Budget Operations and Tuition

Panel

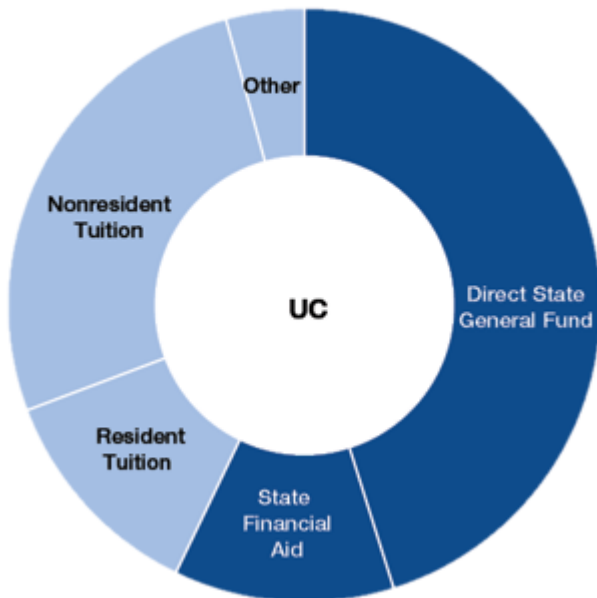
- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

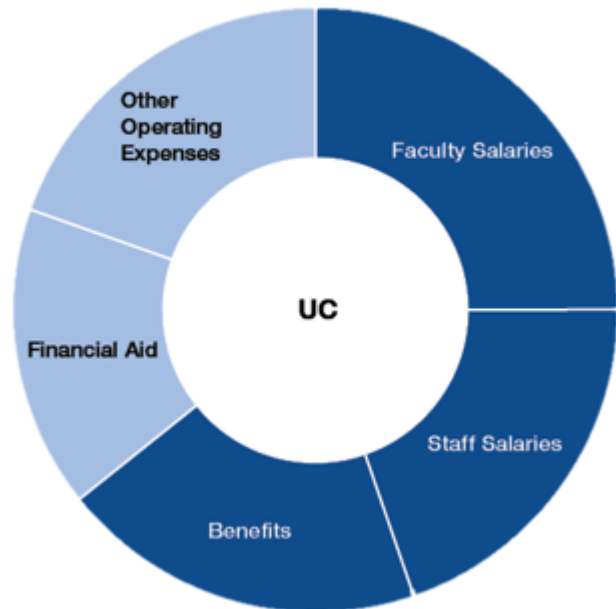
UC’s budget is comprised of variety of funds, such as state General Fund, student tuition, medical center revenue from its five medical centers, sales and services such as housing, bookstore and extended education, federal government funds for research and student financial aid, private donations, among others. Core funding consists of state General Fund, student tuition revenue, and several other smaller fund sources. Core funding supports the universities’ academic functions, including undergraduate and graduate instruction, academic support services (such as tutoring), and related administrative costs. Core funding also supports various research and outreach initiatives. The LAO figures below displays UC’s 2019-20 budget by fund sources.



2019-20 UC Core Funds



2017-18 Core Funds Spending



As shown on the above displays, in 2019-20, core funding represents around 25 percent of total funding at UC. State General Fund and state financial aid comprises about 60 percent of core funding at UC. The remaining core funding comes from student tuition charges (13 percent of which is resident tuition) and a few smaller fund sources (such as overhead allowances on federal research grants).

Employee Compensation and Benefits. Salaries and benefits comprise a significant share of UC’s budgeted expenditures. In 2017-18, 64 percent of UC’s core budget was for salaries and benefits. In 2019-20, UC is spending 67 percent of its core budget on salaries and benefits. The remaining share of UC’s core budget is spent on equipment and utilities (18 percent) and student financial aid (15 percent).

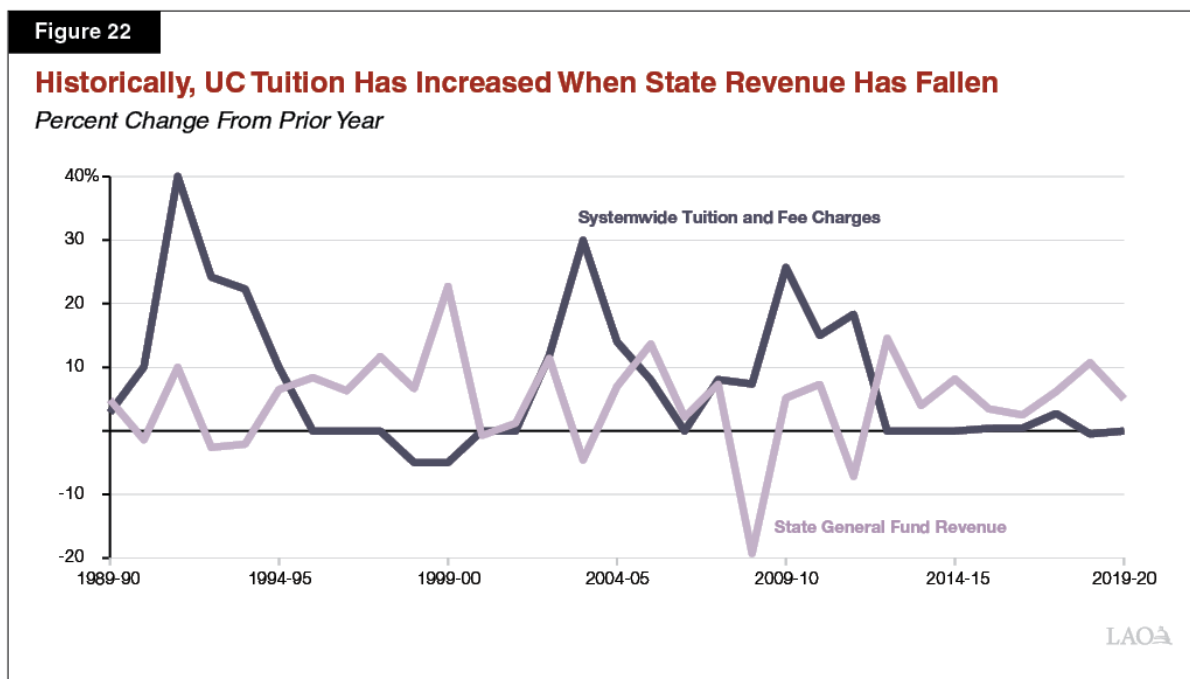
In 2017-18, UC employed 159,000 full-time equivalent (FTE) faculty and staff, of which 41,000 (26 percent) were supported by core funds. Core funds support faculty, librarians, academic advisors, and other academic employees. Noncore funds generally cover staff, such as medical center employees and dining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

Approximately one-third of UC employees who are supported by core funds are represented by a union. UC has 13 system wide bargaining units. Examples of represented employees include lecturers, teaching assistants, librarians, clerical workers, and custodial staff. The remaining two-thirds of UC employees are tenure track faculty and most staff, which the UC President makes decisions regarding compensation adjustments.

Pension and Other Post-Employment Benefits (OPEB). Currently, 80 percent of UC pension liabilities are funded. In dollar terms, UC’s unfunded pension liability is \$16.6 billion (of which around 30 percent is associated with core funding). The UC Board of Regents plans to pay down their unfunded liability by increasing the UC’s employer contribution rates. UC pension costs have grown notably over the last several years—more than doubling since 2012-13. The higher pension costs are the result of (1)

salary growth over the period, (2) the plans developed by UC to address unfunded pension liabilities, and (3) changes in the assumptions used to calculate liabilities. UC has adopted more conservative investment earnings expectations, which have led to larger contributions now and improved the likelihood the funding plans remain on track. Based on planned UC employer contribution rate increases in 2020-21, the LAO estimates that pension costs will increase by \$45 million

Tuition. As shown in the display on the previous page, UC tuition revenue comprises the remainder 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 2019-20, UC’s undergraduate resident system wide 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 system wide fees, campus also charge campus-based fees, which vary depending on the campus. The LAO display below shows this trend.



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.

Governor’s Budget Proposal

Base Increase. The Administration provides an increase of \$169 million ongoing General Fund to UC, which represents a five percent General Fund base increase to UC. The Administration does not tie the augmentation to specific operating costs, giving UC flexibility to determine which cost pressures to address in 2020-21. The Governor’s budget summary notes that the Administration would like UC to maintain affordability, enroll more students in 2020-21 and 2021-22 above levels already funded by the state, reduce student time to graduation, and narrow student achievement gaps.

The LAO chart below summarizes the changes in UC's core funding.

State Covers Bulk of Ongoing Core Funding Increase for UC
(Dollars in Millions Except Funding Per Student)

	2018- 19 Actual	2019- 20 Revised	2020- 21 Proposed	Change From 2019-20	
				Amount	Percent
Funding					
General Fund	\$3,475	\$3,724	\$3,942	\$218	5.8%
Tuition and fees	4,902	5,067	5,137	70	1.4
Lottery	46	42	42	— ^a	0.2
Other core funds	361	348	344	4	1.2
Totals	\$8,785	\$9,182	\$9,465	\$283	3.1%
FTE Students					
Resident	225,620	229,455	231,697	2,242	1.0%
Nonresident	53,525	54,660	55,731	1,071	2.0
Totals	279,145	284,115	287,428	3,313	1.2%
Funding Per Student	\$31,469	\$32,316	\$32,929	\$613	1.9%
^a Less than \$500,000. FTE = fulltime equivalent.					

Governor Opposes Increasing Tuition for Resident Students. The Governor opposes increasing tuition, publicly stating that an increase is unwarranted. The proposed budget bill retains provisional language from previous budgets granting the Administration the authority to reduce UC's General Fund support if UC increases the resident tuition charge. The language limits the amount the Administration can reduce to the associated Cal Grant and Middle Class Scholarship costs resulting from a tuition increase, effectively making any tuition increase fiscally neutral to the state. The Governor's proposed budget does not assume a tuition increase.

UC Budget Request

In November 2019, the Board of Regents adopted its initial 2020-21 budget plan. The plan included a total of \$570 million ongoing spending. Of this amount, UC's assumed the state would provide \$447 million General Fund as follows: (1) \$264 million for a 7.1 percent general purpose base increase and (2) \$183 million for specific programmatic purposes. The remainder of the UC's expenditure plan is to be funded from other revenue sources, such as philanthropy, asset management, procurement savings, resident and nonresident enrollment growth revenue.

UC Is Considering Two Tuition Options. In January 2020, the UC Board of Regents discussed two possible tuition plans to help fund its budget priorities and give students more predictability in their tuition charges. The plans would be intended to guide tuition decisions over the next four years (through 202425). The UC Board of Regents will vote on these options on March 19.

- Inflation Based Option.** The first option ties tuition increases each year to the Consumer Price Index (CPI), effectively keeping costs flat in real dollars for tuition paying students. In 2020-21, UC estimates the inflation based option would provide an additional \$63 million.
- Cohort Based Option.** The second option increases tuition each year but only for the incoming cohort of first-time students - entering freshman and transfer students, regardless of residency status. During the remainder of their time at UC, tuition for students in that cohort remains flat. Under this option, tuition for the fall 2020 cohort would increase at the rate of the CPI, which is estimated to be 2.8 percent in 2020-21, plus an additional two percentage points. UC estimates this approach would provide an additional \$37.5 million in 2020-21.

For undergraduate students in state-supported programs who first enroll at a UC campus in 2020-21 or later, 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.

The estimated 2020-21 revenue for inflation based tuition is larger than the cohort based tuition model because it applies to all students, not just one cohort. The LAO notes that in 2020-21, every one percent increase in undergraduate tuition and fees provides the state with \$13 million net, after accounting for state and UC financial aid costs.

Legislative Analyst’s Office Comments

Governor’s Budget Approach This Year Is a Step Backwards. The LAO has two concerns with the Governor’s budget: (1) by augmenting UC’s budget without specifying how the funds are to be used, it is unclear if UC will use the funds consistent with legislative priorities, and (2) by not tying the augmentation to estimated cost increases at UC, it is unclear if the budget augmentation is too much or too little to accomplish desired objectives.

In 2019-20, the Administration tied budget augmentations to specific operational and programmatic objectives. The LAO believes that approach is a better way to budget because it provides the Legislature a more useful starting point to weigh its own priorities against those of the Governor.

Identify Which 2020-21 Costs to Cover. The LAO recommends the Legislature reject the Governor’s proposed base increase and take a standard and transparent budget approach to decide: (1) which cost increases to support in 2020-21, and (2) how to fund these costs (from the state General Fund, student tuition, and/or other sources).

The LAO suggests that the Legislature could start by covering projected basic cost increases for UC's pension and health care programs, debt service, and operating expenses and equipment. After considering basic costs, the Legislature could consider whether to support salary increases. Lastly, the Legislature may wish to consider augmentations for enrollment growth and enhancing, expanding or establishing new programs.

Tuition Increases and Impact on Affordability and Predictability. While tuition increases increase college costs for students who pay tuition, tuition increases have the counterintuitive effect of improving college affordability for students with financial need at UC. This is because financial aid programs, such as Cal Grant and UC's institutional financial aid, generally cover any tuition increases for financially needy students. Additionally, at UC, one-third of all new undergraduate tuition and Student Services Fee revenue is set aside to fund UC's institutional aid to cover tuition and living costs for eligible students.

The increase in UC institutional financial aid results in a corresponding reduction in the amount of work and borrowing students must undertake to cover living costs. According to a UC analysis, were the state to continue holding tuition flat, the average amount of funding students would need to contribute from working and borrowing (known as the self-help expectation) would increase from \$10,000 in 2019-20 to over \$13,000 in 2024-25. By contrast, UC estimates this expectation would be around \$1,000 less in 2024-25 under either of its two multiyear tuition options.

The LAO notes that both of UC's options provide predictability to students, however, the cohort based model offers greater certainty to students once enrolled. Under the CPI model, tuition effectively remains flat in real dollars, whereas students under the cohort based model will see their costs decline in real dollars overtime.

Staff Comments

Base Budget. UC has informed staff that based on the Governor's proposed budget, it will prioritize supporting basic cost increases to maintain current operations such: (1) AB 94 debt service payments, (2) contractually obligated benefits and salaries, (3) UC pension costs, and (4) employee health benefits.

The LAO notes that UC reports that campuses had core fund balances of \$1 billion at the end of the 2017-18 fiscal year. Of this amount, UC reports that \$826 million was designated for future costs, such as capital spending or start-up funds for newly hired faculty. The remaining \$323 million was not committed for future costs. UC has not provided reserve estimates for 2018-19 and 2019-20.

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 was provided the chart on the following page, which summarizes other public cohort based tuition plans.

Features of Selected Cohort Based Tuition Plans at Other Public Universities

<i>School</i>	<i>Years Active</i>	<i>State Mandate</i>	<i>Student Eligibility</i>	<i>Charges Included</i>	<i>Expiration Policy</i>	<i>Time to Implement</i>
Active Programs						
U. of Illinois at Urbana-Champaign	2004 - present	Yes	All undergraduates	Base tuition (varies by residency)	4 years for all students, including transfers. Unaffected by transferring between U. of Illinois campuses. After 4 years, students charged rate of next cohort for 2 more years, then charged a "standard" (non-cohort-based) rate for remainder of enrollment.	~ 1 yr.
U. of North Carolina at Chapel Hill	2016 - present	Yes	Resident undergraduates	In-state base tuition only	4 years for freshman entrants; for transfers, based on entering credits. After expiration, students charged rate paid by entering cohorts and may also be assessed an additional surcharge.	6 mos.
U. of Arizona	2014 - present	No	All undergraduates	Base tuition (varies by residency) and mandatory fees	4 years for all students, including transfers. After expiration, students charged the rate of the cohort immediately following for 2 semesters, then charged a "standard" (non-cohort-based) rate for remainder of enrollment.	3 mos. (leveraged prior work by North Arizona U.)
Kent State University	2018 - present	No, but "encouraged" by State law	All undergraduates	In-state tuition, career services fee, and room and board	4 years for freshman entrants; for transfers, based on entering credits. After expiration, students charged oldest unexpired cohort rate each year.	~1 yr.
Discontinued Programs						
<ul style="list-style-type: none"> Programs were discontinued after reductions in state funding made them unsustainable. One institution also felt that its fixed rate for entering students was not competitive given lower variable rates charged by other public institutions in the state. 						
U. System of Georgia	2006-09	No	All undergraduates	Base tuition (varies by residency)	4 years for freshman entrants; for transfers, typically 2 years. After expiration, students would have been assessed the newest incoming cohort rate.	~6 mos.
U. of Kansas	2007-14; optional 2014-18	No	Freshman entrants only	Base tuition (varies by residency)	4 years. After expiration, students assessed "standard" (non-cohort-based) rate for duration of enrollment.	~9 mos.
Western Oregon University	2007-12; optional 2012-18	No	Resident undergraduates	Base tuition	4 years for freshman entrants; may petition for 5 th ; for transfers, based on entering credits. After expiration, students charged oldest unexpired cohort rate each year.	~9 mos.

Of the public universities that UC selected, UC notes that three states 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. A 2014 report from the National Association of Student Financial Aid Administrators notes there is no evidence that cohort-based tuition plans affected retention or graduation rates.

The subcommittee may wish to ask:

1. Are UC campuses, such as their financial aid, billing, registrar offices, and information technology systems ready and able to implement a cohort based tuition model during the 2020-21 academic year? The Legislature may also wish to ask what the costs are there to implement these changes.
2. 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?

3. Why did the Administration choose to depart from last year's budget approach to earmark funding for specific purposes? What outcomes does the Administration hope to achieve by providing flexibility for the general base increase?

Staff Recommendation. Hold Open

Issue 4: Resident and Nonresident Enrollment

Panel

- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California

Background

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

Admissions Requirements. For freshmen, UC is responsible for setting specific admission criteria intended to reflect their eligibility pool. As a minimum criterion, UC requires high school students to complete a series of college preparatory courses known as the "A-G" series. The series includes courses in math, science, English, and other subjects. To qualify for admission, students must complete this series while earning a certain combination of course grades and scores on standardized tests. The California Department of Education reports that 47 percent of high school graduates completed A-G course work. For transfer students, the UC sets general education and pre-major course requirements. Transfer students completing these courses and meeting the master plan's grade point average (GPA) requirements are eligible for admission. For fall 2019 freshman admits, 26.3 percent had a GPA of 4.20 or higher, and 43.5 percent had a GPA between 3.8 and 4.2.

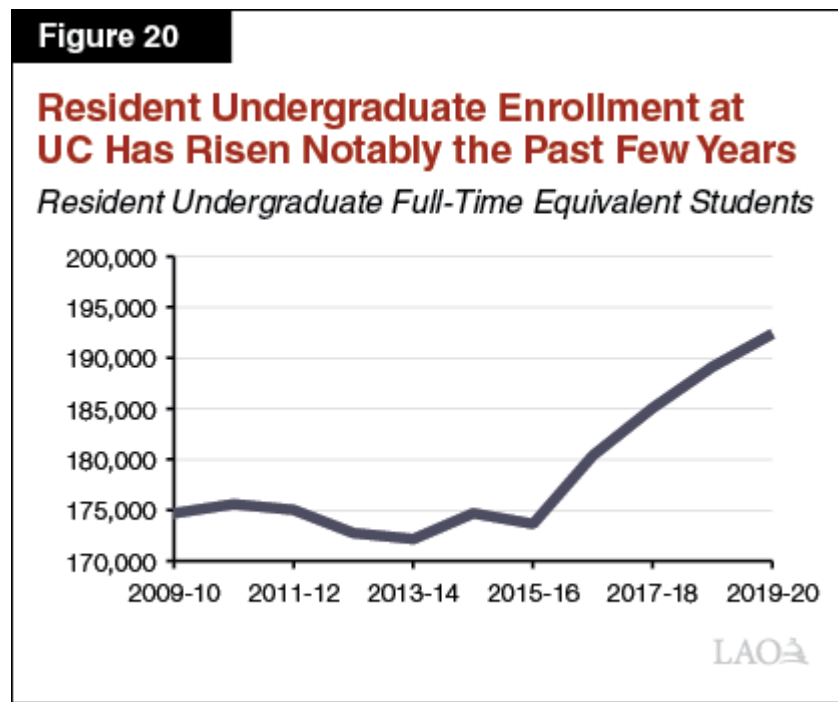
Redirection Policy. Freshman and transfer applicants, who meet eligibility requirements, are guaranteed admission to the UC system, but not to a particular campus. When applicants are not admitted to their campus of choice, they are referred to another campus. Currently, UC Merced serves as the referral campus for freshman applicants, whereas both UC Riverside and UC Merced serve as referral campuses for transfer applicants. The UC Academic Senate reports that 12,500 students (15 percent of applicants meeting UC system wide admission policies) were referred to Merced in 2018-19. Of these students, 168 (1.3 percent) enrolled at the Merced campus. The Academic Senate report does not cite the comparable number of redirected transfer students. Recent funding for enrollment growth has had an inconsistent effect on the size of UC's freshman referral pool. Students who do not accept admission at UC may end up attending California State University, a private school, or a community college (then transferring to a four-year school upon completing their lower-division coursework).

Enrollment Targets. The state typically sets enrollment targets for UC in the annual budget act, and typically covers the cost of enrollment growth at UC using a formula that is linked to the marginal cost of instruction. The formula estimates the cost to hire new faculty and teaching assistants, adjust the faculty-student ratio, purchase instructional equipment, and cover other ongoing costs to support new

students. The total cost is then shared between the state General Fund and student tuition revenue. In 2020-21, UC estimates the marginal cost per student to be \$19,636. Of this amount, \$11,248 would be the state share of cost, and the remainder would be covered by tuition and fees. Using this calculation and applying an inflationary adjustment, the LAO estimates that a one percent increase in resident undergraduate enrollment in 2021-22 would cost the state \$23 million.

Traditionally, the state has set enrollment expectations for the academic year starting a few months after budget enactment. However, this approach does not align well with the timing of UC admission decisions which occurs in early spring, prior to enactment of the state budget in June. This means the state budget is enacted too late to influence UC's admission decisions that year.

In each of the past three years, UC has exceeded its state enrollment targets. In 2019-20, resident undergraduate enrollment is at an all-time high of 192,400 FTE students, reflecting growth of 17,000 students (10 percent) over the level in 2009-10.



The 2019-20 budget act provided UC \$49.9 million General Fund ongoing to increase enrollment by 4,860 resident undergraduate students by 2020-21 above 2018-19 levels. Additionally, the budget provided \$10 million General Fund ongoing to support 2018-19 enrollment growth. According to UC, campuses are on track to grow enrollment by 3,250 students in 2019-20 and will grow the remaining 1,610 students in 2020-21.

Admission and Enrollment of Students from Local Control Funding Formula (LCFF) Plus High Schools. AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, specified that as a condition of receiving funds in the 2016 Budget Act, UC must approve a plan and timeline, in the 2016-17 academic year, to increase the number of California resident freshman admits who meet admission requirements, at each campus, including students who are enrolled in high schools with seventy-five percent or more unduplicated pupils, and expand services and resources to students who enroll at UC from these schools. The budget also included \$20 million one-time General Fund for student outreach and student support

services for low-income and underrepresented minority students, including students who were enrolled in high schools with seventy-five percent or more unduplicated pupils.

The 2019-20 budget provided \$6 million one-time for a similar purpose. UC indicates that it will use these funds to support efforts such as conducting college preparation, college application, and financial aid workshops; providing college advising and academic enrichment at LCFF plus schools, using data analytics to identify students in need of academic support and targeting services to those students; and developing and expanding summer academic support programs. This funding was distributed based on campus' existing LCFF plus student enrollment, as follows:

1. Berkeley: \$444,000
2. Davis: \$655,000
3. Irvine: 896,000
4. Los Angeles: \$810,000
5. Merced: \$512,000
6. Riverside: \$828,000
7. San Diego: \$615,000
8. San Francisco: \$150,000
9. Santa Barbara: \$484,000
10. Santa Cruz: \$306,000
11. UCOP: \$300,000 – UCOP is a pass through for MESA and Puente programs.

In November 2019, the UC submitted their annual report to update the Legislature on the impacts of the LCFF Plus program. The report notes that the admission rate for LCFF plus students increased from 54 percent in 2018 to 58 percent in 2019, this compares to admissions rate of non-LCFF plus students, which also grew from 61 percent to 64 percent. Approximately 25 percent of fall 2019 freshman class was from LCFF plus high schools, which is similar to the amount in 2018 and 2017. The report also found that in 2019, UC Merced had the highest admission rate and number of admits for LCFF plus students at 67 percent of those who applied (6,480 students), followed by Riverside at 40 percent (6,016 students) and Davis at 36 percent (3,807). The report notes that the UC Irvine had the largest yield amount with 1,363 LCFF plus students who ultimately enrolled, followed by UC Riverside at 1,238.

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

In 2017, when looking at individual campuses, nonresident undergraduate enrollment at Berkeley was 24.5 percent, 22.7 percent at San Diego, 22.4 percent at Los Angeles, and 17 percent at Davis. UC states that the growth in nonresident undergraduate students allowed it to further grow resident enrollment because of the additional revenue they produce.

The 2016-17 budget required UC to adopt a policy to cap the enrollment of nonresident undergraduates. In May 2017, UC adopted a nonresident enrollment policy that capped nonresident enrollment at 18 percent for five UC campuses. At the other four campuses, Berkeley, Irvine, Los Angeles and San Diego, where the proportion of nonresidents exceeds 18 percent, nonresident enrollment will be capped at the proportion that each campus enrolled in the 2017–18 academic year. The policy also stated that campuses wishing to increase nonresident enrollment cannot reduce enrollment of funded resident

students to accommodate this growth. The policy also calls for a review by the Regents at least once every four years.

In the 2018-19 budget, the Legislature directed UC to develop a multiyear plan to reach a nonresident share of 10 percent of entering freshmen at each campus by 2029-30. The plan, which UC released in April 2019, estimated the cost to replace foregone nonresident tuition revenue and enroll more resident students would increase from an initial \$8 million in 2020-21 to \$455 million by 2029-30. The Legislature has not enacted any intent language stating whether it intends to implement this plan.

Governor's Budget Proposal

Governor Expresses Interest in Increasing Undergraduate Enrollment but Sets No Target. The Governor's 2020-21 budget does not set a specific, explicit UC enrollment expectation for either 2020-21 or 2021-22. The Governor's Budget Summary, however, states that the Administration expects UC to increase resident undergraduate enrollment above previously budgeted levels for 2020-21 and 2021-22.

UC Budget Request

Undergraduate and Graduate Enrollment. For 2020-21, the UC requests an additional \$11.25 million to enroll 1,000 new graduate students. Additionally, UC requests \$1.73 million for the additional 1,400 that it will enroll in the fall of 2020 (per the 2019-20 budget act) to reflect UC's updated marginal cost of instruction. The UC also requests \$11.25 million to increase resident undergraduate by 1,000 and \$11.25 million to increase graduate student enrollment by 1,000 students in 2021-22.

UC Plans to Grow Nonresident and Graduate Enrollment. Beyond the 1,610 additional resident undergraduate students that it already plans to enroll in 2020-21, UC reports intentions to grow nonresident and graduate enrollment. Currently, UC is planning to increase nonresident enrollment by 700 students (1.9 percent) and graduate enrollment by 570 students (1.8 percent) in 2020-21.

Student Academic Preparation and Education Partnerships (SAPEP). UC's 2020-21 adopted budget included \$23 million ongoing General Fund to support SAPEP. SAPEP provides 13 programs with a goal to increase K-12 students to complete required college preparatory requirements, such as A-G coursework, prepare students for post-secondary education, and increase the number of community college students who complete "transfer-ready" requirements. These programs include the Early Academic Outreach Program (EAOP), Mathematics, Engineering, Science Achievement (MESA) Schools Program, and the Puente High School Program. According to the 2017-18 SAPEP program outcomes report, funding has been flat since 2011-12, with \$12.6 million ongoing General Fund and \$12 million in University Funds. However, in other documents submitted to the Legislature, UC notes that \$8 million General Fund was set aside for SAPEP. At this time, UC has not provided the Legislature with a detailed spending plan on how the budget request would be spent or distributed.

Legislative Analyst's Office Comments

The LAO recommends setting an enrollment expectation for 2021-22. In 2020-21, UC estimates the marginal cost per student to be \$19,636. Of this amount, \$11,248 would be the state share of cost, and the remainder would be covered by tuition and fees. Using this calculation and applying an inflationary adjustment, the LAO estimates that a one percent increase in resident undergraduate enrollment in 2021-22 would cost the state \$23 million.

Staff Recommendation. Hold Open.

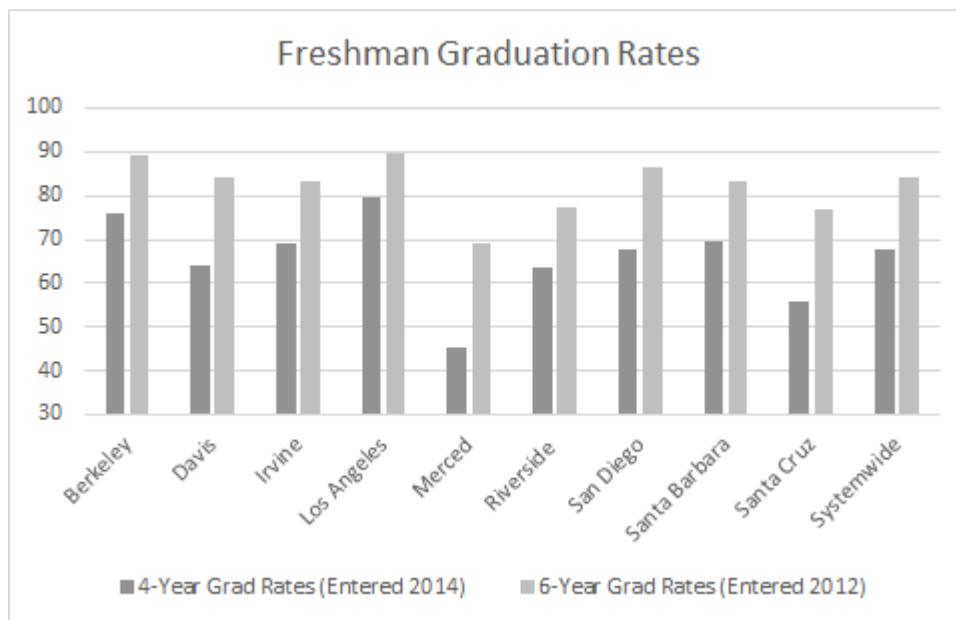
Issue 5: Degree Attainment and Completion, and Extension Programs

Panel

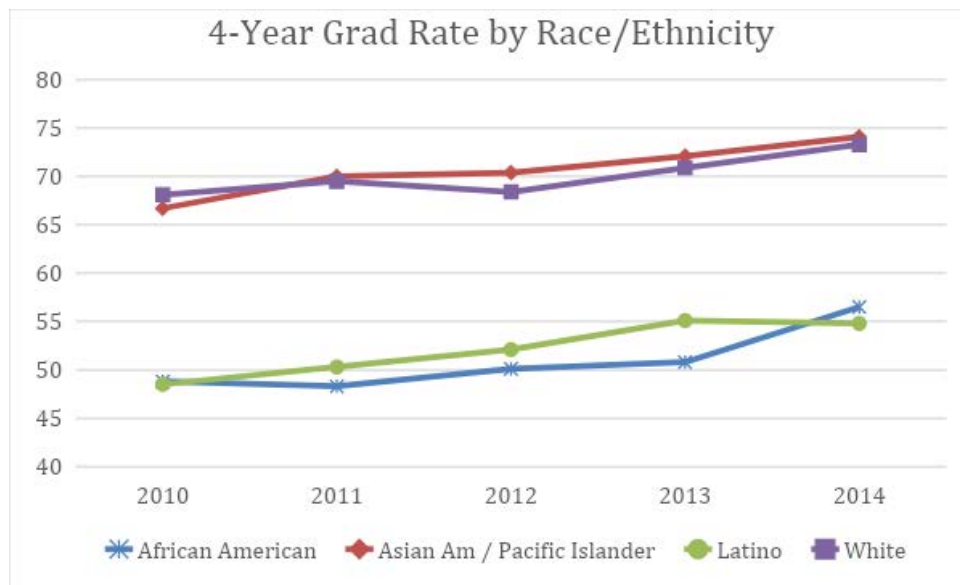
- Brian Rutledge, Department of Finance
- Rebecca Kirk, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Seija Virtanen, University of California

Background

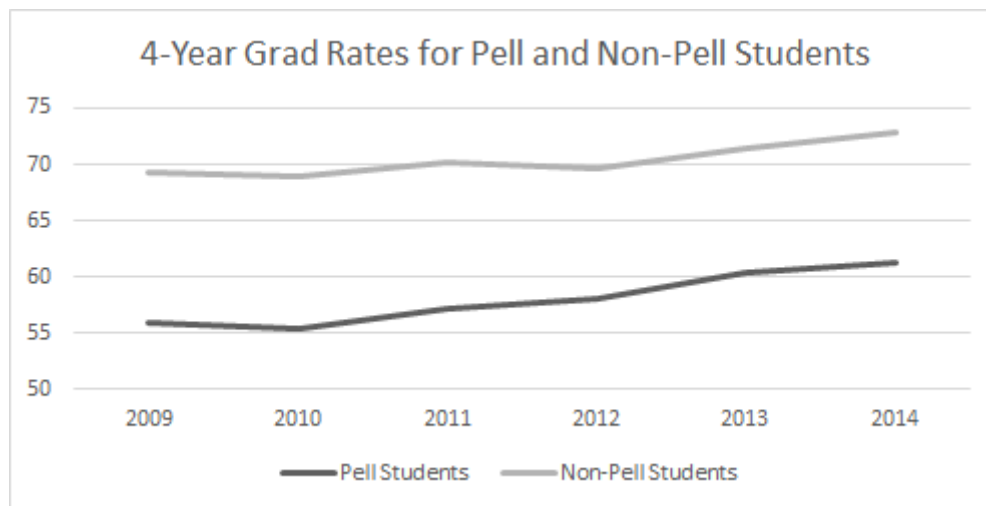
For the fall 2014 cohort, the systemwide four-year graduation rate at UC was 67.9 percent, and the six-year graduation rate for the fall 2012 cohort was 84.2 percent. While the UC’s systemwide graduation rate is relatively high, those rates mask differences among campuses. For example, UC Berkeley and Los Angeles have four-year graduation rates of 76 percent and 80 percent, respectively, whereas UC Merced’s four-year graduation rate is 45.5 percent. The chart below highlights the four and six year graduation rates for freshman entrants.



In addition to campus differences, student outcomes vary by race/ethnicity. The four-year graduation rate for white and Latino students in the 2010 cohort were 68 percent and 49 percent respectively. For the 2014 cohort, 73 percent of white students and 55 percent Latino students graduated in four years. The display on the following page shows four-year graduation rates across five cohorts of students. While the overall graduation rate for these groups of students increased, the display shows that the achievement gap still persists across subgroups of students.



An achievement gap for low-income students also exists. The four-year graduation rate for Pell grant recipients in 2014 was 61 percent compared to 73 percent of students who did not receive Pell grant. The display below shows the four-year graduation rates for pell and non-pell grant students from 2009 through 2014, which shows that the achievement gap has narrowed from 13.4 percent to 11.7 percent.



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

1. Achieve a 90 percent overall six-year freshman and four-year transfer graduation rate,
2. Close graduation gaps for Pell Grant recipients, underrepresented students, and first generation students,
3. Close overall graduate degree and doctoral degree attainment gaps for Pell Grant recipients, underrepresented students, first-generation students, and women,

4. Produce 200,000 more degrees, of which 80 percent are undergraduate degrees, and 20 percent is graduate degrees,
5. Invest in faculty and research by growing 280 ladder-rank faculty and 190 clinical faculty FTES each year over the next four years, and
6. Increase faculty diversity through faculty growth.

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

At the March 2019 Board of Regents meeting, UC notes that it plans to request an annual increase of \$60 million for the degree attainment and faculty growth elements of the multi-year framework. The UC notes that the across the entire system, the proposed investments are as follows:

1. Student advising - \$16.2 million (27 percent),
2. Academic support - \$20 million (20 percent),
3. Online course development - \$9 million (15 percent),
4. New degrees/courses - \$9 million (15 percent),
5. Scholarship and work-study - \$3 million (five percent),
6. Analytical tools - \$3 million (five percent),
7. Degree completion - \$3 million (five percent),
8. Summer bridge - \$1.8 million (three percent), and
9. Other - \$3 million (five percent).

The Governor's 2019-20 proposed budget included \$49.9 million for this purpose; however, this amount was not ultimately included in the final budget act.

Expansion of UC Extended Education. Extension programs operate outside of campuses' regular academic programs that provide instruction and education services to adult learners and non-traditional students. Extension programs are generally offered on a first-come, first served basis, and are self-supported through student course fees or employer contracted programs. Fees vary across programs and campuses, for example, at UC Berkeley Extension; the estimated cost of an accounting certificate is \$9,400, whereas at UCLA Extension the cost is estimated to be \$8,345. Because extension courses must earn enough money to cover operating expenses, courses and programs are largely based on market research gauging student demand. In 2018-19, UC extended education programs received \$278 million, however it is unclear what the programs reserves are. Currently, none of UC's extended education programs confer bachelor's degrees. In 2016-17, 52 percent of extension programs were in noncredit courses, 41 percent in professional certification courses, and seven percent in degree applicable courses.

The 2019-20 budget act included \$15 million one-time General Fund to support the expansion of UC extended education to support the initial planning, curriculum development, outreach and other start-up costs for the new programs. The Governor expected that the new programs would be offered on a fee-basis and will be self-supported after initial start-up. The budget required UC to submit a plan to the Department of Finance and the Joint Legislative Budget Committee a description of how funds will be used, types of programs UC plans to develop, and anticipated outcomes, among others.

UC has not submitted a plan to the Legislature on how it plans to spend the 2019-20 appropriation. In January 2020, UC issued a request for proposals to campuses with a goal of announcing awardees in April 2020. The request for proposal notes that \$5 million will be set aside to support multi-campus or

systemwide approaches, with the remaining \$10 million to support individual campus efforts. UC notes that seven campuses have applied – Davis, Irvine, Los Angeles, Merced, Riverside, San Diego and Santa Barbara.

Governor’s Budget Proposal

Extended Education. The Governor’s budget provides \$4 million one-time General Fund to develop or expand degree completion or certificate programs, with a focus of online programs.

As noted in the operating budget section of this agenda, the Administration expects the UC to reduce time to degree and narrow achievement gaps; however, it does not specify funds for this purpose.

UC Budget Requests

Degree Attainment and Close Achievement Gaps. UC’s 2020-21 adopted budget included \$60 million ongoing General Fund to enhance degree attainment, eliminating achievement gaps and investing in faculty. Should the UC receive funding for this purpose, it intends to spend the funds in the same manner as proposed in their 2019-20 budget request. UCOP notes that this is an initial investment that would require annual funding of \$240 million once it is fully phased in.

Academic and Support Services for Undocumented Students, Foster Youth and Previously Incarcerated Students. The UC’s adopted spending plan includes \$20 million ongoing to provide academic and student support services for undocumented students, foster youth and previously incarcerated students. UC has not provided staff with a detailed spending plan on the use of funds of how they will be distributed or targeted.

The Governor’s budget did not specify additional funding for these purposes.

Legislative Analyst’s Office Comments

The Administration’s 2019-20 proposed budget included \$50 million ongoing General Fund to support UC’s graduation rate improvement plan. During the spring 2019 budget deliberations, the LAO raised questions and concerns about the Administration’s proposal. The LAO stated that the proposal lacked:

- **Focus.** UC indicated the funds would support its improvement plan, which included many objectives that go far beyond reducing undergraduate achievement gaps.
- **Justification for Proposed Amount.** Without clarity on the specific objectives to be addressed, the Legislature cannot determine if \$50 million is justified.
- **Accountability.** The proposal did not specify use of the funds or establish performance expectations. Without this information, the Legislature could not have any basis in future years to evaluate whether funding is being used to meet its goals.

Ultimately, this proposal was not included in the final budget act of 2019-20.

UC Extension Programs. Similar to the Administration’s 2019-20 proposed budget, the LAO has concerns and recommends rejecting the proposal. The LAO notes that there is little information or justification for the proposal. Specifically, it unclear the scope of the problem – such as number of adults

who are unaware of education options and why they are unable to access existing programs. It is also unclear why the state should support a self-supporting enterprise, with financial incentive to identify in-demand courses and programs. The LAO also believes that is premature to provide additional funding for this program as the UC has not submitted an expenditure plan for the 2019-20 budget allocation.

Staff Comments

Extension Programs. According to a January 2019 UC Institutional Research and Academic Planning document, UC notes that between 1999 and 2001, about 67,000 students did not complete their bachelor's degree as of 2018. Specifically, for the 2011 cohort of students, approximately 6,100 did not complete their bachelor's degree at any higher education institution. Similar to last year, it is unclear why these students do not complete their degrees, and if there are earlier interventions or other services that could help students complete their degree. Additionally, it is unclear what the demographics of these students are. As currently structured, extension programs offer limited financial aid for students. This raises the question of equity and access to courses and programs for low-income students.

The 2019-20 budget for this program has not been implemented, and therefore it may be premature to expand the program. In order to provide greater transparency and accountability of extension programs, the 2019-20 budget act included report language requiring UC to report biennially, starting on June 30, 2021 on the following:

1. A description of each extension program and how it meets regional labor market needs and student demand.
2. A description of current re-entry options and programs, and recommendations on how to improve access and success in these programs.
3. The completion rates of programs developed.
4. The total cost of attendance for extension programs.
5. The number of students and financial aid recipients.
6. Demographics of students served.
7. An explanation of the circumstances under which extension students may use federal grants and loans for these programs, pursuant to Title IV of the Higher Education Act.
8. The estimated number of financial aid recipients, disaggregated by financial award type and the average financial award amount.
9. A list of contracts with third-party entities used by UC extension for educational programs, including but not limited to contracts for the development of course materials, administration of the programs, or the provision of instruction.

This information may help provide clarity on the programs structures, whether students would have the same academic standards as students seeking readmission to UC's regular academic programs, and to help evaluate effectiveness of these programs. Staff shares similar concerns as the LAO regarding this proposal.

Student Success Services and Programs. According to UC InfoCenter, in the fall of 2019, 40 percent of undergraduates were first generation college students, and 36 percent were Pell Grant recipients. First generation college students are more likely to come from historically underrepresented groups, households where English is not the primary language spoken, be transfer students or receive a Pell Grant.

In 2018-19, UC spent \$1.2 billion on student services. This funded from a combination of funds, of which were generated mostly from student fees. Student services included: (1) campus financial aid offices (\$42 million), (2) Counseling and psychological services (\$37 million), (3) student health services (\$416 million), (4) campus admissions and registrar operations (\$122 million), (5) academic support services- tutoring services (\$26 million), (6) co-curricular support and engagement through services for student veterans, undocumented students, cross cultural centers, LGBT students and student government (\$30 million), (7) services to students with disabilities (\$13 million), (8) social and cultural activities through student organizations, recreational and sport activities (\$347 million), and (9) career guidance to help students with academic performance, choice of major, graduate applications, career opportunities (\$46 million).

While the information provided above provides the public with a macro-perspective of UC spending, additional details may help the state understand the student experience, especially for first generation, low-income or students from historically underrepresented groups. For example, at this time, it is unclear the amount of funding that UC spends on academic counselors, and what the academic counselors to student ratios are on campuses or systemwide. Additionally, it is unclear what the budgets are for guardian scholar programs or similar programs serving foster youth on campuses. As the Legislature evaluates the Administration's extension program proposal and UC's \$80 million General Fund ongoing budget request, additional background and details regarding existing programs, their budgets, and services provided can help evaluate how to best support students.

The subcommittee may wish to ask:

1. What are the reserves for the extension programs?
2. Is the \$60 million for degree attainment/closing achievement gaps program limited to undergraduate students only, or does this include graduate student services as well? UC notes that of this funding, \$3 million will be spent on degree completion efforts, please provide additional information on what this entails. How much funding does UC provided to support academic counselors, and what is the academic counselor to student ratio?
3. What activities or actions does the Administration expect UC to take in order to reduce time to degree and narrow the achievement gap?

Staff Recommendation. Hold Open.

Issue 6: Addressing Student Basic Needs – Hunger and Homelessness (Informational)**Panel**

- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Previous Budget Actions. The 2017-18 budget provided UC \$2.5 million one-time General Fund for UC to create “hunger-free campuses.” 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 provide students with information to enroll in CalFresh also known as Supplemental Nutrition Assistance Program (SNAP), which provides eligible students with up to \$192 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 credits, and
4. A campus employee designated to work with student volunteers of the meal-sharing program. Each campus received \$250,000 for this purpose.

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

The 2018-19 budget provided UC \$1.5 million one-time General Fund to support campus efforts to address student hunger and basic needs. Assembly Bill 1809 (Committee on Budget), Chapter 33, Statutes of 2018, required UC to submit a report to the Legislature by February 15, 2019, on campus use of funds, as specified. Each campus received \$150,000. Additionally, AB 1809 created a working group with representatives from the 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.

UCOP submitted an updated Hunger Free Campus report in February 2020 to the Legislature. The report notes that between June 2018 and June 2019, on-campus food pantries served nearly 49,000 unduplicated students. Additionally, all campuses provided emergency meals to non-CalFresh eligible students. Between June 2018 and June 2019, campuses assisted almost 13,000 students with submitting CalFresh applications, and a subset of nearly 1,000 students from UC Davis, Los Angeles and Merced submitted CalFresh applications through their respective GetCalFresh campus websites.

The 2019-20 budget provided \$15 million ongoing General Fund to support student basic needs, such as meal donation programs, food pantries, CalFresh enrollment, and other methods to support student hunger and housing insecure. The budget requires UC to work with the Department of Social Services to

assess the effectiveness of CalFresh and other state departments in addressing student food and housing insecurity.

The 2019-20 budget also provided \$3.5 million ongoing General Fund for rapid rehousing to support homeless and housing insecure students. Campuses must establish ongoing partnerships with community organizations to provide wrap-around services. The budget requires the UC to annually submit a report to the Legislature starting on July 15, 2020 regarding the use of funds and specified outcomes.

In July 2019, UCOP submitted a report to the Legislature regarding the allocation of funds for 2019-20 through 2021-22. The chart below displays the distribution of funds to campuses. Each campus received a base allocation and the remainder was distributed to campuses based on the number of food insecure or homeless students. In addition, \$2.5 million of the food and housing insecure funds will be used to provide innovation grants, and \$500,000 was earmarked for coordination and program evaluation.

Campus	Food and Housing Insecurity: \$15M			Rapid Rehousing: \$3.5M			Combined: \$18.5M
	Food Insecure or Homeless Students*		Total	Base Allocation		Total	Total
	Base Allocation	Homeless Students*		Base Allocation	Homeless Students*		
Berkeley	500,000	896,000	1,396,000	\$ 150,000	322,000	472,000	1,868,000
Davis	500,000	977,000	1,477,000	150,000	204,000	354,000	1,831,000
Irvine	500,000	945,000	1,445,000	150,000	247,000	397,000	1,842,000
Los Angeles	500,000	850,000	1,350,000	150,000	257,000	407,000	1,757,000
Merced	500,000	291,000	791,000	150,000	53,000	203,000	994,000
Riverside	500,000	740,000	1,240,000	150,000	157,000	307,000	1,547,000
San Diego	500,000	903,000	1,403,000	150,000	256,000	406,000	1,809,000
San Francisco	500,000	49,000	549,000	150,000	18,000	168,000	717,000
Santa Barbara	500,000	762,000	1,262,000	150,000	265,000	415,000	1,677,000
Santa Cruz	500,000	587,000	1,087,000	150,000	221,000	371,000	1,458,000
Innovation Grants			2,500,000				2,500,000
Coord/Evaluation			500,000				500,000
Total	\$5,000,000	\$7,000,000	\$15,000,000	\$1,500,000	\$2,000,000	\$3,500,000	\$18,500,000

* Based on student responses to 2016 UCUES and GSWB surveys, adjusted to reflect latest available enrollment figures.

While campus plans are not available at this time, UC staff notes that campuses are conducting the following activities:

1. Basic Needs:

- Berkeley: Enhancing county food bank and social services collaborations to improve outreach, and CalFresh enrollment counts.
- Davis: Expanding locations on campus where students can use CalFresh/EBT benefits. Dedicate more resources to promoting CalFresh program awareness in order to increase enrollment.
- Irvine: Hosting quarterly enrollment events for CalFresh in partnership with the Orange County Social Services Agency. Increase procurement of toiletries and nutritious groceries for campus food pantry.

- UCLA: Providing students with emergency relief through programs such as UCLA's food pantry.
- Merced: Retrofitting a Basic Needs Center workspace to support additional staffing and programming. Conduct targeted outreach to new graduate students, transfer students, and incoming freshmen through orientation programming.
- Riverside: Distributing \$200,000 in awards to students with the highest financial need, based on basic needs insecurities/crises. Establishing a meal plan program for food insecure students (and those without a meal plan), in collaboration with UCR Dining.
- San Diego: Developing a grocery shuttle program. Building a new pantry in graduate student housing.
- UCSF: Providing eligible students with \$200 per month in grocery gift cards.
- Santa Barbara: Opening a new Basic Needs Advising Center for the CalFresh Advocate and Food Security Peer Advising Offices.
- Santa Cruz: Dedicating a single Financial Aid Officer to work with student receiving basic needs awards.

2. Rapid Rehousing:

- Berkeley: Hiring staff and students to provide case management on rapid rehousing
- Davis: Providing rent and move-in assistance to homeless students.
- Irvine: Establishing an emergency housing fund.
- Merced: Administering direct student awards for emergency housing. Establishing relationships with local nonprofit organizations to offer emergency services.
- Riverside: Forming a partnership with Riverside County to ensure availability of emergency housing for students.
- San Diego: Creating a Deposit Loan Program and Rental Certification Program.
- UCSF: Identifying local community partnerships that assist students with finding affordable housing.
- Santa Barbara: Piloting a small Deposit Loan Program, in which students who are homeless or about to be homeless can receive a small no-interest loan for the cost of the first month's deposit on a new home.
- Santa Cruz: Identifying off-campus housing partnerships, such a local hotels and apartments.

Governor's Budget Proposal

The Governor does not have a budget proposal to address UC student hunger or homelessness.

Staff Comments

UC Undergraduate Experience Survey. The 2018 UC Undergraduate Experience Survey (UCUES) was sent to over 200,000 undergraduates at all campuses during the spring term, and the systemwide completion rate for the survey was 27 percent or 56,000 students. Of students who responded to the survey, eight percent of students found that the food that they bought did not last and did not have the money to purchase more food. Of those surveyed, 27 percent experienced very low food security and 20 percent experienced low food security. The US Department of Agriculture defines very low food security as reduced food intake or disrupted eating patterns at times due to limited resources. Low food security is defined as reduced quality, variety or desirability of diet, with little or no indication of reduced food intake.

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

The 2018 UCUES found that four percent of survey respondents (unduplicated) were homeless at some point during their academic term. However, the question used was not validated to ensure it is an accurate measurement of homelessness and the issue of defining “homelessness” and how to correctly measure housing insecurity is still being addressed nationally. The homelessness question included in both surveys has not been fully validated, as a result, UC notes that the results should be interpreted with caution.

The Legislature may wish to take a holistic approach in addressing student basic needs, and consider all proposals and programs that seek to address this. For example, the Cal Grant B Access Award provides eligible students up to \$1,672 to address living expenses. The Federal Pell Grant provides up to \$6,345 to cover tuition or living expenses. Additionally, UC’s institutional financial aid package takes into consideration the total cost of attendance, and provides institutional aid to help cover the total cost of attendance. UC’s financial aid package assumes that a student contribute \$10,000 a year through work or students loan to their education expenses. The California Student Aid Commission is proposing a financial aid reform package, which takes into consideration the non-tuition costs, such as housing. This proposal will be discussed at a future hearing.

2019-20 Budget Act. The 2019-20 budget did not require UC to report back regarding the use of the \$15 million General Fund ongoing for basic needs. The Legislature may wish to require annual reporting, similar to the report required by the rapid rehousing program, to help inform the Legislature on how funds were used by campuses and the system – such as how much was spent on direct services versus administration, and for what purpose.

Proposition 13 – 2020 School Facilities General Obligation Bond. Proposition 13 would allow the state to sell \$15 billion in general obligation bonds to fund school, community college, and university facility projects. Proposition 13 would require university campuses also would be required to develop five-year plans to expand affordable housing options for their students. The system boards would be required to consider these housing plans as an additional factor in prioritizing among campuses’ facility projects. While the election results for this statewide ballot measure is not finalized, at this time, approximately 54.3 percent of voters voted “no” on Proposition 13.

The subcommittee may wish to ask:

1. Last year's trailer bill required DSS to work with UC, California State University and California Community College's to report on CalFresh and its effectiveness in addressing food insecurity at public segments by November 1, 2019. What is the status of this report?
2. AB 1809 created a working group to improve coordination and access to student benefits. The Legislature may wish to ask for an update regarding this workgroup.
3. What were the campuses spending plans for the food and housing insecurity funds (\$15 million) and rapid rehousing (\$3.5 million)? What are UC's plans for the \$2.5 million in innovation grants? What outcomes does the UC plan to evaluate with the innovation grants, and how will these practices be scaled to other campuses?
4. How far along are campuses in establishing their five year affordable housing plans?

Staff Recommendation. Hold Open.

Issue 7: Student Mental Health Services (Informational)

Panel

- Seija Virtanen, University of California
- Jason Constantouros, Legislative Analyst's Office

Background

In 2014, the UC Regents adopted the Long-Term Stability Plan for Tuition and Financial Aid, which included a five percent annual increase in the Student Services Fee from 2015-16 through 2019-20. 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.

According to the UC Budget for Current Operations 2020-21 report, 96 percent of students were seen within two days for urgent mental health issues at the UC Counseling and Psychological Services (CAPS) Centers, and 99 percent of students were seen within seven days. However, for the fall of 2018, only 74 percent of students were able to be seen within two weeks for an initial intake appointment for routine issues. This is a decline from 80 percent in the fall of 2016.

In 2018-19, counseling services has seen a 3.5 percent increase in individual counseling visits, a 0.5 percent increase in unique individual counseling patients, and a one-day increase in the average wait time to initial intake appointment for routine issues (10 days). There is currently no change in the average wait time for urgent appointments (zero days), first follow-up appointments (16 days), or first contact appointments (five days).

Psychiatry services have seen an eight percent increase in individual psychiatry visits and a seven percent increase in unique individual psychiatry patients. The average wait time for initial routine psychiatry intake is 11 days, and the average wait time for first follow-up appointments was 23 days. There has been a four day increase in the average wait time for first contact appointments (nine days).

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.

Health Insurance. All UC students are required to have health insurance. In order to satisfy this requirement, students are automatically enrolled in the UC Student Health Insurance Plan (SHIP). If students have comparable insurance coverage, they may have their UC SHIP enrollment fee waived. Costs to enroll in SHIP vary across campuses. For example for an undergraduate student at UC Riverside, program costs under SHIP for the student only is \$1,773, whereas at UCLA it is \$2,516, and at Davis it is \$2,622.

In order to waive SHIP, a student's insurance plan must be a Medi-Cal/Medicaid, Medicare, TRICARE/Military, Covered California or other U.S. federal or state exchange plan, a UC Employee Health plan, or an employer-sponsored group health plan or individual plan. The plan must cover inpatient (hospital) and outpatient care for mental health and substance abuse disorder conditions the same as any other medical condition, as well as doctor office visits for medical, including mental health, and alcohol/drug abuse conditions, among others.

Campus CAPS Centers. Campus CAPS Centers services include short-term counseling for individuals and families, workshops, drop-in consultations, crisis intervention, referrals, brief couples or family counseling, educational outreach. Some campus CAPS Centers also assists students with urgent care and some psychological testing. Services and fees vary among campuses. CAPS Centers do not provide long-term counseling and psychotherapy services; instead, students are referred to off-site community psychiatrists when this care is needed. At most CAPS Centers, students are able to receive counseling services at no charge, however the number of counseling sessions a student may vary at each campus. The Legislature may wish to ask why there is variation regarding fees and length of services across campus CAPS Centers.

UC notes that the International Association recommends a counselor-to-student ratio in the range of 1:1,000 to 1:1,500. In 2018, the average ratio system wide is 1:1,071, this is a decrease from 2015, where the ratio was 1:1,208. For the psychiatrist-to-student ratio, UC's system wide average which decreased from 1:9,464 to 1:7,350. The chart on below summarizes the systemwide provider-to-student ratios.

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

UC notes that 88 percent of the positions that were in the original five year plan have been filled. UC notes that a number of factors may contribute to vacancy rates, including competition with the private sector, campus location, and cost-of-living of the campus area.

UC notes that there are a number of gaps in mental health services provided by UC CAPS centers related to limitations in the capacity for UC CAPS and Student Health Services (SHS) centers to provide care for high-acuity mental health conditions, long-term care for students with chronic mental health issues, and to bill third-party insurance from a variety of payers.

Proposition 63 California Mental Health Services Act (CalMHSA). In 2005, Proposition 63 was enacted and placed a one percent tax on personal income above \$1 million and dedicated the associated revenues of roughly \$2 billion annually to mental health services. Up to five percent of this funding goes to the state to administer the MHSA. In addition, up to \$140 million annually can be redirected to support housing for individuals with mental illness who are homeless or at risk of becoming homeless. The Department of Health Care Services determines the methodology for distributing the remaining amount of roughly \$1.8 billion to counties and generally considers a number of factors such as the county's population and need for services. Counties must use this funding to provide (1) direct services and support, (2) prevention and early intervention, and (3) innovative programs. Many counties use a portion of these funds to provide services in a way that allows them to receive federal reimbursements through Medi-Cal (a program to cover health care costs for low-income families and individuals), which allows the counties to receive additional federal funding.

From 2011 to 2014, UC received \$6.9 million total from the CalMHSA to provide support for student mental health services and staff.

Prior Budget Acts. The 2018-19 budget provided \$5.3 million one-time to support student mental health services at UC. UC notes that this funding was used to hire additional counselors across campuses.

The 2019-20 budget provided \$5.3 million ongoing General Fund to support student mental health services. UC notes that this funding was used to provide ongoing support counselor's that were previously hired with one-time funds that were provided in the 2018-19 budget act.

The 2019-20 budget included an expenditure authority from the Mental Health Services Fund of \$50 million in 2019-20 and \$10 million annually thereafter for the Mental Health School Services Act, 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 will 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. Postsecondary institutions were not included in this program.

Governor's Budget Proposal

The Governor does not provide additional resources to provide mental health services for students.

UC's Budget Request

The UC's 2020-21 spending plan includes an additional \$5.3 million to hire additional mental health providers on campus.

Staff Comments

UC Five Year Plan. In August of 2019, UC Health presented to the UC Regents a five-year cost estimate to support student mental health. The 2020-25 estimate outlined the support needed: \$55 million to fund clinical providers; and \$121 million to fund campus prevention, early intervention and development of healthy campus learning. This translates to an annual request of \$35.2 million through 2025. This proposal was not included in UC's 2020-21 budget request.

UC and County Collaboration. At the December 2019 UC Regents meeting, a discussion item was heard regarding UC collaboration with counties to enhance students and community health. The update outlined the initial strategies to commence discussions with UC medical centers and the CMHSOAC to identify resource-sharing opportunities between UC and the counties. An initial exploratory meeting was scheduled in December with leadership from UC Davis, UC Merced, and directors of county mental health units from Yolo, Merced and Fresno counties to help identify gaps in care and to explore solutions to provide more comprehensive and seamless assistance to clients. The ultimate goal is to

create a comprehensive collaborative care plan to better service students and utilize combined resources rather than working in independent systems and duplicating services unnecessarily.

The item identified UC Davis Health's tele-behavioral health platform as a potential resource for providers and clients to help augment services already provided onsite. The item also identified a need to catalogue existing UC and county relationships at each campus that relate to mental health, and evaluate the potential of those relationships to improve mental health services for students and county residents.

The subcommittee may wish to ask:

1. What are the next steps for the UC medical centers and county providers to help improve and increase mental health services for students?

Staff Recommendation. Hold Open.

Issue 8: Animal Shelter Outreach Grant**Panel**

- Brian Rutledge, Department of Finance
- Dr. Kate Hurley, Program Director, UC Davis Koret Shelter Medicine Program
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California

Background

Local Governments Are Responsible for Operating Shelters. Generally, local governments in California administer animal control services. These services include housing animals that are stray or abandoned by their owners. Some cities and counties run their own shelters, while others contract for services. In addition to public shelters, nonprofit shelters and rescue groups also house stray animals or develop networks of foster homes. According to experts at UC Davis, there are over 300 public and private animal shelters in California.

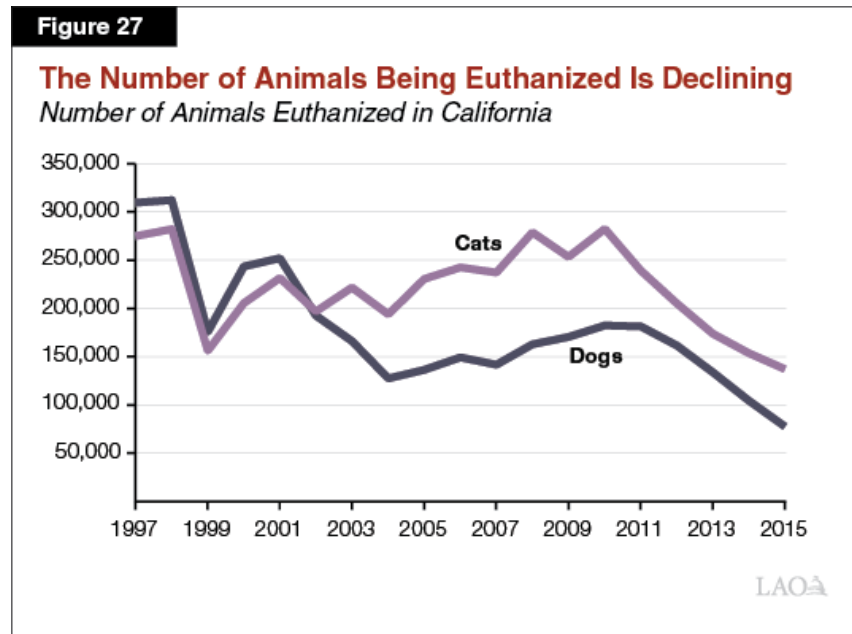
Public animal shelters receive direct funding from their local government, fee revenues, such as from dog licensing fees and adoption fee, and private donations to help fund their operations. Limited data suggest that most funding for animal services comes from local governments. For example, the City of Los Angeles reports spending \$27 million on animal services in 2019-20. Of this amount, 98 percent was funded from the city's general funds and the remainder was from other sources.

Shelters Euthanize Some Animals. It is estimated that hundreds of thousands of dogs and cats enter California shelters each year. As shelters generally do not have capacity to house all of these animals permanently, shelters must find long-term solutions. Animals that are deemed healthy and behaviorally compatible are made available for adoption. Animals with diseases or posing behavioral risks may be treated by in-house veterinary staff, depending on the shelter's resources. Shelters can euthanize animals that are terminally ill or cannot otherwise be rehabilitated. Furthermore, shelters may euthanize healthy animals to free up capacity for incoming animals when space is limited.

State Policy to Promote Animal Adoption. Senate Bill 1785 (Hayden), Chapter 752, Statutes of 1998 changed state policy regarding shelter care for animals. Most notably, SB 1785 declared, "It is the policy of the state that no adoptable animal should be euthanized if it can be adopted into a suitable home." Furthermore, the law lengthened the minimum amount of time (generally from three to six days) that shelters must care for animals before euthanizing them.

The Commission on State Mandates ultimately determined that under SB 1785, the state was responsible for added costs to local shelters. Though the commission reasoned that shelters could recover costs from fee revenue when animals are adopted, it concluded that shelters could not recover costs when animals are ultimately euthanized after the initial holding period. The commission created a reimbursement methodology based primarily on the cost of caring for animals that were euthanized. Rather than providing more state funding for shelters with increased animal adoptions, this methodology resulted in the state providing more funding to shelters that euthanized more animals. The state eventually suspended this mandate (along with numerous other mandates) in 2009-10.

Number of Animals Euthanized Appears to Be Declining. Each year, the California Department of Public Health surveys local shelters on their intake of animals and whether the animals are placed into homes or euthanized. While the data appear to be somewhat inconsistent across the years (likely due to inconsistent shelter participation in the survey), the overall number of animals that are euthanized appears to be declining. The decline in recent years could be due to many factors, such as the economic recovery, improved community outreach among animal shelters, and other improved shelter practices.



UC Davis Operates Research Center on Animal Shelters. Located at the UC Davis School of Veterinary Medicine, the Koret Shelter Medicine Program conducts research and outreach on animal shelter medicine and management issues. The program consists of one director, five FTE veterinarian faculty, and 4 FTE staff. According to program staff, the Koret program does not receive core UC funding for its operations. Instead, the program funds its operations from a mix of sources, including private donations, grants, fees from consulting services provided to animal shelters, and endowment income. In 2019-20, the program reports receiving \$1.3 million.

Governor's Budget Proposal

Governor Proposes \$50 Million One-Time General Fund for Animal Shelter Outreach Initiative. The funding would be allocated directly to the UC Davis Koret program, which would have five years to spend the funds. Proposed trailer bill language directs that the funds be used to support statewide outreach activities, individualized consulting with shelters, and a competitive grant program. It does not specify the amounts to be used for each of these activities.

Proposal Contains Various Intent Provisions. The trailer bill language states intent that the program prioritize funds for shelters that are located in communities with underserved populations and offer "the greatest likely return on one-time investment." Furthermore, the program would be authorized to give "additional consideration to working with communities that do any of the following: (1) seek to maximize the number of animals whose lives can be saved; (2) demonstrate partnerships between public, private, corporate, and/or nonprofit entities; and (3) emphasize volunteer engagement and community outreach components for purposes of increasing the sustainability of the program's

investments.” The language directs the program to ensure that funding is spread throughout the state. The language prohibits the funds being used for UC administrative costs. Under the proposal, UC would be required to report on the program by March 31, 2022, and every two years thereafter until March 31, 2028.

Legislative Analyst’s Office Comments

Weigh Proposal Against Other One-Time Priorities. The LAO notes that while the concept of the animal shelter outreach initiative appears well intended, but its potential benefits are unclear. Given the initiative is new and does not have specified milestones, the state has less certainty it will achieve its goal to reduce the number of animals that are euthanized. The LAO notes that the Legislature may wish to weigh one-time spending carefully, and consider options that have the highest returns. For example, the LAO notes that the state and UC faces billions of dollars in unfunded liabilities, such as pensions, retiree health, deferred maintenance, where additional funds could reduce future costs and risks and improve the state’s budget condition.

Animal Shelter Augmentation Is Substantial but No Expenditure Plan Exists. Despite this surge in funding, the Governor does not require the program to submit an expenditure plan prior to release of the funding. The Legislature likely will want to better understand how the program plans to increase its operations prior to appropriating the funds.

Proposal Could Create Pressure for Ongoing Funding in Future Years. The LAO also encourages the Legislature to consider the potential ongoing cost pressures that could result from adopting the proposal. To the extent that the Koret program and local animal shelters use their funding under the initiative to increase their operations (such as by hiring additional staffing to facilitate more animal adoptions), they very likely would face challenges sustaining these activities after the five-year grant period ends. Given the augmentation is so significant, identifying sufficient additional private philanthropy, grants, or other non-state funds to sustain operations on an ongoing basis could be particularly difficult.

More Information Would Be Essential for Evaluating the Initiative. Given the significant flexibility that the Koret program might have to allocate the proposed funds, program oversight and reporting will be essential for the Legislature to evaluate the initiative’s outcomes in future years. As proposed, trailer bill language would require UC to report biennially on “grants made, pending grants, program accomplishments, and the future direction of the program.” Were the Legislature interested in pursuing this proposal, it likely would want more specific, additional information, including the following:

- How grant recipients spent their funds, including whether the funds supplemented or supplanted existing funds.
- What outreach activities the Koret program provided and whether shelters implemented recommended best practices as a result.
- Statewide and shelter-specific information on animal intake, live release rates, and euthanized rates.
- The Koret program’s annual budget, including funding, spending, and fund balances.

Staff Comments

While the proposed trailer bill language notes that the program will provide outreach, conferences, web-based resources, in-person assessments, online training, and help implement best-practices, it is unclear

how much funding will be dedicated for each purpose. Based on conversations with UC, UC intends to use \$12.5 million of the proposed funding to support Koret program's staff and operations, however it is unclear how many additional staff will be hired or for what purpose. UC staff also notes that of the funds provided in the proposal, 25 percent will be used for assessments and 75 percent will be used for implementation. Should the Legislature approve this proposal, it may wish to consider the LAO's recommendations on additional reporting requirements in order to better understand the outcomes and results of this program.

Staff Recommendation. Hold Open

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1

Agenda

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



Monday, May 25, 2020
10 a.m. or upon call of the chair
State Capitol - Room 4302

Consultants: Elisa Wynne

AGENDA

Part A

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K-12 Education Issues for Discussion

6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1: Proposition 98 Overall**Background:****PROPOSITION 98 – K-14 EDUCATION**

- **Changes to the Minimum Guarantee.** The May Revision provides a substantial decrease to the Proposition 98 funding of \$17.5 billion from the Governor’s budget for the three-year period of 2018-19 to 2020-21. More specifically, the May Revision funds the Proposition 98 Guarantee for the 2018-19 through 2020-21 fiscal years at \$78.7 billion, \$77.4 billion, and \$70.5 billion, respectively. Compared to January, this reflects the following yearly changes:
 - An increase of approximately \$292 million in 2018-19.
 - A decrease of approximately \$4.2 billion in 2019-20.
 - A decrease of approximately \$13.6 billion in 2020-21.

These levels reflect the estimated substantial decrease 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 May Revision also includes proposals to generate \$4.5 billion in General Fund revenues, which increase the Proposition 98 Guarantee by \$1.8 billion that is reflected in the above levels.

Staff Recommendation: Information Only.

Issue 2: Proposition 98 Supplementary Payment Plan

Request: The May Revision includes a new multi-year payment obligation designed to supplement funding provided by Proposition 98. This new obligation would designate 1.5 percent of General Fund Revenues per year to K-14 education beginning in 2021-22 to provide \$13 billion over a multi-year period. This funding would accelerate the recovery of K-14 education funding from reductions and increase the Proposition 98 share of General Fund from 38 to 40 percent in a Test 1 year by 2023-24.

Staff Recommendation: Hold Open, pending adoption of overall Proposition 98 and State Budget package.

6100 DEPARTMENT OF EDUCATION**Issue 3: Local Control Funding Formula (LCFF) Reductions and Deferrals****Request:**

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 fully funded the LCFF in 2018-19 and has provided a cost-of-living adjustment (COLA) annually. The May Revision proposes a reduction in LCFF of \$6.4 billion in 2020-21 or 10 percent in comparison to the January budget level, which included a COLA of 2.31 percent. Under the May Revision proposal, this reduction would be backfilled if additional federal funds are provided.

Payment Deferrals. The May Revision includes the deferral of payments to K-12 local educational agencies, totaling \$5.3 billion. Of this total, \$1.9 billion would be deferred from June 2020 to July 2020 and an additional \$3.4 billion would be deferred from 2020-21 to 2021-22. Deferrals provide a one-time funding solution and the same amount of additional funds are needed to retire deferrals in future years.

Staff Recommendation: Hold Open

Issue 4: Categorical Program Trigger Reductions

Request: The May Revision includes a proposal to reduce the following Proposition 98 categorical programs by the listed amount in the 2020-21 fiscal year. These reductions are included under the federal funds trigger proposed by the Administration and would be backfilled in the 2020-21 fiscal year if federal funds were made available. The majority of these reductions, with the exception of ASES, the online resource subscription, and the CCEE funds, represent a fifty percent cut to the program.

K-12 Categorical Reductions Proposed in the May Revision:

- **After School Education and Safety Programs:** (\$100 million) These programs are created through partnerships between schools and local community resources to provide literacy, academic enrichment and safe constructive alternatives for students in transitional kindergarten through ninth grade (K–9).
- **K-12 Strong Workforce Program:** (\$79.4 million) This program provides grants to LEAs to support career technical education (CTE) courses, course sequences, programs of study, and pathways for students transitioning from secondary education to postsecondary education to living-wage employment. Funding is provided through a regional consortium model. (K-12 Program included under CCC Budget)
- **Career Technical Education Incentive Grant Program:** (\$77.4 million) This program provides grants to LEAs to support CTE programs and courses of study for students as they transition to postsecondary education and careers. Funding is provided through a competitive grant process.
- **Adult Education Block Grant:** (\$66.9 million) This program provides funding to LEAs for the support adult education programs, such as high school diploma attainment and English as a second language, through a regional consortium model. (K-12 Program included under CCC)
- **California Partnership Academies:** (\$9.4 million) This program funds high school academies that focus on career related themes and combine academics with occupational training.

- **Career Technical Education Initiative:** (\$7.7 million) This program provides support for various CTE contracts and partnership academies.
- **Online Resource Subscriptions for Schools:** (\$3 million) This program provides a stateside subscription to online research and education tools for use by students and in the classroom.
- **Specialized Secondary Programs:** (\$2.4 million) This program provides grants to LEAs to support programs that provide students with advanced learning opportunities in a variety of subjects. Although these programs retain a core course work element within the approved curriculum, they may specialize in such areas as English-language arts, mathematics, science, history and social science, foreign language, and the visual performing arts. The acquisition of technology skills and their use as a tool for instruction and learning is also emphasized in these programs.
- **Agricultural Career Technical Education Incentive Grant:** (\$2.1 million) This program provides grants to LEAs to improve the quality of their agricultural vocational education programs. The goal is to maintain a high-quality, comprehensive agricultural vocational program in California's public school system to ensure a constant source of employable, trained, and skilled individuals.
- **Clean Technology Partnership:** (\$1.3 million) This program provides grants for specific partnership academies focused on employment in clean technology businesses and renewable energy businesses and provide skilled workforces for the products and services for energy or water conservation, or both, renewable energy, pollution reduction, or other technologies
- **California Collaborative for Educational Excellence:** (\$1.2 million) This reflects a ten percent reduction to the CCEE operating budget.

Staff Recommendation: Hold Open

Issue 5: Federal Coronavirus Relief Funds

Request: The May Revision provides \$4.4 billion in one-time federal funds (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor’s Emergency Education Relief Fund) for a Learning Loss Block Grant. These funds may be used to address student learning loss and will be allocated on a formula basis, to those LEAs with significant numbers of students with disabilities, low-income students, English Learners, and foster youth.

Of the total amount, the May Revision allocates \$1.5 billion to LEAs on the basis of the count of students with disabilities served, and the remaining \$2.9 billion is allocated on a per Average-Daily-Attendance (ADA) basis to LEAs that receive concentration grant funds under LCFF. Under LCFF, LEAs receive concentration grant funding if their enrollment of low income, English learner, and foster youth students exceeds 55 percent of total enrollment.

Under the Learning Loss Block Grant, funds may be expended on or before December 30, 2020 for activities that 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. LEAs must adopt an instructional continuity plan detailing how they will provide services and expend these funds.

Staff Recommendation: Approve proposal to provide \$4.4 billion in federal Coronavirus Relief Funds. Amend distribution to methodology to provide \$1.5 billion to LEAs on the basis of the number of students with disabilities, consistent with the May Revision proposal, but provide the remaining \$2.9 billion to LEAs in proportion to total LCFF funding. Adopt placeholder trailer bill language amended to specify that LEAs may also use funds for wrap around supports to student provided through the community schools model and to provide or supplement existing, before and after school care programs to include enrichment to address learning loss or other student needs.

Issue 6: Federal Elementary and Secondary Schools Emergency Relief (ESSER) Funds

Request: California received \$1.6 billion in one-time funds to support K-12 education due to COVID-19. The majority (90 percent) of these funds are provided to LEAs on a formula basis related to Title-I funding. The remaining 164.7 million is available for state-level activities and the May Revision proposes the following:

- \$100 million for grants to county offices of education to develop networks of community schools and coordinate health, mental health and supports for high-need students.
- \$63.2 million for training and professional development for teachers, administrators, and school personnel.
- \$1.5 million for the Department of Education state operations costs.

Staff Recommendation: Approve May Revision appropriation of \$1,482,576,000 (includes an amendment to reflect the correct amount) for the ESSER funds provided to schools on Title I formula basis. Reject May Revision Proposal for ESSER State Set-Aside funds and instead:

- Provide \$63.2 million for a COVID-19 child nutrition reimbursement account to be administered by the Department of Education to provide a reimbursement rate for LEAs who have served or will serve school meals from date of COVID closure to start of new school year meal program. If federal USDA nutrition funds are made allowable for this purpose, then LEAs will instead receive those USDA funds, and this funding would be distributed to all LEAs consistent with the Learning Loss Block Grant funding.
- Provide \$100 million for a School Re-Opening Support Block Grant. Funds would be provided to LEAs on a per ADA basis, excluding non-classroom based charter schools, to LEAs that re-open physical school sites for the 2020-21 school year. Funds may be used to offset costs related to re-opening, including cleaning supplies, equipment, training for certificated and classified staff, outreach and communication to families and students, and social emotional supports for students re-entering school.
- Provide \$1.5 million for the Department of Education state operations costs, as proposed in the May Revision

Issue 7: Calculating ADA and Instructional Requirements for 2020-21.

Request: The May Revision does not include a new proposal.

Background: Local Educational Agencies are funded based on average daily attendance (ADA) reporting each year, although there are some protections within LCFF to allow for a one-year hold harmless to soften the fiscal impact of declining enrollment. Due to the COVID-19 crisis and in response to a subsequent executive order EO-N-26-20, SB 117 (Chapter 3, Statutes of 2020) included a hold harmless for ADA in the 2019-20 school year. For the purpose of preventing losses of ADA funding as a result of reductions in ADA due to COVID-19, SB 117 provided that the ADA used for the apportionment of funding included school months from July 1, 2019 to February 29, 2020 for all LEAs, excluding those months when schools were closed due to COVID-19.

In addition, EO-N-26-20 required LEAs to continue to provide high quality educational opportunities to students, to the extent feasible, through distance learning or independent study. This direction to schools was based on an understanding that school closures would be short-term in 2019-20 and did not foresee that the COVID-19 emergency would result in the closure of schools for the remainder of the school year.

LEAs have raised the issue of the calculation of funding based on ADA in 2020-21 due to the uncertainty in how schools will operate and the number of students able to physically attend school. The LAO has also noted that the lack of a plan for school closures or delays in re-opening creates fiscal uncertainty for LEAs, and misses an opportunity to set expectations for student learning in the event of additional closures.

Staff Recommendation: Hold Open

Issue 8: Special Education

Request: The May Revision continues to include the January budget proposal to increase special education base rates to approximately \$645 per average daily attendance (ADA). This proposal reflects repurposing an ongoing \$645 million Proposition 98 funds provided in the 2019-20 budget act for special education designated for one-time purposes. The Special Education program does not receive a cost-of-living adjustment in 2020-21 and is not reduced similar to other categorical programs.

Special Education Federal Funds. The May Revision provides \$15 million in federal Individuals with Disabilities Education Act (IDEA) funds to increase special education teachers through the Golden State Teacher Scholarship Program and \$10 million in IDEA funds to support local educational agencies in developing regional alternative dispute resolutions services and statewide mediation services. \$1.7 million in one-time IDEA funds are also provided for studies related to special education accountability, the costs of out-of-home care, and the development of an individualized education program addendum for distance learning.

Staff Recommendation:

Reject the May Revision proposal (including new formula related trailer bill language), adopt the following Special Education package:

Provide \$545 million in ongoing Proposition 98 funding to increase special education base rates to approximately \$625 per average daily attendance (ADA), using the current AB 602 formula.

Provide \$100 million to augment funding provided for student with low-incidence disabilities.

Provide \$15 million in federal IDEA funds for the Golden State Teacher program (shift funds to state operations).

Provide \$8.6 million one-time federal IDEA funds to assist LEAs in providing regional alternative dispute resolution services.

Adopt the May Revision proposal to shift funding for the Governance and Accountability study and two workgroups for accountability for special education service delivery and student outcomes to one-time federal IDEA funds (\$1.1 million total). Adopt placeholder budget bill language amended to broaden the scope of the governance and accountability study and to include the development distance learning individualized education plan (IEP) addendums in workgroups related to developing a standardized

IEP template. Adopt Supplemental Reporting Language to direct the Legislative Analyst's Office to develop recommendations for addressing Out of Home Care.

Child Care and Development Discussion Items**6100 DEPARTMENT OF EDUCATION****5180 DEPARTMENT OF SOCIAL SERVICES****Issue 9: Child Care Rate Reductions and Growth Adjustments****Proposal:**

Rate Reductions. The May Revision proposes to reduce the standard reimbursement rate and the regional market rate for child care providers by 10 percent, resulting in reductions of \$95 million in Proposition 98 General Fund and \$291 million in non-Proposition 98 General Fund from the January budget. These reductions would be backfilled if additional federal funds are made available.

Child Care Growth Adjustment. In addition, the January Budget included, and the May Revision adjusted, all child care programs for a decrease in the ages 0-4 ages population. This results in a reduction of \$23.3 million Proposition 98 for LEA State Preschool Programs and \$41.4 million General Fund for non-CalWORKs child care programs and non-LEA State Preschool Programs. This adjustment is made pursuant to Education Code Section 42238.1. When the 0-4 population was increasing, the adjustment allowed an increase in slots to ensure that the percentage of the population with access to child care slots remained constant. The impact of the growth adjustment when population growth is declining results in an automatic cut to child care slots, despite program funding levels that do not cover the eligible population.

Staff Recommendation:

Hold open federal funding trigger reductions to Standard Reimbursement Rates and Regional Market Rates.

Reject the growth adjustments made to child care programs and state preschool programs for ages 0-4 population growth, and adopt placeholder trailer bill to eliminate reductions to child care programs for negative population growth.

Issue 10: Federal CARES Act Child Care Funds**Proposal:**

The May Revision includes \$350.3 million in one-time federal funds provided to California for COVID-19 related child care activities. The Administration proposes to use the funds as follows:

- \$144.3 million for 2019-20 COVID-10 related expenses, such as temporary emergency vouchers, and cleaning supplies;
- \$8 million to continue family fee suspensions through June 30, 2020;
- \$73 million for additional temporary alternative payment voucher slots; and
- \$125 million for stipends for child care and preschool programs

Staff Recommendation:

Adopt May Revision proposals to provide \$144.3 million for costs associated with SB 89 and other COVID-19 related expenditures, \$73 million for an increase in temporary emergency vouchers for at-risk children or children of essential workers and to provide \$8 million to extend family fee waivers until June 30, 2020 as proposed.

Provide an extension for the expenditure of \$50 million provided for emergency vouchers (General Fund that is backfilled as part of the \$144.3 allocation of CARES Act Funding) to align with the federal expenditure period.

Adopt trailer bill language to provide a hold harmless for Title 5 providers for the 2020-21 fiscal year for providers that are open and available to serving the maximum number of children under allowable ratios, or are closed due to local public health direction.

Adopt proposal to provide \$125 million for stipends for child care programs, with amendments to exempt direct contract providers, include CalWORKs Stage 1 providers, and include license-exempt providers.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
1	BU 0985	California School Finance Authority	Charter School Facility Grant Program Cost-of-Living-Adjustment	-3,132,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.
2	BU 6100	Department of Education	One-Time Funding for Credit Recovery Programs Report (AB 1097)	-145,000	--	--	The May Revision withdraws this proposal that provides additional funding for CDE to complete a requirement report. The Administration notes that CDE will be able to absorb the costs into their existing budget.	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.
3	BU 6100	Department of Education	Education Commission of the States Dues	-145,000	--	--	The May Revision withdraws the January proposal to fund the state's dues to the Education Commission of the States	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.
4	BU 6100	Department of Education	Foster Youth Program Cost-of-Living Adjustment	-626,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal.
5	BU 6100	Department of Education	American Indian Early Childhood Education Cost-of-Living Adjustment	-14,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal.
6	BU 6100	Department of Education	American Indian Education Centers Cost-of-Living Adjustment	-101,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal.
7	BU 6100	Department of Education	Special Education Program for Individuals with Exceptional Needs Cost-of-Living Adjustment	-88,984,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal and associated trailer bill language and amend budget bill language as needed.
8	BU 6100	Department of Education	Early Education Program for Individuals with Exceptional Needs Cost-of-Living Adjustment	-2,156,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
9	BU 6100	Department of Education	Special Education Early Intervention Preschool Grant	-250,000,000	--	--	The Governor's Budget included \$250 million in special education funding for providing additional services for preschool aged children. The May Revision withdraws the proposal.	Adopt the May Revision to withdraw the proposal and associated trailer bill language.
10	BU 6100	Department of Education	Child Nutrition Program Cost-of-Living Adjustment	-3,978,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal.
11	BU 6100	Department of Education	State Child Nutrition Program Augmentation	-60,000,000	--	--	The Governor's Budget included a proposal to provide \$70 million increased funding for child nutrition programs to expand access and offer more fresh produce. Of this, \$10 million was provided in 2018-19 funds for staff training. The May Revision withdraws the proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal and associated trailer bill language.
12	BU 6100	Department of Education	Mandate Block Grant Cost-of-Living Adjustment	-5,532,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal and amend budget bill language as necessary.
13	BU 6100	Department of Education	California Collaborative for Education Excellence (CCEE) Coordination, Information, and Communication Campaign	-13,000,000	--	--	The Governor's Budget included a proposal for the CCEE to provide coordination among county offices of education on specific topics. The May Revision withdraws the proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
14	BU 6100	Department of Education	Statewide System of Support Resource Lead for Computer Science	-2,500,000	--	--	The Governor's Budget included a proposal to provide \$2.5 million to a county office of education to provide statewide resources related to providing computer science instruction to students. The May Revision withdraws the proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
15	BU 6100	Department of Education	Workforce Development Grants	-192,954,000	--	--	The Governor's Budget included a proposal to provide \$193 million in grants to LEAs to address workforce shortages in high need subject matters. The May Revision withdraws the proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
16	BU 6100	Department of Education	Educator Workforce Investment Grant	-350,000,000	--	--	The Governor's Budget included a proposal to provide professional development for teachers and paraprofessionals across the state. The May Revision withdraws the proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
17	BU 6100	Department of Education	Online Educational Resources Augmentation	-2,500,000	--	--	The Governor's Budget included an augmentation to this item, the May Revision withdraws funding.	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.
18	BU 6100	Department of Education	Adults in Correctional Facilities Program Cost-of-Living-Adjustment	-513,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
19	BU 6100	Department of Education	Student Friendly Services Augmentation	-2,500,000	--	--	The Governor's Budget includes \$2.5 million to support the expansion of the Student Friendly Services Program to increase college and career planning and support services for students.	Adopt the May Revision to withdraw the proposal and amend associated budget bill language.
20	6100	Department of Education	LCAP/SARC/ Dashboard Alignment	450,000	--	--	The Governor's Budget included \$450,000 in one-time funding to provide for the integration of multiple school and student outcome systems.	Adopt the sustained proposal and associated placeholder trailer bill language.
21	6100	Department of Education	SACs Replacement	4,248,000			The Governor's Budget included funds for the continuation of the replacement of the School Accounting System.	Adopt the sustained proposal and associated placeholder trailer bill language.
22	BU 6360	Commission on Teacher Credentialing	Teacher Residency Grants	-125,000,000	--	--	The Governor's Budget includes \$175 million (\$50 million is provided in 2018-19 Proposition 98 funding) to support teacher preparation programs. The May Revision withdraws this proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
23	BU 6360	Commission on Teacher Credentialing	Computer Science Supplementary Authorization Incentive Grants	-15,000,000	--	--	The Governor's Budget included \$15 million for computer science grants, the May Revision withdraws the proposal.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
24	BU 6360	Commission on Teacher Credentialing	Teacher Credential Award Program	-100,000,000	--	--	The Governor's Budget included a propose for additional funding for a program to provide stipends to teachers who teach for four years in high-need areas in subject areas with teacher shortages.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
25	6100	Department of Education	Community School Grant Program	-300,000,000	--	--	The Governor's Budget included a grant program to fund community schools.	Adopt May Revision to withdraw the proposal and associated trailer bill language.
26	BU 6360	Commission on Teacher Credentialing	K-12 Classified School Employee Teacher Credentialing Program	-20,000,000	--	--	The Governor's Budget included a proposal for \$64.1 million (\$44.1 million is provided in 2018-19 Proposition 98 funding) for the K-12 Classified School Employee Teacher Credentialing Program which supports classified employees in working towards a teaching credential. The May Revision withdraws this proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated trailer bill language.
27	0985	California School Finance Authority	Section 3.60 Pension Contribution Adjustment	6,000	11,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
28	0985	California School Finance Authority	Allocation for Employee Compensation	14,000	22,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
29	0985	California School Finance Authority	Allocation for Staff Benefits	7,000	11,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
30	0985	California School Finance Authority	Allocation for Other Post-Employment Benefits	4,000	7,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
31	0985	California School Finance Authority	Overhead Costs for Legislative Unit Staffing	--	9,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
32	0985	California School Finance Authority	Technical Adjustments	--	0	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
33	0985	California School Finance Authority	SWCAP Apportionment	--	14,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
34	0985	California School Finance Authority	Budget Position Transparency	--	-188,000	-2.4	Technical Adjustment	Adopt the proposal with May Revision amendments.
35	0985	California School Finance Authority	Expenditure by Category Redistribution	--	188,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
36	6100	Department of Education	Section 3.60 Pension Contribution Adjustment	1,458,000	1,387,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
37	6100	Department of Education	Allocation for Employee Compensation	3,520,000	2,688,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
38	6100	Department of Education	Allocation for Staff Benefits	1,687,000	1,339,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
39	6100	Department of Education	Allocation for Other Post-Employment Benefits	1,136,000	906,000	--	Technical Adjustment	Adopt the proposal with May Revision amendments.
40	6100	Department of Education	State Board of Education and Instructional Quality Commission Meetings Security	50,000	--	--	The January budget included increased security costs for the State Board of Education.	Adopt the January proposal, sustained at May Revise.
41	6100	Department of Education	Attorney General Services Rate Increases	90,000	--	--	Technical Adjustment to reflect increased costs	Adopt the January proposal, sustained at May Revise.
42	6100	Department of Education	Shift Funding Source for School Facilities Program Administration	--	0	--	Technical Adjustment	Adopt the January proposal, sustained at May Revise.
43	6100	Department of Education	Reappropriate Funding for State Board of Education Security Costs	--	0	--	The Governor's budget reappropriated available funding for increased security costs for the State Board of Education.	Adopt the January proposal, sustained at May Revise.
44	6100	Department of Education	LGBTQ Pupil Resources and School Staff Training (AB 493)	77,000	--	--	The Governor's Budget included funds for the State Department of Education to develop resources or, as appropriate, update existing resources pursuant to legislation for in-service training on schoolsite and community resources for the support of LGBTQ pupils, and strategies to increase support for LGBTQ pupils.	Adopt the January proposal, sustained at May Revise and budget bill language.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
45	6100	Department of Education	Adjust Mandate Block Grant to Reflect Revised Average Daily Attendance	-1,586,000	--	--	Technical Adjustment	Adopt the January proposal, sustained at May Revision and budget bill language.
46	6100	Department of Education	Remove the Academic Performance Index Program from the Mandate Reimbursement Program	-1,000	--	--	The Governor's Budget included this proposal to remove the Academic Performance Index (API) Program from the Mandate Reimbursement Program as the API is no longer used.	Approve sustained proposal with associated May Revision placeholder trailer bill language and budget bill language.
47	6100	Department of Education	Adjust McKinney-Vento Homeless Children Education Program (SB 109)	--	1,116,000	--	Adjustment to reflect available funds.	Approve sustained proposal.
48	6100	Department of Education	Child Nutrition Program Growth Adjustment	719,000	--	--	The Governor's Budget included this proposal to reflect growth in the Child Nutrition.	Approve sustained proposal.
49	6100	Department of Education	Child Nutrition Program Federal Funds Adjustment	--	70,000,000	--	The Governor's Budget included this proposal to reflect available federal funds.	Approve sustained proposal.
50	6100	Department of Education	Alignment Study for the English Language Proficiency Assessment for California	450,000	--	--	The Governor's Budget provides funding for workload related to completing the ELPAC alignment study.	Approve sustained proposal with associated May Revision placeholder trailer bill.
51	6100	Department of Education	Increase Reimbursements for the California High School Proficiency Examination	--	192,000	--	The Governor's Budget reflects an increase to cover program costs.	Approve sustained proposal.
52	6100	Department of Education	Charter School Petitions and Renewals (AB 1505)	696,000	--	3.0	The Governor's Budget includes funding and positions to support workload associated with AB 1505.	Approve sustained proposal.
53	6100	Department of Education	Remove Federal Carryover for Assessments Costs	--	-248,000	--	Technical Adjustment	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
54	6100	Department of Education	Southern California Regional Occupation Center Transition Funding	1,000,000	--	--	The Governor's Budget includes the final year of funding for SoCal ROC.	Approve Sustained proposal with associated May Revision placeholder trailer bill.
55	6100	Department of Education	Align Student Assessment Funding to Estimated Costs	452,000	--	--	Technical adjustment to align funding with student assessment contract costs	Approve sustained proposal.
56	6100	Department of Education	Align Student Assessment Federal Funds to Estimated Costs	--	172,000	--	Technical adjustment to align funding with student assessment contract costs	Approve sustained proposal.
57	6100	Department of Education	Augmentation for California Collaborative for Educational Excellence Administrative Costs	521,000	--	--	The Governor's Budget includes an adjustment for CCEE operations.	Approve sustained proposal.
58	6100	Department of Education	Augmentation for Fiscal Crisis and Management Assistance Team	570,000	--	--	The Governor's Budget includes an adjustment for FCMAT operations.	Approve sustained proposal and placeholder trailer bill language.
59	6100	Department of Education	Expand Fiscal Crisis and Management Assistance Team Services	125,000	--	--	The Governor's Budget includes an adjustment for FCMAT operations.	Approve sustained proposal.
60	6100	Department of Education	Adjustment to Reflect Title IV Grant Awards	--	143,389,000	--	The Governor's Budget included an adjustment to align with available federal funds.	Approve sustained proposal.
61	6100	Department of Education	Shift Funding for California Collaborative for Educational Excellence	0	--	--	Technical Adjustment	Approve sustained proposal.
62	6100	Department of Education	ASES Local Assistance Workload Adjustment	-156,000	--	--	Technical Adjustment	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
63	6100	Department of Education	Provide support for a Full-time Interpreter and Support Services Assistant	77,000	--	1.0	The Governor's Budget includes a request to reflect CDE workload	Approve sustained proposal.
64	6100	Department of Education	Adjust Proposition 56 Tobacco Tax Initiative Funding (Local Assistance)	--	29,857,000	--	Technical Adjustment to align with available funds.	Approve sustained proposal.
65	6100	Department of Education	Adjust Proposition 56 Tobacco Tax Initiative Funding (State Operations)	--	970,000	--	Technical Adjustment to align with available funds.	Approve sustained proposal.
66	6100	Department of Education	Reflect Base Adjustments for Special Education Programs	4,740,000	--	--	The Governor's Budget included adjustments to align with caseload estimates and program needs.	Approve sustained proposal.
67	6100	Department of Education	Special Education Program for Individuals with Exceptional Needs Growth Adjustment	-30,134,000	--	--	The Governor's Budget included adjustments to align with caseload estimates and program needs.	Approve sustained proposal.
68	6100	Department of Education	Early Education Program for Individuals with Exceptional Needs Growth Adjustment	-751,000	--	--	The Governor's Budget included adjustments to align with caseload estimates and program needs.	Approve sustained proposal.
69	6100	Department of Education	Special Education Local Property Tax Revenue Offset Adjustment	-33,173,000	--	--	Technical Adjustment	Approve sustained proposal.
70	6100	Department of Education	Adjust County Office of Education Funding for Health and Physical Education Drug-Free Schools Program	--	-631,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
71	6100	Department of Education	Adjust School District Funding for Health and Physical Education Drug-Free Schools Program	--	-2,023,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.
72	6100	Department of Education	Remove One-Time Special Education Statewide Base Rate Funding	-152,563,000	--	--	Technical Adjustment to reflect one-time funds	Approve sustained proposal.
73	6100	Department of Education	Remove One-Time Special Education Early Intervention Preschool Grant Funding	-492,683,000	--	--	Technical Adjustment to reflect one-time funds	Approve sustained proposal.
74	6100	Department of Education	Adjust Early Education Program for Individuals with Exceptional Needs Funding	2,933,000	--	--	The Governor's Budget includes a adjustment to align funding.	Approve sustained proposal.
75	6100	Department of Education	Adjust Special Education Program for Individuals with Exceptional Needs Funding	117,138,000	--	--	The Governor's Budget includes a adjustment to align funding.	Approve sustained proposal.
76	6100	Department of Education	Adjust Funding for Health and Physical Education Drug-Free Schools Program	--	5,293,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.
77	6100	Department of Education	Technical Adjustment to Accurately Reflect Special Education Federal Funds	--	-10,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.
78	6100	Department of Education	Proposition 47 Truancy and Dropout Prevention Program Adjustment (State Operations)	--	506,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
79	6100	Department of Education	Proposition 47 Truancy and Dropout Prevention Program Adjustment (Local Assistance)	--	9,982,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.
80	6100	Department of Education	Clean Energy Job Fund Technical Clean-Up	0	0	--	Technical Adjustment	Approve sustained proposal.
81	6100	Department of Education	SWCAP Apportionment	--	1,269,000	--	Technical Adjustment to reflect available funds	Approve sustained proposal.
82	6100	Department of Education	Budget Position Transparency	-9,165,000	--	-16.3	Technical Adjustment	Approve sustained proposal.
83	6100	Department of Education	Expenditures by Category Redistribution	9,165,000	--	--	Technical Adjustment	Approve sustained proposal.
84	6100	Department of Education	Early Literacy Support Block Grant	50,000,000	--	--	This Governor's Budget proposal enacts the terms of a lawsuit settlement.	Adopt sustained proposal with placeholder trailer bill language.
85	6100	Department of Education	Expert Lead in Literacy	3,000,000	--	--	This Governor's Budget proposal enacts the terms of a lawsuit settlement.	Adopt sustained proposal with placeholder trailer bill language.
86	6125	Education Audit Appeals Panel	Section 3.60 Pension Contribution Adjustment	7,000	--	--	Technical Adjustment	Approve sustained proposal.
87	6125	Education Audit Appeals Panel	Allocation for Employee Compensation	16,000	--	--	Technical Adjustment	Approve sustained proposal.
88	6125	Education Audit Appeals Panel	Allocation for Staff Benefits	8,000	--	--	Technical Adjustment	Approve sustained proposal.
89	6125	Education Audit Appeals Panel	Allocation for Other Post-Employment Benefits	4,000	--	--	Technical Adjustment	Approve sustained proposal.
90	6125	Education Audit Appeals Panel	Budget Position Transparency	11,000	--	--	Technical Adjustment	Approve sustained proposal.
91	6125	Education Audit Appeals Panel	Expenditure by Category Redistribution	-11,000	--	--	Technical Adjustment	Approve sustained proposal.
92	6255	California State Summer School for the Arts	Section 3.60 Pension Contribution Adjustment	6,000	--	--	Technical Adjustment	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
93	6255	California State Summer School for the Arts	Allocation for Employee Compensation	13,000	--	--	Technical Adjustment	Approve sustained proposal.
94	6255	California State Summer School for the Arts	Allocation for Staff Benefits	7,000	--	--	Technical Adjustment	Approve sustained proposal.
95	6255	California State Summer School for the Arts	Allocation for Other Post-Employment Benefits	4,000	--	--	Technical Adjustment	Approve sustained proposal.
96	6350	School Facilities Aid Program	Miscellaneous Adjustments	--	1,062,000	--	Technical Adjustment	Approve sustained proposal.
97	6360	Commission on Teacher Credentialing	Positions to Support Accreditation	--	221,000	2.0	The Governor's Budget provided funding and positions to the CTC to support its increased workload in statutorily-required accreditation functions.	Approve sustained proposal with associated May Revision budget bill language.
98	6360	Commission on Teacher Credentialing	Section 3.60 Pension Contribution Adjustment	--	188,000	--	Technical Adjustment	Approve sustained proposal.
99	6360	Commission on Teacher Credentialing	Allocation For Employee Compensation	--	458,000	--	Technical Adjustment	Approve sustained proposal.
100	6360	Commission on Teacher Credentialing	Allocation for Staff Benefits	--	234,000	--	Technical Adjustment	Approve sustained proposal.
101	6360	Commission on Teacher Credentialing	Allocation for Other Post-Employment Benefits	--	134,000	--	Technical Adjustment	Approve sustained proposal.
102	6360	Commission on Teacher Credentialing	Out Year Expenditure Adjustments	--	1,674,000	--	Technical Adjustment	Approve sustained proposal.
103	6360	Commission on Teacher Credentialing	Out Year Expenditure Adjustments	--	-1,674,000	--	Technical Adjustment	Approve sustained proposal.
104	6360	Commission on Teacher Credentialing	Budget Position Transparency	--	253,000	-2.5	Technical Adjustment	Approve sustained proposal.
105	6360	Commission on Teacher Credentialing	Expenditure By Category Redistribution	--	-253,000	--	Technical Adjustment	Approve sustained proposal.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
106	5180	Department of Social Services	CalNEW	15,000,000	--	--	The Governor's Budget includes \$15 million in one-time Proposition 98 General Fund for CalNEW. Funding is available over three years and would assist school districts in supporting students who are refugees or unaccompanied, undocumented minors in their well-being, English language proficiency, and academic performance.	Adopt Governor's Budget Proposal and associated Trailer Bill Language.

Trailer Bill Language

107	6100	Department of Education	5 Year Limit for LCFF Apportionment Funding Adjustments		--	--		Adopt placeholder trailer bill language for various adjustments related to this.
108	6100	Department of Education	Eliminate Approval by the SBE for Joint Occupancy Agreements		--	--		Adopt placeholder trailer bill language.
109	6100	Department of Education	Eliminate Approval by the SBE for Joint Occupancy Agreements		--	--		Adopt placeholder trailer bill language.
110	6100	Department of Education	Suspend Proposition 98 Split		--	--		Adopt placeholder trailer bill language .
111	6100	Department of Education	Revise Comprehensive Review Requirement from 6 months to Annual for Districts with an emergency apportionment		--	--		Adopt placeholder trailer bill language.
112	6100	Department of Education	FCMAT Organizational Activities and Exemption from Merit System		--	--		Adopt placeholder trailer bill language.

Attachment A Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
113	6100	Department of Education	School District Interim Fiscal Certification Timeline		--	--		Adopt placeholder trailer bill language.
114	6100	Department of Education	County Office of Ed Special Day Class Instructional Time Penalty		--	--		Adopt placeholder trailer bill language.
115	6100	Department of Education	CCEE Technical Clean-Up		--	--		Adopt placeholder trailer bill language.
116	6100	Department of Education	SPED RDA Backfill		--	--		Adopt placeholder trailer bill language.

Attachment A Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

				May Revision			
Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Staff Comments	Staff Recommendation
117	6100	Department of Education	Instructional Quality Commission Support	-148,000	--	The January Budget included \$264,000 for the to support work of the Instructional Quality Commission related to revising the physical education framework and the revision of the mathematics curriculum framework. The May Revision revises the proposal to support high priority workload for the math curriculum framework and an ethnic studies model curriculum.	Adopt May Revision amendments as proposed, including implementing Budget Bill Language.
118	6100	Department of Education	Adult Education Program Reimbursements	--	-9,465,000	Adjustment to reflect available funds	Adopt May Revision proposal and associated budget bill language.
119	6100	Department of Education	Special Education Local Property Tax Revenue Offset Adjustment	28,568,000	--	Adjustment to reflect updated property tax amounts	Adopt May Revision proposal.
120	6100	Department of Education	Special Education Program for Individuals with Exceptional Needs Growth Adjustment	-17,818,000	--	The May Revision includes an adjustment for revised growth estimates	Adopt May Revision proposal and associated budget bill language.
121	6100	Department of Education	Reflect Base Adjustments for Special Education Programs	-1,772,000	--	The May Revision includes an adjustment for actual past year program costs.	Adopt May Revision proposal.

Attachment A Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

				May Revision			
122	6100	Department of Education	Early Education Program for Individuals with Exceptional Needs Growth Adjustment	-443,000	--	The May Revision includes an adjustment for revised growth estimates	Adopt May Revision proposal and associated budget bill language.
123	6100	Department of Education	Adjust Mandate Block Grant to Reflect Revised Average Daily Attendance	-71,000	--	Technical Adjustment to reflect program participation	Adopt May Revision proposal and associated budget bill language.
124	6100	Department of Education	Non-LCFF Apportionment Adjustment	-154,959,000	--	Technical Adjustment	Adopt May Revision proposal.
125	6100	Department of Education	District LCFF Property Tax Adjustment	653,010,000	--	The May Revision Reflects updated Property Tax information.	Adopt proposal with May Revision modifications proposed.
126	6100	Department of Education	District LCFF Education Protection Account Offset Adjustment	582,041,000	--	Technical adjustment	Adopt May Revision proposal.
127	6100	Department of Education	District LCFF Minimum State Aid Adjustment	-3,083,000	--	Technical adjustment	Adopt May Revision proposal.
128	6100	Department of Education	School District LCFF Technical Adjustment	9,356,000	--	Technical adjustment	Adopt May Revision proposal.
129	6100	Department of Education	County Office of Education LCFF Growth Adjustment	-77,971,000	--	Technical adjustment	Adopt May Revision proposal.

Attachment A Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

				May Revision			
130	6100	Department of Education	County Office of Education Local Revenue Adjustment	37,665,000	--	Technical adjustment	Adopt May Revision proposal.
131	6100	Department of Education	County Office Education Protection Account Offset Adjustment	8,022,000	--	Technical adjustment	Adopt May Revision proposal.
132	6100	Department of Education	County Office of Education Minimum State Aid Adjustment	-15,321,000	--	Technical adjustment	Adopt May Revision proposal.
133	6100	Department of Education	Adjust Target County Office of Education Additional Funding	-1,086,000	--	Technical adjustment	Adopt May Revision proposal.
134	6100	Department of Education	County Office of Education Adjustment for Statewide System of Support Activities	-9,441,000	--	Adjustment to reflect a reduction in funding related to COE support of Statewide System of Support Activities	Adopt May Revision proposal.
135	6100	Department of Education	County Office of Education Technical Adjustment	-73,000	--	Technical adjustment	Adopt May Revision proposal.
136	6100	Department of Education	Education Protection Account Revenue Adjustment	-589,170,000	--	Technical adjustment	Adopt May Revision proposal.

Attachment A Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

				May Revision			
137	6100	Department of Education	Education Protection Account Revenue Adjustment	--	0	Technical adjustment	Adopt May Revision proposal.
138	6100	Department of Education	Dyslexia Research, Training, and Statewide Conference Funding	4,000,000	--	The Governor's Budget includes \$4 million to support additional research, training, and a statewide conference funding for Dyslexia.	Reduce program funding to \$2 million and shift the fund source to federal IDEA state level activities funding. Adopt placeholder trailer bill language to reflect the dissemination of statewide resources and remove the statewide conference and educator attendance stipends.

Trailer Bill Language

139	6100	Department of Education	Fiscal Risk Indicators Clean-Up and Process for Assisting Districts in Fiscal Distress	--	--		Adopt placeholder trailer bill language.
140	6100	Department of Education	Student Performance and Stakeholder Engagement in the LCAP template	--	--		Adopt placeholder trailer bill language.
141	6100	Department of Education	Remove API from the Mandate Block Grant	--	--		Adopt placeholder trailer bill language.
142	6100	Department of Education	AB 1505/1507 Clean-up	--	--		Adopt placeholder trailer bill language, various pieces as proposed

Attachment A Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

				May Revision			
143	6100	Department of Education	Single District SELPA Moratorium	--	--		Adopt placeholder trailer bill language
144	6100	Department of Education	SB 75 Reporting Deadlines and Encumbrance period	--	--		Adopt placeholder trailer bill language
145	6100	Department of Education	Educationally Related Mental Health Services Funding Flexibility	--	--		Adopt placeholder trailer bill language
146	6100	Department of Education	Extend the date for the Out-Of-Home Care Funding by 2 years	--	--		Adopt placeholder trailer bill language, amend to extend the date by one year.

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
147	6100	Department of Education	Establish Department Emergency Service Team	--	--	2.0	The May Revision includes 2 positions to establish a state education disaster team to support activities related to disaster planning.	Approve May Revision Proposal, amend budget bill language to specify positions include one SSMI and one SSMII.
148	6100	Department of Education	One-Time Federal Fund Carryover for Project AWARE Grant Program	--	420,000	--	The May Revision includes an adjustment for available carryover.	Approve May Revision Proposal
149	6100	Department of Education	One-Time Funding for Special Education Dispute Resolution Costs	--	3,320,000	--	The May Revision includes an adjustment in one-time federal funds to support increased costs associated with the alternative dispute resolution contract with the Office of Administrative Hearings.	Approve May Revision Proposal
150	6100	Department of Education	One-Time Federal Funds Carryover for Immediate Aid to Restart School Operations	--	387,000	--	The May Revision includes an adjustment to reflect one-time carryover funds.	Approve May Revision Proposal
151	6100	Department of Education	One-time Federal Funds Carryover for Equitable Services for Private School Educators	--	1,612,000	--	The May Revision includes an adjustment to reflect one-time carryover funds.	Approve May Revision Proposal
152	6100	Department of Education	Federal Title IV Grant Administration	--	442,000	--	The May Revision includes an adjustment to support administration and monitoring of grant activities.	Approve May Revision Proposal

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
153	6100	Department of Education	One-Time Federal Funds Carryover for Observation Protocol for Teachers of English Learners	0	250,000	--	The May Revision includes carryover funds to support a standardized English Learner reclassification teacher observation protocol.	Approve May Revision Proposal and placeholder trailer bill language.
154	6100	Department of Education	Comprehensive Literacy State Development Grant State Operations	--	340,000	1.0	The May Revision includes funding for a new grant for expanding state literacy infrastructure and improving student literacy outcomes.	Approve May Revision Proposal
155	6100	Department of Education	Comprehensive Literacy State Development Grant Local Assistance	--	36,051,000	--	The May Revision includes funding for a new grant for expanding state literacy infrastructure and improving student literacy outcomes.	Approve May Revision Proposal
156	6100	Department of Education	Adjust Federal Funding for Project AWARE Grant Program	--	-1,338,000	--	The May Revision includes a decrease to align with available funding.	Approve May Revision Proposal
157	6100	Department of Education	Reduce Adult Education Program Reimbursements	--	-40,368,000	--	The May Revision includes a decrease to align with available funding.	Approve May Revision Proposal
158	6100	Department of Education	Adjust Federal Individuals with Disabilities Education Act Funds	--	7,905,000	--	The May Revision includes an increase to align with available funding,	Approve May Revision Proposal
159	6100	Department of Education	Redirect Federal Individual with Disabilities Education Act Preschool Grant Funding for State Operations	--	-270,000	--	The May Revision includes an adjustment to reflect an increase in the grant award and a shift to state operations.	Approve May Revision Proposal

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
160	6100	Department of Education	Adjust Federal Funds for the Individuals with Disabilities Education Act Preschool Grant Program	--	271,000	--	The May Revision includes an adjustment to reflect an increase in the grant award and a shift to state operations.	Approve May Revision Proposal
161	6100	Department of Education	Adjust Federal Funds for Newborn Hearing Grant Program	--	-2,000	--	The May Revision includes an adjustment to reflect a change in the allowable state cost of administering the program.	Approve May Revision Proposal
162	6100	Department of Education	Coronavirus Aid, Relief, Economic Security (CARES) Act: Child Nutrition Program	--	713,668,000	--	The May Revision includes \$714 million in federal USDA funds. Funds are available for reimbursement for an increase in program participation in 2019-20 due to COID-19, however additional federal guidance on the expenditure of funds may be available at a later date.	Approve May Revision Proposal, adopt budget bill language requiring funds to be made available to backfill COVID Child Nutrition Reimbursement Account (Discussion Item 6) if funds are made available for this use.
163	6100	Department of Education	One-Time Federal Funds Carryover for Equitable Services for Private School Educators	--	660,000	--	The May Revision includes an adjustment to reflect one-time carryover funds.	Approve May Revision Proposal
164	6100	Department of Education	Augmentation for Teacher Dismissal Hearing Claims	200,000	--	--	The May Revision includes an increase to reflect increased local educational agency claims for non-conduct related teacher dismissal hearings.	Approve May Revision Proposal

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
165	6100	Department of Education	Proposition 98 Reversion for LCFF Fund Swap	326,474,000	--	--	The May Revision includes a fund swap between ongoing and one-time resources for the LCFF in 2019-20.	Approve May Revision Proposal
166	6100	Department of Education	Employment Lawsuit Legal Costs	300,000	--	--	The May Revision includes funding related to a legal settlement.	Approve May Revision Proposal
167	6100	Department of Education	Reappropriate Funding for Employment Lawsuit Legal Costs	--	0	--	The May Revision includes funding related to a legal settlement.	Approve May Revision Proposal
168	6100	Department of Education	Remove Funding for the Exploratorium	-3,500,000	--	--	These funds are intended to support activities of the Exploratorium to provide resources and statewide professional development.	Approve May Revision Proposal to eliminate this appropriation.
169	6100	Department of Education	Revert Educator Workforce Investment Grant Funding	--	0	--	The May Revision includes a proposal to revert unspent 2019-20 funds from this program.	Approve May Revision Proposal to revert these funds.
170	6100	Department of Education	Revert Computer Science Coordinator Funding	--	0	-1.0	The May Revision includes a proposal to revert unspent 2019-20 funds from this program.	Reject May Revision Proposal to revert funds
171	6100	Department of Education	One-Time Funding for Oakland Unified School District	16,009,000	--	--	The May Revision includes funding related to AB 1840.	Approve May Revision proposal, adopt placeholder trailer bill language including an amendment to extend the 2019-20 audit deadline and other technical changes
172	6100	Department of Education	One-Time Funding for Inglewood Unified School District	5,772,000	--	--	The May Revision includes funding related to AB 1840.	Approve May Revision Proposal, adopt placeholder trailer bill language.

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
173	6100	Department of Education	Proposition 98 Reappropriation for Teacher Dismissal Hearings	200,000	--	--	The May Revision includes the reappropriation of available funds for one-time purposes.	Approve May Revision Proposal
174	6100	Department of Education	Reimbursement Claims for School Nutrition Programs	2,995,000	--	--	The May Revision includes the reappropriation of available funds for one-time purposes.	Approve May Revision Proposal
175	6100	Department of Education	Reappropriate Funding for Genocide Awareness Education	500,000	--	--	The May Revision includes the reappropriation of available funds for one-time purposes.	Approve May Revision Proposal
176	6100	Department of Education	Reappropriate Funding for Health Education and History-Social Science Framework Implementation	7,717,000	--	--	The May Revision includes the reappropriation of available funds for one-time purposes.	Approve May Revision Proposal
177	6100	Department of Education	Proposition 98 Reappropriation for LCFF Fund Swap	10,795,000	--	--	The May Revision includes the reappropriation of available funds for one-time purposes.	Approve May Revision Proposal
New Trailer Bill Language								
178	6100	Department of Education	Trailer Bill Language to Extend Audit Timelines	--	--	--		Adopt placeholder trailer bill language
179	6100	Department of Education	Teacher Credential Exams Validity Period	--	--	--		Adopt placeholder trailer bill language
180	6100	Department of Education	Clinical Practice Personnel Services Credentials	--	--	--		Adopt placeholder trailer bill language
181	6100	Department of Education	Age Cap for Charter Schools	--	--	--		Reject proposal without prejudice.
182	6100	Department of Education	Trailer Bill language to limit "micro-colleges"	--	--	--		Adopt placeholder trailer bill language

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
183	6100	Department of Education	Extend Requirements for 24 Early Childhood Education Units for one-year	--	--	--		Adopt placeholder trailer bill language
184	6100	Department of Education	State Seal of Biliteracy flexibility for students impacted by COVID-19	--	--	--		Adopt placeholder trailer bill language
185	6100	Department of Education	Bilingual Teacher Professional Development - timeline extension	--	--	--		Adopt placeholder trailer bill language
186	6100	Department of Education	Migrant Education Parent Advisory Council extends dates and lifts conference requirement	--	--	--		Adopt placeholder trailer bill language
187	6100	Department of Education	Migrant Education Summer School Time Requirement Flexibility	--	--	--		Adopt placeholder trailer bill language
188	6100	Department of Education	Sunset EO N-26-20 and SB 117 requirements	--	--	--		Adopt placeholder trailer bill language
189	6100	Department of Education	Guerneville Repayment Allowance	--	--	--		Adopt placeholder trailer bill language
190	6100	Department of Education	RRMA exclusion of On-Behalf Pension Payments	--	--	--		Adopt placeholder trailer bill language
191	6100	Department of Education	Education Protection Account Adjustment	--	--	--		Adopt placeholder trailer bill language
192	6100	Department of Education	Extend Reporting Date for MTSS	--	--	--		Adopt placeholder trailer bill language
193	6100	Department of Education	Inglewood Comprehensive Review Waiver Date Changes	--	--	--		Adopt placeholder trailer bill language

Attachment A Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
194	6100	Department of Education	English Language Proficiency Assessment for California - Extension of Testing Window and Flexibility on Assessments	--	--	--		Adopt placeholder trailer bill language, including amendments to allow additional flexibility on the administration of assessments. Reappropriate \$8.4 million in 2019-20 assessment program savings to cover the costs of administering the ELPAC at the beginning of the 2020-21 school year for the purposes of reclassification. Amend budget bill language.
195	6100	Department of Education	SB 117 Clean-Up (a)(1) and clean-up on uses of \$100 million appropriation.	--	--	--		Adopt placeholder trailer bill language

Vote-Only Calendar for New Legislative Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
196	6100 / 6870	Department of Education / California Community Colleges	State Lottery Fund for Education	--	--		Expand/modernize the definition of “instructional materials” under Prop 20 (2000) which created the lottery and directed funds to K14 schools. Include devices that support distance learning, such as laptops and wifi hotspots, in order to allow LEA’s and Community College Districts greater flexibility to expend their Prop. 20 funds.	Approve Legislative Proposal, adopt placeholder trailer bill language.

Attachment B Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
197	6100	Department of Education	Child Care Programs Cost-of-Living Adjustments	-36,945,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal and amend associated budget bill and trailer bill language.
198	6100	Department of Education	Add New Full-Day Part-Year State Preschool Slots	-31,872,000	--	--	The Governor's Budget included 10,000 new Full-Day State Preschool, beginning April 1, 2020. The May Revision withdraws this proposal due to lack of funding.	Adopt the May Revision to withdraw the proposal. and associated budget bill language.
199	6100	Department of Education	State Preschool Program Cost-of-Living Adjustment	-20,498,000	--	--	The May Revision withdraws COLA for this categorical program.	Adopt the May Revision to withdraw the proposal. and amend associated budget bill and trailer bill language.
200	6100	Department of Education	Ongoing Child Care Quality Inspections	--	26,400,000	--	The Governor's Budget included federal funds for child care inspections.	Approve May Revision proposal to sustain.
201	6100	Department of Education	Adjust Workforce Development Grant Program Out Years	-22,000,000	--	--	The Governor's Budget included adjustments between funding years for the Workforce Development Grant	Approve May Revision proposal to sustain.
202	6100	Department of Education	Adjust Infrastructure Grant Program Out Years	-20,000,000	--	--	The Governor's Budget included adjustments between funding years for the Infrastructure Grant	Approve May Revision proposal to sustain.
203	6100	Department of Education	Child Care Data Systems	-10,000,000	--	--		Approve May Revision Proposal to withdraw funding.

Attachment B Vote-Only Calendar for January Proposals

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
204	0530	Secretary for California Health and Human Services Agency	Department of Early Childhood Development	-6,833,000	--	-25.8	The Governor's Budget included a proposal to shift child care programs with the exception of state preschool programs to a new Department.	Approve the May Revision proposal to withdraw funding and positions for a new Department of Early Childhood Development and associated trailer bill language.

Attachment B Vote-Only Calendar for Modifications to the Governor's Budget Proposals from January

Issue	Entity	Department	Subject (BR Title)	Original Proposal		May Revision		Staff Comments	Staff Recommendation
				General Fund	Other Funds	General Fund	Other Funds		
205	6100	Department of Education	CalWORKs Caseload Updates	53,770,000	--	-35,886,000	--	The May Revision includes adjustments for updated CalWORKs Stage 2 and 3 caseload estimates.	Adopt the May Revision proposal for CalWORKs caseload adjustments.
206	6100	Department of Education	Reappropriate Funding to Support the Inclusive Early Education Expansion Program	75,000,000		-75,000,000	--	The Governor's Budget included a proposal to reappropriate available funds for the Inclusive Education Expansion Program, the May Revision, eliminates this re-appropriation and sweeps the available funds.	Adopt the May Revision proposal to remove funds reappropriated for the Inclusive Early Education Expansion Program and amend Budget Bill Language as needed.
207	6100	Department of Education	Adult Use of Marijuana Act Backfill: Early Learning and Care Services	--	60,287,000		-10,287,000	The May Revision includes adjustments for Proposition 64 slots, to result in \$50 million in additional funding.	Approve May Revision Adjustments
208	6100	Department of Education	Adult Use of Marijuana Act: Ongoing Alternative Payment Child Care Slots	--	80,463,000		-5,862,000	The May Revision includes adjustments for ongoing Proposition 64 funded slots to reflect available funding	Approve May Revision Adjustments

Attachment B Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
209	6100	Department of Education	Child Care Pilot Position Authority	--	--	1.0	The May Revision includes additional position authority for workload related to the Child Care pilots.	Defer without prejudice
210	6100	Department of Education	Add One-Time CCDF Quality Carryover	--	5,312,000	--	The May Revision includes additional federal carryover adjustments.	Approve May Revision Proposal and associated Budget Bill Language
211	6100	Department of Education	CCDF Quality Funding Adjustment	--	3,730,000	--	The May Revision includes additional federal funding adjustments.	Approve May Revision Proposal and associated Budget Bill Language
212	6100	Department of Education	Alternative Payment Vouchers	--	53,282,000	--	The May Revision includes additional ongoing federal funding for Alternative Payment slots	Approve May Revision Proposal and associated Budget Bill Language
213	6100	Department of Education	Offset One-Time CCDF Federal Carryover	-45,550,000	--	--	The May Revision includes additional federal carryover adjustments.	Approve May Revision Proposal
214	6100	Department of Education	One-Time CCDF Federal Carryover	--	45,550,000	--	The May Revision includes additional federal carryover adjustments.	Approve May Revision Proposal and associated Budget Bill Language
215	6100	Department of Education	Reduce Savings in State Preschool Program	-130,000,000	--	--	The May Revision reduces funding for unfilled State Preschool Program slots.	Approve May Revision Proposal
216	6100	Department of Education	Remove 2019-20 Universal Preschool Slots	-31,400,000	--	--	The May Revision reduces funding for unfilled State Preschool Program slots.	Approve May Revision Proposal and associated Budget Bill Language
217	6100	Department of Education	Add Remaining Full-Day Full-Year State Preschool Slots	-95,617,000	--	--	The May Revision reduces funding for unfilled State Preschool Program slots.	Approve May Revision Proposal and associated Budget Bill Language

Attachment B Vote-Only Calendar for New Administration Proposals Introduced in May

Issue	Entity	Department	Subject (BR Title)	General Fund	Other Funds	Positions	Staff Comments	Staff Recommendation
218	5180	Department of Social Services	Transition Child Care Programs from Department of Education to Department of Social Services	2,000,000	--	--	The May Revision proposes to shift child care programs with the exception of state preschool programs to the Department of Social Services.	Defer proposal without prejudice.
219	0530	Secretary for California Health and Human Services Agency	Partially Revert Funding for the Early Childhood Policy Council	--	--	--	The May Revision proposal would reduce the funding for the Early Childhood Policy Council from \$4.4 million to \$2.2 million.	Approve May Revision Proposal to reduce funding and associated Budget Bill Language
220	0530	Secretary for California Health and Human Services Agency	Preschool Development Grant	--	13,415,000	--	The May Revision includes the appropriation of funding for a federal grant award.	Approve May Revision Proposal and associated Budget Bill Language

January Budget Sustain or Withdraw Issues - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
35	California State Library	Lunch at the Library	-1,000,000	The May Revision withdraws the January proposal to provide \$1 million General Fund one-time to support the Lunch at the Library program. This program provides wrap around services, youth development programs and staff training for summer meals provided by local libraries.	Adopt the may revision proposal.
36	California State Library	Online Service Systems (Zip Books)	-1,000,000	The May Revision withdraws the January proposal to provide \$1 million General Fund one-time zip books. The Zip books program purchases patron-requested books on behalf of participating local libraries. The 2019-20 budget provided \$1 million one-time for the same purpose.	Approve the may revision proposal.
37	California State Library	Director of Legislative Affairs	-132,000	The May Revision withdraws the January proposal to provide \$132,000 General Fund for the State Library to hire a legislative affairs director. From 2011-12 through 2017-18, the number of legislative bills related to library issues increased by 30 percent.	Approve the may revision proposal.
38	California State Library	Statewide Library Broadband Services Augmentation	170,000	The May Revision sustains the January budget proposal to provide \$170,000 ongoing General Fund to support broadband services for libraries. This amount helps backfills loss in funds that was previously provided through the Public Utilities Commission.	Approve as proposed.
39	California State Library	Funding for the Braille Institute of America in Los Angeles	500,000	The May Revision maintains the January budget proposal for \$500,000 ongoing General Fund for the Braille Institute. The 2018 budget provided \$500,000 one-time to the Braille Institute. Previously, the State Library supported the Braille Institute with a mix of General Fund and Federal funds.	Approve as proposed.

January Budget Sustain or Withdraw Issues - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
40	University of California	Adjustment to Support University Costs	-169,202,000	The May Revision withdraws the January proposal to provide UC a five percent base increase of \$169.2 million ongoing General Fund. The January budget bill language did not specify the use of these funds, however, the Governor's January budget summary noted that it was the expectation that these funds be used to support enrollment, operational costs and student support services.	Adopt the may revision proposal.
41	University of California	Adjustment to Support UC Division of Agriculture and Natural Resources Costs	-3,630,000	The May Revision withdraws the January budget proposal to provide an increase of five percent or \$3.6 million ongoing General Fund to support ANR cost increases. The January budget bill language specified that this funding does not supplant other fund sources.	Approve the may revision proposal.
42	University of California	Adjustment to Support the UC San Diego Center for Public Preparedness Multi-Campus Research Initiative	-3,000,000	The May Revision withdraws the January proposal to create the UC San Diego Center for Public Preparedness Multi-Campus Research Initiative. The January budget proposed \$3 million ongoing General Fund for this purpose.	Approve the may revision proposal.

January Budget Sustain or Withdraw Issues - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
43	University of California	Adjustment to Support Degree Completion Efforts Through University Extension Centers	-4,000,000 (BY) -15,000,000 (CY)	<p>The May Revision withdraws the January proposal to provide \$4 million General Fund one-time to expand programs and degrees offered through the UC Extension Centers.</p> <p>The 2019-20 budget included \$15 million for a similar purpose and required the UC submit a plan to the Legislature and the administration on the use of funds, types of programs and anticipated outcomes. To date, the Legislature has not received this plan.</p>	Approve the may revision proposal, and rescind the \$15 million provided for UC extension programs from the 2019-20 budget act.
44	University of California	Adjustment to Develop UC Subject Matter Project in Computer Science	-1,340,000	The May Revision withdraws the January proposal to provide \$1.34 million General Fund one-time to create the Computer Science Subject Matter Project.	Approve the may revision proposal.
45	Hastings College of the Law	Adjustment to Support Hastings Costs	-1,389,000	The May Revision withdraws the January proposal to provide UC Hastings \$1.39 million ongoing General Fund.	Approve the may revision.
46	California State University	Adjustment to Support University Costs	-199,043,000	The May Revision withdraws the January proposal to provide CSU a five percent base increase of \$199 million. The January budget bill language did not specify the use of these funds, however, the Governor's January budget summary noted that it was the expectation that these funds be used to support enrollment, operational costs and the Graduation Initiative.	Approve the may revision proposal.

January Budget Sustain or Withdraw Issues - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
47	California State University	Augmentation to Support Degree Completion Through University Extension Centers	-6,000,000	The May Revision withdraws the January proposal to provide CSU with \$6 million one-time General Fund to expand program and degrees offered through CSU Extension Centers.	Approve the may revision proposal.
48	California Student Aid Commission	Leased Space for CSAC Headquarters	-1,846,000	The May Revision withdraws the January budget proposal to provide \$1.8 million General Fund to relocate to West Sacramento.	Approve the may revision proposal.
49	California Student Aid Commission	Dreamer Service Incentive Grant Program	-1,206,000	The 2019-20 budget act created the Dreamer Service Incentive Grant and provided \$9 million for this purpose, and of these funds \$1.5 million was one-time for administration. The Governor's proposal corrects a technical error to make the \$1.5 million one-time and also provides \$294,000 to support three positions for the program.	Hold Open.
50	California Student Aid Commission	Grant Delivery System Modernization	5,282,000	The January budget provided \$5.28 million one-time General Fund for CSAC to complete the project, support initial costs of maintenance and operations phase of the project. This phase includes repairing and upgrading software, and transferring knowledge from project contractors to CSAC staff.	Approve as proposed.

Revised January Proposals - Vote Only

Issue	Department	Title	Governor's Budget	May Revise	Staff Comments	Staff Recommendation
51	University of California	Adjustment to Support UC Merced-UCSF Fresno Partnership Branch Medical School Campus	15,000,000	-13,800,000	The January budget proposal provided \$15 million to support the UC Merced - UCSF Fresno branch. The May Revision reduces this proposal by \$13.8 million, for a total of \$1.2 million ongoing General Fund support.	Hold Open.
52	University of California	Adjustment to Support UC Riverside School of Medicine Operational Costs	25,000,000	-13,700,000	The January budget proposal provided an increase of \$25 million ongoing General Fund for UC Riverside School of Medicine to support enrollment growth and operational costs. The May Revision reduces this proposal by \$13.7 million, for a total of \$11.3 million ongoing General Fund support for operational costs. The May Revision also proposes to remove the nonplantation BBL associated with this increase.	Hold Open.
53	University of California	Adjustment to Develop UC Davis Grant Program for Animal Shelters	50,000,000	-45,000,000	The January budget proposal provided \$50 million General Fund one-time to support this program. The May Revision reduces this proposal by \$45 million, for a total of \$5 million in one-time support. The May Revision also modifies the BBL to allow UC to assess an administrative costs and charges. The May Revision also modifies the TBL to specify a one-time report, rather than biennial report.	Reject the proposal to create the UC Davis Grant Program for Animal Shelters.

Revised January Proposals - Vote Only

Issue	Department	Title	Governor's Budget	May Revise	Staff Comments	Staff Recommendation
54	University of California	Adjustment to Reflect Breast Cancer Research Fund Estimates	7363,000 special fund	-248000 (BY) -195,000 (CY)	The May Revision provides updated estimates of the amount available in the fund.	Approve the May Revision proposal.
55	University of California	Adjustment to Reflect Proposition 99 Resources	8,943,000 special fund	-708,000	The May Revision provides updated estimates for the Cigarette and Tobacco Products Surtax Fund for research.	Approve the May Revision proposal.
56	University of California	Adjustment to Reflect Available Resources in the Medical Research Program Account		-587,000	The May Revision reflects updated revenue estimates for the Medical Research Program Account.	Approve the May Revision proposal.
57	California Student Aid Commission	Student Loan Debt Service Workgroup and Outreach	5,000,000	-4,500,000	The January budget proposal provided \$5 million one-time General Fund to establish a student loan debt service workgroup and provide outreach grants, and establish a website. The May Revision reduces the proposal by \$4.5 million, to provide \$500,000 to support the student loan workgroup.	Reject the proposal to create a student loan debt service workgroup.
58	California Student Aid Commission	National Voter Registration Act Mandates	479,000	-145,000	The January budget proposed six positions and \$479,000 to provide voter registration assistance at the CSAC call center and at financial aid outreach events. The May Revision reduces this by \$145,000 for a total of \$334,000.	Approve the May Revision proposal.

Revised January Proposals - Vote Only

Issue	Department	Title	Governor's Budget	May Revise	Staff Comments	Staff Recommendation
59	California Student Aid Commission	Offset Cal Grant Costs with Student Loan Operating Fund Revenues		-100,000 GF, 100,000 special fund	The May Revision reflects updated revenue estimates.	Approve the May Revision proposal.
60	California Student Aid Commission	Adjustment for Revised Cal Grant Costs	2.65 billion General Fund, and - \$1.02 billion TANF Funds	-348000 (program estimates) 600,000,000 General Fund, and - 600,000,000 TANF Funds	The May Revision reflects updated caseload estimates. The May Revision reduces TANF reimbursements by \$600 million, and increases General Fund costs for the program by \$600 million to reflect a fund swap. The May Revision also provides a decrease of \$348,000 General Fund to reflect updated program estimates. Compared to Governor's budget, there are increased costs of \$11.8 million in 2019-20 to account for estimated increase in new recipients.	Approve the May Revision proposal.
61	California Student Aid Commission	Adjustment for Revised APLE Costs		-42,000	The May Revision reflects updated cost estimates. Compared to Governor's budget, there are decreased costs of \$1,000 in 2019-20.	Approve the May Revision proposal.
62	California Student Aid Commission	Adjustment for Revised SNAPLE Costs		-11,000	The May Revision reflects updated cost estimates.	Approve the May Revision proposal.
63	California Student Aid Commission	Adjustment for John. R. Justice Grant Program Costs		16,000	The May Revision reflects updated cost estimates.	Approve the May Revision proposal.

Revised January Proposals - Vote Only

Issue	Department	Title	Governor's Budget	May Revise	Staff Comments	Staff Recommendation
64	California Student Aid Commission	Adjustment for Middle Class Scholarship Costs	110,248,000	6,752,000	The May Revision proposes a \$6.7 million increase in the MCS to reflect updated caseload estimates for a total of \$117 million for the program.	Approve the May Revision proposal.
65	California Student Aid Commission	Cal Grant Supplement for Students with Dependent Children	21,618,000	-14,974,000	<p>The 2019-20 budget established the Cal Grant Supplement for Students with Dependent Children. This program provides an additional \$4,000 or \$6,000 to qualified students. The 2019-20 budget provided \$97 million ongoing General Fund for this program.</p> <p>The January budget provided an increase of \$21.62 million for the program. The May Revision provide a decrease of \$14.97 million to reflect revised estimates for the program. The May Revision revised estimate for the program is \$103.27 million for the program.</p> <p>The May Revision continues to pursue the January TBL proposal to increase the annual spending cap from \$125 million to \$150 million. However, the proposed spending amount is below the statutory spending cap.</p>	Approve the May Revision updated estimates, and defer TBL to increase the statutory cap on spending.

Revised January Proposals - Vote Only

Issue	Department	Title	Governor's Budget	May Revise	Staff Comments	Staff Recommendation
66	California Student Aid Commission	Revise Available College Access Tax Credit Funding	4,976,000 College Access Tax Credit Fund	-4,194,000	The January budget included \$4.98 million from the College Access Tax Credit Fund to provide a supplemental award for students. The May Revision reflects updated revenue estimates for the College Access Tax Credit program. As a result of this adjustment, the proposal would provide up to \$12 for any student who receives a Cal Grant B Access Award in 2020-21.	Approve the May Revision proposal.
67	California Student Aid Commission	Child Savings Account Grant Program Administration	--	-15,000,000 (CY)	<p>The 2019-20 budget created the Child Savings Account Grant Program and provided \$25 million one-time General Fund to CSAC to support it.</p> <p>The January budget provided CSAC position authority for two positions to support the child savings grant program. The positions would develop the request for applications, provide technical assistance and convene the statutorily required program council.</p> <p>The May Revision proposes to reduce the program by \$15 million, for a total of \$10 million.</p>	Approve the May Revision Proposal.

New May Revision Proposals - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
68	Scholarshare Investment Board	Statewide Child Savings Account Program	-15,000,000 (CY)	The 2019-20 budget created the California Kids Investment and Development Savings program and provided \$25 million one-time General Fund. This program provides grants to local entities administering college savings programs for kindergarteners. The May Revision proposes to reduce the 2019-20 appropriation by \$15 million, for a total of \$10 million for the program.	Hold Open.
69	California State Library	Reduce California Library Services Act Augmentation	-1,750,000	The California Library Services Act facilitates resource sharing between local libraries. This program provides reimbursement for the interlibrary loan program and digital resource sharing between libraries.	Approve the May Revision proposal.
70	University of California	Adjustment to Develop UC Subject Matter Project to Address Learning Loss in Mathematics, Science, and English/Language Arts	6,000,000 Federal Funds	The May Revision provides \$6 million in federal funds to support UC Subject Matter Project to address learning loss in math, science and English/language arts due to COVID 19. The May Revision also proposes TBL to implement the adjustment and require an outcomes report and update to the Legislature by January 1, 2024.	Reject.
71	University of California	Language Only: Increase Campus Assessment Supporting UC Path	0	The May Revision modifies the BBL for UC Path by authorizing UC to increase the campus assessment fee from up to \$15.3 million to up to \$46.8 million. The BBL also specifies that UCOP shall collaborate with campuses to maximize their use of non-core funds to support any supplemental assessment. UC notes that it costs \$93.7 million to support UC Path, of which \$62 million is for staff salaries and benefits.	Approve the May Revision proposal, and adopt language to require annual reporting on operations and budget.

New May Revision Proposals - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
72	University of California	Proposition 56 Backfill for Graduate Medical Education	1,473,000	The May Revision provide \$1.47 million General Fund to maintain the Proposition 56 Graduate Medical Education program at an ongoing amount of \$40 million total.	Approve the May Revision proposal.
73	University of California, California State University, California Community Colleges	Restricted Fund Balance Trailer Bill Language	--	<p>The May Revision proposes trailer bill language to enable the segments to use restricted fund balances, except lottery balances, to address COVID-19 related impacts and the loss of revenue from university enterprise functions.</p> <p>The TBL also authorizes the UC to temporarily use the savings from the refinancing of capital and bond debt to address COVID 19 related impacts and loss of revenue from enterprise functions. Currently this funding helps pay for the UC Retirement Plan unfunded liability.</p> <p>The TBL requires CSU and CCCs, and authorizes UC to use any restricted restricted fund balance to first mitigate the impacts to programs and services that predominantly support underrepresented students access to and success at college, and to expand the number of students serviced in online courses and programs.</p> <p>The TBL sunsets these provisions on June 2024.</p>	Defer without prejudice.
74	Hastings	Academic Building Replacement: Design-Build	--	The May Revision proposes BBL to extend the liquidation period for the project through June 30, 2022.	Approve the May Revision Proposal.

New May Revision Proposals - Vote Only

Issue	Department	Title	General Fund	Staff Comments	Staff Recommendation
75	California Student Aid Commission	Golden State Teacher Grant Program Administration	<p>-88,404,000 (CY)</p> <p>15,000,000 (Federal Funds)</p>	<p>The 2019-20 budget created the Golden State Teacher Grant Program and provided \$89.8 million General Fund one-time to support the program.</p> <p>The May Revision withdraws the January budget proposal to provide CSAC position authority for four positions to support the Golden State Teacher Grant Program.</p> <p>The May Revision also Governor also proposes to reduce the program by \$88.4 million from 2019-20 for a total of \$1.35 million to support outreach and administration.</p> <p>The May Revision provides \$15 million in reimbursement authority from federal Individuals with Disabilities Education Act (IDEA) funds to provide grants for special education teachers through the Golden State Teacher Grant Program.</p>	Hold Open.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair

Senator Connie M. Leyva

Senator Mike Morrell



Monday, May 25th, 2020
10:00 a.m., or Upon Call of the Chair
State Capitol - Room 4203

Consultant: Anita Lee

PART B: Higher Education

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6870 CALIFORNIA COMMUNITY COLLEGES**Issue 76: Student Centered Funding Formula (SCFF), Apportionments, Enrollment Growth, and Deferrals**

Request. The May Revision requests an increase of \$41.04 million Proposition 98 GF to reflect a revised estimate of hold harmless funding for districts under the SCFF. In addition, the May Revision proposes to extend the hold harmless provision of SCFF from 2021-22 to 2023-24. The 2018-19 budget created the SCFF, which allocates apportionments to districts based on a formula that accounts for student enrollment, enrollment of low-income students, and performance/ outcomes.

The May Revision proposes a trigger cut of \$592.95 million Proposition 98 GF to the SCFF. In addition, the May Revision proposes a trigger cut of \$167.16 million to reflect the withdrawn cost-of-living adjustment. The TBL specifies that apportionments are reduced, the Chancellor's office shall proportionally reduce each districts allocation by reducing the funding rates, revenue protections, or any combination. The Chancellor's Office shall not reduce the number of funded FTES by a district. For excess tax districts, the TBL specifies that their proportional reduction will be achieved by reducing the amount of funding from categorical programs.

The May Revision proposes TBL to specify that when calculating the three-year rolling average for the 2020-21 base allocation, colleges may use enrollment data for 2019-20 in place of funded credit enrollment data for 2020-21. The TBL also authorizes colleges to use data from 2018-19 in place of 2019-20 data to calculate the 2020-21 supplemental, performance and equity data.

The May Revision proposes trailer bill language to implement deferrals in 2019-20 and 2020-21. The TBL proposes a decrease of \$330.13 million Proposition 98 GF to reflect an apportionments deferral in 2019-20 to 2020-21, and a decrease of \$662.12 million Proposition 98 GF to reflect and apportionments deferral to 2021-22. The TBL does not specify a deferral payment date for the May 2021 and June 2021 deferrals.

The May Revision withdraws the January proposal to provide \$31.86 million for a 0.5 percent enrollment growth and makes this a trigger reduction.

Background. In the Great Recession, CCC enrollment was constrained by two factors: (1) reductions in course-section offerings, and (2) demand for services by adults seeking retraining and other skills. During that time, the CCC system reported that many students were not able to enroll in the classes they needed. On May 22, the US Bureau of Labor Statistics noted that the state lost 2.33 million jobs in April and has an unemployment rate of 15.5 percent. As a result, CCCs may see increased demand for services. Of the Federal CARES Act, CCCs are expected to receive \$579 million of the first allocation, half is to provide emergency grants to students and the remainder is for institutional support to defray expenses, cover lost revenue, among others. In addition, CCCs will also have the opportunity to file for Federal Emergency Management Agency reimbursements.

Staff Recommendation: Hold Open.

Issue 77: CCC Strong Workforce Program, Adult Education and Apprenticeships

Request. The May Revision proposes a trigger cut of \$135.6 million to the CCC Strong Workforce Program, this represents a 55 percent reduction to the program. Additionally, the May Revision proposes a reduction of \$79.35 million K-12 Strong Workforce Program. In addition to the trigger reduction, the May Revision also proposes trailer bill language to require community college districts to expedite the development of targeted credit or noncredit short-term workforce training programs that focus on: (1) economic recovery and result in job placement, (2) reskilling and upskilling, and (3) have at least one proven employer partner, demonstrate job vacancies and submit verification to the Chancellors Office.

The May Revision proposes a trigger cut of \$54.35 million Proposition 98 to the Adult Education program, this represents a 10 percent reduction.

The January budget proposed the following increases to apprenticeship programs: (1) \$27.8 million Proposition 98 ongoing for apprenticeship programs Related Supplemental Instructional (RSI), for a total of \$93.65 million, (2) \$20 million one-time for the 2019-20 RSI shortfall, and (3) \$15 million Proposition 98 ongoing for the Apprenticeship Initiative, for a total of \$30 million annually. The May Revision withdraws these proposals and designates them as “trigger cuts.”

The January budget proposed \$20 million one-time Proposition 98 to create a new work-based learning initiative. The May Revision also makes this a trigger cut.

Background. The 2016-17 budget created the Strong Workforce Program, which provided \$248 million Proposition 98 ongoing to support in career technical education. Statute directs the Chancellor to provide 40 percent of program funds to the seven CTE regional consortia and 60 percent directly to community college districts. Both pots of funding are for supporting regionally prioritized initiatives aligned with their CTE program plans. Strong Workforce funds are intended to support smaller class sizes for certain CTE courses, relatively expensive CTE equipment costs, and regional planning and coordination.

The 2015-16 budget created the Adult Education Block Grant program and the provided \$500 million Proposition 98 ongoing to support it. Under this program adult education providers formed regional consortia, which include school and community college districts, county offices of education and joint powers agencies to improve coordination to service adult learners within each region.

Staff Recommendation. Hold Open.

Issue 78: Student Support Services and Faculty

Request. The May Revision proposes a trigger cut of \$68.79 million to the Student Equity and Achievement Program (SEAP). In addition, the May Revision proposes TBL to specify that as a condition of receiving SEAP, colleges must have a dreamer resource liaison and operate a food pantry or food distribution.

The January budget proposed the creation of the CCC System of Support Program, which redirects \$125 million ongoing Proposition 98 from eight existing programs: Strong Workforce Program (\$12.4 million), online education initiative (\$20 million), student equity and achievement program (\$16.6 million), financial aid administration (\$5.3 million), Institutional Effectiveness (\$27.5 million), NextUp foster youth program (\$0.8 million), transfer education and articulation (\$0.7 million) into the new program. The TBL authorizes the Board of Governors allocate the \$125 million for: (1) program and administrative costs, (2) media campaigns, (3) program and administrative costs relating to fiscal health of districts, (4) institutional effectiveness, (5) technology services, (6) program and courses through technology, and (7) transfer articulation. The BOG will report to the Legislature on expenditures in the following year.

The May Revision sustains this proposal but proposed a trigger reduction of \$18.78 million to the program. The May Revision includes intent language to specify that efficiencies or savings gained from program administration be used to increase levels of service consistent with the Vision of Success and adjusted for the overall program appropriation level.

The May Revision proposes a trigger cut of \$253,000 to the CCC Academic Senate, which represents a 25 percent reduction in their state supported operations (not including funds for CCC course identification numbering system efforts). The May Revision summary noted a reduction of \$3.74 million to the Part-Time Faculty Compensation categorical and \$3.33 million to Part-Time Faculty Office hours, for a total reduction of \$7.09 million. Since the release of May Revision, the Administration clarified this reduction was actually \$4.74 million to the Part-Time Faculty Compensation and \$2.38 million to Part-Time Faculty Office Hours. These trigger reductions represent a 15 percent reduction to support for the Part-Time Faculty Compensation and Office Hours programs.

Background. The 2018-19 budget created the Student Equity and Achievement Program. This program merged funding for three initiatives: the Student Success and Support Program; the Basic Skills Initiative; and Student Equity. The 2019-20 budget provided \$475 million for this program to help eliminate achievement gaps for underrepresented students.

Staff Recommendation. Hold Open.

6440	UNIVERSITY OF CALIFORNIA
6600	HASTINGS COLLEGE OF LAW
6610	CALIFORNIA STATE UNIVERSITY

Issue 79: Operating Budget Reduction

Proposal. The May Revision proposes a trigger cut of 10 percent or \$338 million ongoing General Fund for UC compared to 2019-20. The May Revision proposes intent language to specify that the reduction in ongoing support not have a disproportionate impact on low-income students, students from underrepresented minority groups and other disadvantaged students. The BBL specifies that the UC shall not implement adjustments in a manner that disproportionately impacts the enrollment of and services to these students.

The May Revision proposes a trigger cut for UC Office of the President, UC Path and UC Division of Agriculture Natural Resources by 10 percent. Specifically, UCOP will be reduced by \$21.5 million to a total appropriation of \$193.73 million, UC Path will be reduced by \$11.24 million to a total of \$47.16 million, and UC ANR is reduced by \$7.62 million to a total of \$68.61 million.

The May Revision proposes a trigger cut of \$1.5 million ongoing General Fund or 10 percent reduction for Hastings College of Law.

The May Revision proposes a trigger cut of \$398 million ongoing General Fund or 10 percent for CSU. The May Revision proposes intent language to specify that the reduction in ongoing support not have a disproportionate impact on low-income students, students from underrepresented minority groups and other disadvantaged students. The BBL specifies that the CSU shall not implement adjustments in a manner that disproportionately impacts the enrollment of and services to these students.

These changes are in addition the May Revision proposal to withdraw the January proposal to provide a five percent increase for UC (\$169.2 million General Fund ongoing), Hastings (\$1.39 million General Fund ongoing), and CSU (\$199.04 million General Fund ongoing) which are on the vote only attachment.

Staff Recommendation. Hold Open

6980	CALIFORNIA STUDENT AID COMMISSION
6440	UNIVERSITY OF CALIFORNIA
6610	CALIFORNIA STATE UNIVERSITY

Issue 80: Financial Aid Reductions

Proposal. The May Revision proposes a trigger cut of \$4 million General Fund for UC and \$6 million for CSU for financial aid for students attending summer session. The 2019-20 budget provided this funding to UC and CSU to be suspended in December 31, 2021. The January budget proposed to extend this extension to June 30, 2023.

The May Revision also proposes a reduction of \$8.9 million for Cal Grant awards for students attending private non-profit institutions. This would reduce the Cal Grant award for these students from \$9,084 to \$8,056. The 2018-19 budget maintained the maximum Cal Grant award for students attending these institutions if the sector admits a specified number of associate degree for transfer students each year. For the 2019-20 year, the sector needed at least 2,000 community college associated degrees for transfer, however, the time the sector only admitted 409 ADT students. The Budget Act of 2019-20 provided an additional year for the sector to meet this requirement.

Background. According to the Association of Independent California Colleges and Universities (AICCU) report to the Legislature, a total of 1,435 unduplicated ADT students at 32 of its 72 participating institutions were admitted for the Fall 2019 period. The Student Transfer Achievement Reform Act established the ADT, which requires CCC districts to develop and grant a transfer associate degree that deems the student eligible for transfer into the CSU, when the student meets specified requirements. Completion of an ADT guarantees admission with junior status to a CSU campus, no additional lower-division coursework, and no more than 120-unit pathways for a bachelor's degree.

Staff Recommendation. Reject Governor's proposal. Approve \$4 million one-time for financial aid for UC students attending summer session, \$6 million one-time for financial aid for CSU students attending summer session, and \$8.9 million one-time for Cal Grant Awards for students attending non-profit private institutions.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1

Agenda

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



Monday, May 25, 2020
10 a.m. or upon call of the chair
State Capitol - Room 4302

Consultants: Elisa Wynne

AGENDA

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Issues 1 – 116 Attachment A

Issues 1-39, 41-43, 45-51, 53-82, 84-105 Vote: 3-0

Issues 40, 44, 52, 83 Vote: 2-1 Morrell No

Issues 106-116 Vote: 2-0, Morrell Abstain

Vote Only Calendar for Modifications to Budget Proposals from January

Issues 117 – 146 Attachment A

Issues 117-138 Vote 3-0

Issues 139-146 Vote: 2-0, Morrell Abstain

Vote -Only Calendar for New Administration Proposals Introduced in May

Issues 147 – 195 Attachment A

Issue 147-175, 177, 181 Vote 3-0

Issue 176 Vote: 2-1 Morrell No

Issues 178-180 and 182-195 Vote: 2-0, Morrell Abstain

Vote -Only Calendar for New Legislative Proposals

Issue 196 Attachment A **Vote: 2-0, Morrell Abstain**

Child Care and Early Education Vote-Only Calendar

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Issues 197 – 204 Attachment B **Vote: 3-0**

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Issues 205 – 208 Attachment B **Vote: 3-0**

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Issues 209 – 220 Attachment B **Vote: 3-0**

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

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PART B: Higher Education

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Issues 53-67: (3-0)

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Issue 69	Reduce California Library Services Act Augmentation
6440	University of California
Issue 70	Adjustment to Develop UC Subject Matter Project to Address Learning Loss in Mathematics, Science, and English/Language Arts
Issue 71	Language Only: Increase Campus Assessment Supporting UC Path
Issue 72	Proposition 56 Backfill for Graduate Medical Education
6440	University of California
6610	California State University
6870	California Community Colleges
Issue 73	Restricted Fund Balance Trailer Bill Language
6600	Hastings College of Law

Issue 74 Academic Building Replacement: Design-Build

6870 California Student Aid Commission
Issue 75 Golden State Teacher Grant Program Administration

Items for Discussion

Outcomes

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6870	California Community Colleges
Issue 76	Student Centered Funding Formula (SCFF), Apportionments, Enrollment Growth, and Deferrals
Issue 77	CCC Strong Workforce Program, Adult Education and Apprenticeships
Issue 78	Student Support Services and Faculty
6440	University of California
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Issue 79	Operating Budget Reduction
6980	California Student Aid Commission
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Issue 80:	Financial Aid Reduction

