

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

TUESDAY, MARCH 9, 2021

9:00 AM, STATE CAPITOL, ROOM 4202

Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub2@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957, Access Code: 131 54 202.***

Note: The Subcommittee may pause this hearing at noon and continue at 1:30 P.M. The Chair will update this schedule during the hearing.

INFORMATIONAL HEARING

UNIVERSITY OF CALIFORNIA/CALIFORNIA STATE UNIVERSITY

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ITEMS TO BE HEARD

6440 UNIVERSITY OF CALIFORNIA

The Governor's Budget proposes about \$3.8 billion in General Fund support for the University of California (UC) in 2021-22. Overall revenue for UC, including medical centers, is estimated to be about \$45.5 billion. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget. *Note that an agreement announced between Governor Gavin Newsom and legislative leaders in February will restore \$300.8 million ongoing General Fund that was cut from the UC budget in 2020-21. This restoration will be effective July 1 and will be included in the May Revise.*

University of California Funding by Source

(Dollars in Millions Except Funding Per Student)

| | 2019-20 Actual | 2020-21 Revised | 2021-22 Proposed | Change from 2020-21 | |
|--|-------------------|--------------------|---------------------|---------------------|-------------|
| | | | | Amount | Percent |
| Core Funds | | | | | |
| General Fund | | | | | |
| Ongoing | \$3,724 | \$3,465 | \$3,601 | \$136 | 3.9% |
| One time | 214 | 1 | 225 | 225 | 33,123 |
| Subtotals | (\$3,938) | (\$3,466) | (\$3,827) | (\$361) | (10.4%) |
| Tuition and fees ^a | \$5,051 | \$5,054 | \$5,085 | \$31 | 0.6% |
| Lottery | 43 | 43 | 43 | — ^b | -0.2 |
| Other core funds ^c | 350 | 352 | 344 | -8 | -2.2 |
| Subtotals | (\$9,382) | (\$8,915) | (\$9,299) | (\$384) | (4.3%) |
| Other Funds | | | | | |
| Medical centers | \$14,427 | \$16,118 | \$18,437 | \$2,319 | 14.4% |
| Sales and services | 8,255 | 8,291 | 9,290 | 999 | 12.0 |
| Federal ^d | 4,300 | 4,142 | 4,218 | 76 | 1.8 |
| Private | 2,525 | 2,613 | 2,699 | 86 | 3.3 |
| State | 413 | 512 | 473 | -39 | -7.6 |
| Other | 1,126 | 1,041 | 1,059 | 18 | 1.7 |
| Subtotals | (\$31,045) | (\$32,716) | (\$36,175) | (\$3,459) | (10.6%) |
| Totals | \$40,427 | \$41,631 | \$45,474 | \$3,843 | 9.2% |
| FTE students^e | 285,227 | 290,307 | 292,207 | 1,900 | 0.7% |
| Core ongoing funding per student | \$32,141 | \$30,706 | \$31,052 | \$345 | 1.1% |
| ^a Includes funds that UC uses to provide tuition discounts and waivers to certain students. | | | | | |
| ^b Amount is less than \$500,000. | | | | | |
| ^c Includes a portion of overhead funding on federal and state grants and a portion of patent royalty income. | | | | | |
| ^d Does not include federal funding from the Coronavirus Response and Relief Supplemental Appropriations Act adopted on December 27, 2020. | | | | | |
| ^e 1 FTE is 30 credit units for an undergraduate and 24 credit units for a graduate student. Student counts includes resident and nonresident students. Most growth shown for 2021-22 is associated with nonresident enrollment. | | | | | |
| FTE = full-time equivalent. | | | | | |

ISSUE 1: BASE FUNDING/ENROLLMENT

The Subcommittee will discuss the Governor's Budget proposal to provide a 3% base increase to UC (\$103.9 million ongoing General Fund), while requiring UC to develop a plan to eliminate student equity gaps, increase online education, and create a dual admissions pathway for community college students. The Governor's Budget assumes UC will not increase tuition in 2021-22 and provides no enrollment target.

PANEL

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

BACKGROUND

COVID-19 pandemic forces remote learning, and significant impacts on students and campuses. In response to the public health crisis, all 10 UC campuses shifted primarily to remote operations beginning in March 2020. Campuses continue to offer the vast majority of their instruction online, with the exception of a small number of courses that involve laboratory or other required hands-on work. In addition, campuses are providing most of their student services (such as academic advising, financial aid administration, and mental health services) online. Institutions tend to be operating their noncore programs (including their housing, dining, and parking programs) at substantially reduced capacity.

Students have faced significant hurdles to their education, including changed living situations, technology challenges, and lost income. Campuses have also faced new costs and lost revenue: UC reports \$1.4 billion in lost revenue from March to December 2020, and \$150 million in extra costs. These numbers do not include medical centers.

Federal funding has helped address some of these costs and lost revenue. The chart below indicates the two rounds of federal funding provided to UC so far – about \$658 million. These numbers exclude medical centers.

| CARES ACT (March 2020) | Amount (in millions) | CRRSAA (December 2020) | Amount (in millions) |
|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Student Aid | \$130 | Student Aid | \$130 |
| Campus Funds | \$130 | Campus Funds | \$261 |
| Supplemental Funds | \$7 | Total | \$391 |
| Total | \$267 | | |

2020 Budget Act reduced state support for UC. The 2020 Budget Act provided some increases in state support to specific UC programs: \$25 million ongoing General Fund to the UC Riverside School of Medicine, and \$15 million ongoing General Fund to the UC San Francisco School of Medicine Fresno Branch Campus, in partnership with UC Merced. But overall state funding for UC was reduced by about \$300 million. (As noted above, a February agreement will restore this cut beginning on July 1.)

The 2020 Budget Act included no enrollment targets.

The Budget Act sought to minimize harm to UC students and employees in multiple ways. It directed UC (and CSU) to use a portion of their operating reserves to offset some of the state General Fund reductions. (UC had about \$1 billion in operational reserves going into the 2020-21 fiscal year.) The Budget Act also allowed UC to redirect unspent one-time deferred maintenance funds from the previous year to help cover instruction and other operating costs in 2020-21.

UC used various strategies to protect programs and avoid significant layoffs. UC campuses are suspending some hiring, dipping into reserves, using unspent deferred maintenance funds, and borrowing to avoid making major cuts this year. Campuses are expected to use about \$175 million in reserves and redirected about \$25 million in state deferred maintenance funding to support operational costs. In addition, UC issued \$1.5 billion in “working capital” bonds in summer 2020, which provide cash for UC’s operations. Campuses will repay the bonds from their operating budgets over ten years.

As of January 8, UC reports 221 permanent layoffs, with about half of these at UC San Francisco. Another 675 employees were on temporary layoff.

UC reports variance in graduation rates for student groups. Statute requires UC to report annually to the Legislature on various student outcomes. Four-year graduation rates vary significantly among student racial/ethnic groups, and between students who receive a financial need-based federal Pell Grant, and those who don’t. The gaps in six-year graduation rates are less pronounced, but still remain.

| Student Group | 4-Yr Grad Rate | 6-Yr Grad Rate |
|------------------------|----------------|----------------|
| White | 73% | 87% |
| Asian/Pacific Islander | 76% | 89% |
| Latino | 58% | 79% |
| Black | 54% | 77% |
| | | |
| Pell Grant Recipient | 57% | 83% |
| Non-Pell Grant | 67% | 87% |

UC offered few online courses before pandemic. Data from the Office of the President indicates that UC was offering very few online-only courses before COVID-19. Overall, about 1.5% of courses planned for the 2019-20 academic year were online. (Data is not available on how many courses were a mix of online and in-person instruction.) A significant proportion of online courses at UC have been offered during summer, and UC indicates there will likely be an increase of online summer courses going forward.

Community college transfer enrollment has grown at UC, but transfer processes remain too complicated for students and most students don't achieve their transfer goal. The state and UC have sought to increase community college transfer enrollment to UC campuses. Budget language required that campuses enroll one transfer student for every two freshmen; UC reports meeting that as a system. California transfer enrollment grew by about 15% between Fall 2016 and Fall 2020, when UC enrolled 18,063 California transfer students. A 2018 memorandum of understanding between UC President Janet Napolitano and California Community College Chancellor Eloy Ortiz Oakley seeks to further the coordination between UC and community colleges on transfer issues.

While all three segments have sought to improve the transfer process, it remains difficult for students to navigate. UC continues to offer largely different transfer pathway programs than CSU, often forcing community college students to take different courses to qualify for transfer to the different segments. CSU's main transfer pathway is the Associate Degree for Transfer program, while six UC campuses offer the Transfer Admission Guarantee (TAG) program for some community college students (UCLA, Berkeley, and San Diego do not participate), and the UC Transfer Pathways program provides a roadmap of course preparation for the university's most sought-after majors. Work has been done among the segments' academic senates to align the ADT and UC transfer programs in some areas.

A September 2020 report by the Public Policy Institute of California noted that a large gap exists between the number of California community college students who hope to transfer and those who do: only 19% of students with a stated transfer goal do so within four years; 28% do so within six years.

California undergraduate enrollment grew at UC in Fall 2020, while nonresident enrollment declined. Applications are up for Fall 2021. Despite the pandemic, California undergraduate enrollment grew at UC in Fall 2020 by more than 1,800 students when compared to Fall 2019. Nonresident enrollment declined. The following chart indicates California resident and nonresident undergraduate enrollment during the past five years.

| UC Undergraduate Enrollment | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 | Fall 2020 | Change, Fall 2019 to Fall 2020 | Change, Fall 2016 to Fall 2020 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------------|--------------------------------|
| CA Resident | 175,630 | 179,649 | 182,945 | 185,639 | 187,446 | 1,807 | 11,816 |
| Nonresident | 34,538 | 37,098 | 39,548 | 40,482 | 39,002 | (1,480) | 4,464 |
| Total | 210,168 | 216,747 | 222,493 | 226,121 | 226,448 | 327 | 16,280 |

UC announced in January that they received a record-number of applications for Fall 2021. Preliminary data show a total of 249,855 applications, a 16% leap from the past year. UC saw a 13% increase among California freshman applicants, and an 8% increase of community college transfer applicants.

Campuses saw significant growth of freshman applications from African American students, with an increase of 1,505 applications or 22%, as well as Chicano/Latino students, with a jump of 5,250 or 12%. Overall, Chicano/Latino applicants make up the largest proportions of prospective in-state students: 38% of freshman applicants and 33% of California Community College transfers.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes a 3% base increase for UC, or about \$104 million ongoing General Fund. The new funding is contingent upon UC taking the following actions:

- Submit by June 30, 2022 a multiyear plan to reduce student equity gaps by 20 percent each year, fully eliminating them by 2025;
- Adopt a policy by June 30, 2022 designed to maintain the share of online courses and programs at a level that is at least 10 percentage points higher than the share in 2018-19;
- Create a dual admissions pathway with community colleges, which would allow recent high school graduates to apply and be admitted to UC campuses but start and complete lower-division coursework at a community college.

The Governor's Budget assumes UC will not increase tuition in 2021-22 and provides no enrollment target.

As noted above, the Administration and Legislature announced an agreement in February that will restore the \$302.4 million cut made in the 2020 Budget Act. This restoration will take place on July 1, and will be reflected in the May Revise.

STAFF COMMENT

UC Regents' request. Each fall the UC Board of Regents votes on a budget for the following fiscal year, which includes the Regents' request for state funding. UC's request this year includes the following base funding components:

- Restore the 2020-21 cut. This request has been addressed.
- \$157.7 million ongoing General Fund on top of the restoration, to support cost increases in core operations. This funding would cover retirement and health benefit increases (\$61 million), contractually committed compensation (\$31.4 million), faculty salary merit increases (\$33 million), a 1.5% adjustment for non-represented staff (\$17.3 million), and capital outlay debt service (\$15 million).
- \$30.4 million ongoing General Fund to support the Framework 2030 goals for closing graduation equity gaps.
- Rejoin the UC Office of the President (UCOP) budget item with the campus budget item. Based on a 2017 recommendation from the State Auditor, the UCOP budget was separated from the campus budget. Since then, state funding for UCOP has been cut, while UCOP has implemented other audit recommendations to increase transparency and improve service to campuses.

Governor's Budget requirements are questionable. Two of the three proposed requirements – addressing equity gaps and the dual admissions proposal - do address Assembly priorities around access to UC, and student success. Staff notes the following concerns with the three requirements, however:

- UC already has a plan to address student equity gaps, so it is unclear why this requirement is necessary. The Subcommittee may wish to consider specific programs or policies to implement to improve student outcomes.
- The Governor's Budget does not reform any current transfer program, and instead creates one more program on top of other programs. This will likely add more complexity to an already confusing list of transfer options for students. Additionally, the proposal requires that students complete their community college portion in two years, which may not benefit community college students who need more support – and time – to transfer. Finally, staff notes that this is a policy issue that has no specific budget implication.
- Requiring 10% more online courses is arbitrary and may disadvantage low-income students, or other students who do not traditionally perform well in online courses. Staff notes that UC opposes this proposal, as the UC Academic Senate is studying outcomes related to online courses taught in 2020-21.

Enrollment targets have led to increase in California access. The Assembly has long championed efforts to increase California enrollment at UC, and slow or decrease nonresident enrollment. The Regents approved an 18% cap on nonresidents after the Assembly pushed for this requirement, and California enrollment targets – accompanied by funding – have led to a surge in resident enrollment in recent years. While the admissions cycle for Fall 2021 is underway now, the Subcommittee may wish to consider an enrollment target for Fall 2022.

ISSUE 2: STUDENT SUPPORT/BASIC NEEDS PROPOSALS

The Subcommittee will discuss the Governor's Budget student support proposals, including emergency financial aid and funding for student mental health.

PANEL

- Brian Rutledge, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Seija Virtanen, University of California Office of the President

BACKGROUND

The term "basic needs" generally refers to living costs that affect students' well-being. Definitions vary, but they almost always include food and housing and may also include other components, such as mental health and technology. Previous surveys suggest a notable share of university students have difficulty covering certain basic needs. In a survey conducted before the pandemic, 47% of UC undergraduates reported very low or low food security.

Both UC and the state have sought to address student basic needs in multiple ways. For example, the UC Board of Regents approved a student mental health initiative in 2015-16 that sought to bring UC mental health provider staffing in line with recommended ratios: 1:1,000-1,200 for psychologists and 1:6,500 for psychiatrists. (Six campuses have met that goal.) The plan included increasing the Student Services Fee (SSF) by 5% annually for five years.

In addition, the state has funded several basic needs supports for UC students in recent years, as the chart below indicates.

| Basic Needs Service | Ongoing State Funding |
|------------------------|-----------------------|
| Food and Housing | \$ 15.0 |
| Rapid Rehousing | \$ 3.5 |
| Mental Health Services | \$ 5.3 |
| Total | \$ 23.8 |

A recent report from UC noted that the \$15 million in ongoing funding was distributed to campuses in the following manner this year: \$5 million equally across the 10 campuses (\$500,000 per campus to provide a common baseline level of support); \$9.5 million in proportion to the estimated number of students who are food and/or housing insecure at each campus (based on systemwide survey findings; and \$500,000 was used by UCOP to support systemwide coordination of research, technical assistance,

technology innovation, coordination of the Systemwide Basic Needs Committee and for students at the UC Washington D.C. center. The report included the following chart of student basic needs service by campus:

UC Student Basic Needs Services

| Campus | Unique students served* | Student contacts** |
|------------------|-------------------------|--------------------|
| UC Berkeley | 3,160 | 15,208 |
| UC Davis | 4,263 | 57,156 |
| UC Irvine | 2,323 | 9,599 |
| UC Los Angeles | 3,412 | 5,752 |
| UC Merced | 469 | 3,861 |
| UC Riverside | 2,055 | 6,706 |
| UC San Diego | 3,457 | 19,822 |
| UC San Francisco | 1,140 | 6,469 |
| UC Santa Barbara | 13,927 | 68,213 |
| UC Santa Cruz | 1,226 | 12,428 |
| TOTAL | 35,432 | 205,214 |

Early action this year included student CalFresh outreach. In addition, AB 85, passed by the Legislature and signed by the Governor in February, provides UC and the other segments with funding to support efforts to enroll more students in the federal CalFresh food program. The action provided \$6 million one-time General Fund and Proposition 98 General Fund for the segments (including \$650,000 General Fund for UC) to conduct outreach and application assistance activities, and \$11.8 million one-time state General Fund and \$16.9 million one-time federal funds to counties to support CalFresh enrollment of students.

Federal aid helped support students. Federal funding provided to colleges and universities during the pandemic has also sought to support students. Across the two rounds of funding provided so far, the minimum portion for student aid totals \$260 million for UC. Under the federal legislation related to the second round of funding, which campuses are receiving now, grants may support students' regular costs of attendance or emergency expenses related to COVID-19. The legislation includes a requirement for institutions to prioritize aid for students with exceptional need, such as Pell Grant recipients. In addition to the federal relief funds, the state provided funds in the 2020-21 Budget Act for emergency grants to undocumented students (who were generally excluded from receiving aid under the first round of federal relief), allocating \$1 million to UC for this purpose.

UC has provided the breakdown below of how the first round of funding was prioritized and distributed. UC notes that campuses have used other funds to ensure that undocumented students received the same amount of aid as other needy students.

Table 2: UC Undergraduate CARES Act Awards

| Undergraduate Student Categories | Range of Emergency Grants |
|---|---------------------------|
| Highest Need Students (e.g., Pell Grant eligible) from Vulnerable Populations (e.g., Independent, Parenting Students, etc.) | \$1,500-1,700 |
| Highest Need Dependent Students | \$900-1,300 |
| UC Grant Eligible, Not Pell Eligible | \$850-1,100 |
| Some Financial Need | \$200-\$650 |
| Additional Considerations | |
| Summer Retention & Technology Grants | \$500-\$1,200 |
| Spring Term Appeals for Additional Emergency Grants | \$500-\$1,500 |

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes the following UC student support actions:

- \$15 million ongoing General Fund to support student mental health and technology needs. Budget language would allow UC to determine how to distribute this funding to campuses, and how to divide funding between the two purposes. UC would be required to report back to the administration and Legislature on how funding was spent.
- \$15 million one-time General Fund to support emergency financial aid for students. Budget language specifies that UC would allocate the funds to campuses based on their headcount of Pell Grant recipients, as well as undocumented students qualifying for resident tuition. Campuses may award grants to students who self-certify that they meet the following criteria:
 - Have an emergency financial need.
 - Meet the financial eligibility requirements to receive a Pell Grant or (for undocumented students) a Cal Grant.
 - Are currently enrolled full time with a grade point average of at least 2.0 in one term during the past academic year or meet certain full-time employment conditions.

STAFF COMMENT

Recent state support for basic needs has boosted campus efforts to create programs that bring food and other services to campuses, and also connect students to local need-based programs. More data is needed to better understand the impacts these type of services have on student lives and outcomes. However, investment in basic

needs infrastructure seems warranted, given the clear need among students. Key decision points for the Subcommittee this year are how much funding to send directly to students as emergency aid, how much to spend on programs that support students, and how to organize this funding.

Among the issues the Subcommittee could consider in this discussion are:

- ***How should basic needs spending be organized?*** The Governor's Budget proposes one program to use ongoing funding to support student mental health and technology needs, on top of current ongoing funding for food and housing insecurity. The Subcommittee may wish to review the current proposal and existing funding to discuss how best to prioritize and organize these services, or whether to leave more of that decision-making to local districts. The LAO recommends establishing state goals and objectives for these services.
- ***Non-Proposition 98 funds could be pursued.*** As noted above, the 2019 Budget Act used \$10 million from the state administration fund within Proposition 63 to support mental health services for CSU and community college students. While the Governor's Budget proposes using General Fund to support mental health services for students, the Subcommittee may wish to pursue more Proposition 63 funding for this activity, either to replace the funding or supplement it. Staff notes that the Proposition 63 state administration fund is projected to have a \$46 million balance in 2021-22.
- ***Emergency aid should follow best practices and serve all needy students.*** The Governor's Budget proposal requires students to certify that they are a full-time student or have met full-time work requirements, which could be confusing for students and campuses. Best practices around emergency aid suggest simple rules that allow for quick distribution of funds. The Subcommittee may wish to work with the Administration on tweaks to this language. In addition, staff notes that the two rounds of federal emergency aid funding have left out undocumented or AB540 students. While UC has used other campus funds to offer similar grants to students, the Subcommittee may wish to consider whether it should prioritize state funds for students not eligible for federal funding.

ISSUE 3: DEFERRED MAINTENANCE/CAPITAL OUTLAY

The Subcommittee will discuss the Governor's Budget proposal to provide \$175 million one-time General Fund to support deferred maintenance projects, and UC and the Department of Finance's progress in implementing a new requirement that UC certify to the Department of Finance annually that buildings built through the state-funded capital outlay process are being operated and maintained by UC employees.

PANEL

- Brian Rutledge, Department of Finance
- Randall Katz, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Seija Virtanen, University of California Office of the President

BACKGROUND

UC faces billions in deferred maintenance; the state and UC have spent millions to try and address the problem. Like most state agencies, UC campuses are responsible for funding the maintenance and operations of their buildings from their support budgets. When campuses do not set aside enough funding from their support budgets to maintain their facilities or when they defer projects, they begin accumulating backlogs. These backlogs can build up over time, especially during recessions when campuses sometimes defer maintenance projects as a way to help them cope with state funding reductions. UC estimates \$8 billion in deferred maintenance.

Both the state and UC have sought to address the significant backlog in recent years. Since 2015-16, the state has provided \$239 million one-time General Fund to support deferred maintenance, while UC has used internal bond funds to support at least \$105 million to address deferred maintenance. Based on a reporting requirement in the 2019 Budget Act, UC is expected to submit a plan this Spring to fully quantify and address their maintenance backlog.

New capital outlay requirement enacted last year. The 2013 Budget Act created a new process for UC capital outlay which allows UC to pledge its state support appropriations to issue bonds for state-eligible projects. The state provides annual funding to support debt service on projects; this funding was folded into UC's operational budget in 2013. UC annually submits proposed projects to the Department of Finance, which reviews and approves projects, and then submits a letter to the Joint Legislative Budget Committee (JLBC) for legislative review. UC has been required by law to arrange for all service work performed at locations benefitting from state funding since January 1, 2017 to be performed exclusively by individuals employed directly by the University.

Trailer bill language related to the 2020 Budget Act modified this process. UC must now certify annually that all cleaning, maintenance, grounds keeping, food service or other work traditionally is performed by UC employees at each facility, building or property. (This excludes construction work and other types of work, including carpentry, electrical, plumbing, glazing, painting and other craft work designed to preserve, protect or keep facilities in a safe and usable condition.) The new language also specifies that the Department of Finance shall approve each new and ongoing capital expenditure only after the UC has submitted its certification.

UC submitted two projects to Finance in Fall 2020 for approval: (1) UC Berkeley – Academic Seismic Replacement of Evans Hall (\$124 million total), and (2) UC Merced – new Health and Behavioral Science Building (\$210 million total). Despite a Feb. 1 deadline, the Department of Finance has not submitted a UC capital outlay letter to JLBC for these projects.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

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

STAFF COMMENT

Deferred maintenance is a significant problem for UC, as it is for CSU, community colleges, and other public agencies. Maintenance projects are a good use for one-time funds, although it is clear that the millions of dollars the state has provided has not truly solved this problem. The report this Spring should help provide a plan for how to tackle this daunting issue.

Staff notes the LAO recommends approving funding for deferred maintenance, but suggests changing the reporting language to allow more legislative review of projects before funds are spent, instead of after.

Staff also notes that the Department of Finance has indicated it will soon submit a capital outlay letter for UC projects, although this letter is now more than one month late.

ISSUE 4: OTHER PROPOSALS

The Subcommittee will discuss several Governor's Budget proposals for UC, including \$12.9 million ongoing General Fund to expand the Programs in Medical Education (PRIME), \$1 million ongoing General Fund to support the UC in using the same learning management system as community colleges, \$20 million one-time General Fund to support the California Institutes for Science and Innovation, \$5 million one-time General Fund to support culturally-competent professional development for faculty, and \$1.3 million one-time General Fund to support a health modeling consortium between UC San Francisco and the California Department of Public Health.

PANEL

- Brian Rutledge, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Seija Virtanen, University of California Office of the President

BACKGROUND

PRIME provides health equity focus for medical school students. PRIME provides additional training for medical students on health equity issues, with a goal of encouraging students to practice in the state's underserved communities. PRIME is comprised of six unique programs operated by UC schools of medicine:

- Rural PRIME (Rural California) at Davis, est. 2007 – Incorporates an award-winning model program in telemedicine with a commitment to rural health care.
- San Joaquin Valley PRIME, est. 2011 – Expands the San Joaquin Valley physician workforce by recruiting students who want to practice in the region.
- PRIME-LA (Leadership and Advocacy) at Los Angeles, est. 2008 – Trains future physicians to deliver culturally competent care and develops leadership skills.
- PRIME-US (Urban Underserved) at San Francisco, est. 2007 – Enables students to pursue interests in caring for homeless and other underserved populations in urban communities.
- PRIME-LC (Latino Community) at Irvine, est. 2004 – Emphasizes Latino health issues, including increased proficiency in medical Spanish and in Latino culture.
- PRIME-HEq (Health Equity) at San Diego, est. 2007 – Incorporates health disparities and minority health issues so graduates can contribute to equity in care delivery.

UC currently uses about \$4.5 million in ongoing General Fund to fund the program, which supports about 365 students.

UC campuses use different learning management systems. Colleges use learning management systems (LMS) for both online and in-person classes. A LMS allows faculty to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to access course materials, content, submit assignments, collaborate with classmates, communicate with instructors, and access help resources. Historically, each college has selected its own course management system from among several vendors. Currently, all community colleges, except Calbright College, utilize a single LMS platform, Canvas. Seven UC campuses use Canvas, with UCLA scheduled to begin using Canvas in 2021-22. The other two campuses use a different system.

California Institutes of Science and Technology merge research and entrepreneurship. Created in 2000, the California Institutes of Science and Innovation (Cal ISI) support interdisciplinary research in biomedicine, bioengineering, nanosystems, telecommunications and information technology. The goal is to bring university researchers and private industry together to boost the state's economy and harness the power of research and discovery to address large-scale societal problems. Cal ISI includes:

- The Center for Information Technology Research in the Interest of Society and the Banatao Institute (CITRIS);
- The California Institute for Quantitative Biosciences (QB3);
- The California Institute for Telecommunications and Information Technology (CalIT2) and;
- The California NanoSystems Institute (CNSI).

UC currently uses about \$4.8 million ongoing General Fund to support these institutes, which have an overall budget of about \$16.6 million.

Every UC campus has professional development center for faculty. UC Teaching and Learning Centers offer a wide array of professional development opportunities to current and future faculty. The centers, located on each UC campus, offer training on various teaching strategies, support teaching cohorts and communities, and conduct research to develop best practices. Many centers began with a focus on introducing technology in the classroom and have since expanded to hubs of pedagogical innovation that adapt to the shifting needs of instructors, students, and campuses, including the recent shift to remote instruction. UC notes that the centers served about 3,200 faculty in 2018-19, and that jumped to 6,700 in 2019-20.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget includes the following UC proposals:

- \$12.9 million ongoing General Fund to support and expand existing UC Programs in Medical Education (PRIME), and to establish a new PRIME focused on Native American communities. Budget language encourages UC to use these funds to support underrepresented areas of the state, and requires at least one-third of be used to augment need-based financial aid for PRIME students. UC indicates this funding would support 112 new students, and that it will create a new program focused on Black/African-American health as well.
- \$1 million ongoing General Fund to adopt a common learning management platform for online courses that aligns with the platform used by the California Community College system, at each campus by the 2023–24 academic year.
- \$20 million one-time General Fund to support the California Institutes for Science and Innovation to provide student stipends to better enable student workers to connect with industry employers, and for research teams to form industry partnerships to better align educational programs with workforce needs. UC intends to allocate the funds equally among the four institutes, providing roughly \$1 million to each institute each year of the five-year period. Together, the institutes plan to serve up to 540 students annually, or up to 2,700 students over the five-year period.
- \$5 million one-time General Fund to provide culturally competent professional development for faculty, including leveraging technology to improve learning outcomes.
- \$1.3 million one-time General Fund to support a health modeling consortium partnership between University of California San Francisco and the California Department of Public Health.

STAFF COMMENT

These proposals can be reviewed by the Subcommittee in the context of overall UC funding, and whether they best accomplish Assembly goals around access, affordability and student success. Many of these proposals have laudable goals but require more scrutiny. Among the issues to consider are:

PRIME program addresses state need, but more planning/outcomes information may be needed. The California Future Healthcare Workforce Commission noted that workforce shortages in medically underserved regions of the state are projected to

increase as a result of population growth, aging, and shifting demographics. The Commission highlighted the PRIME program as a key effort to address medical workforce shortages, particularly in efforts to diversify the state's healthcare workforce. Thus, this proposal does appear to be addressing a statewide need. The LAO raises several issues with this proposal however, including noting that the Legislature may want to better understand overall plans for growth in both PRIME and medical school enrollment, the overall costs associated with medical school enrollment, and the employment outcomes of PRIME students.

Rationale for requiring all segments to use same learning management system remains unclear. The Administration is proposing that all UC and CSUs campuses use the same learning management system as community colleges, which is currently the Canvas system. While there could be some benefits to students, in that they would be familiar with the system if they changed campuses or segments, it is not clear what other advantages this proposal would produce. The proposal also would hinder competitive bidding processes and add costs to campuses if they had to abandon current systems in favor of a new one. UC notes it is concerned that the proposed funding is not enough to cover procurement and transition costs.

UC Institutes proposal should be considered among workforce development proposals. The UC Institutes have produced significant positive impacts for UC, local communities, and the state economy. However, the LAO notes this proposal mostly impacts a relatively small number of students, and the Legislature may want to consider this proposal in the context of other workforce development proposals that will be announced by the Administration later this spring.

State has not supported faculty professional development previously. While the faculty development proposal has laudable goals to increase cultural competence and better use of technology among faculty, staff notes that UC appears to have a robust faculty training program without this new funding.

ISSUE 5: INSTITUTIONAL AID/CAL GRANT REFORM

The Subcommittee will discuss institutional aid programs at UC and receive feedback from the UC Office of the President regarding the Cal Grant Reform proposal.

PANEL

- Shawn Brick, University of California Office of the President

BACKGROUND

The following summary of the UC institutional aid program is based on “Institutional Aid at California Colleges: a Primer,” released by The Institute for College Access and Success (TICAS) in July 2020.

UC’s Education Financing Model seeks to address total cost of attendance. UC distributes just over one billion dollars in undergraduate grants and scholarships each year. A total of 81 percent of UC institutional gift aid spending is distributed through the need-based UC Grant program.

The UC’s need-based grant aid program was established in the late 1960’s and is funded through a set aside of one-third of new mandatory systemwide tuition and fee revenue. Dollars are allocated through a system-wide financial aid strategy, known as the Education Financing Model (EFM), which relies on contributions from students and/or families, state and federal government aid, and institutional aid.

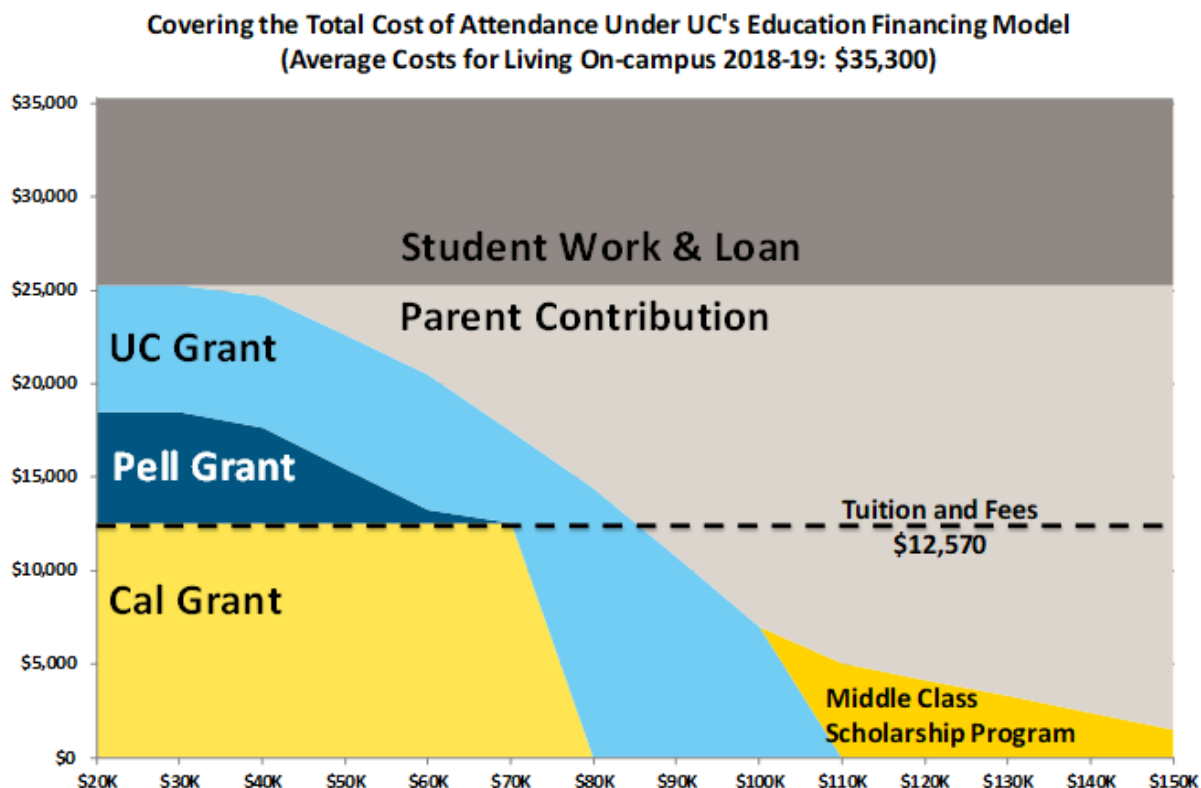
Within the EFM framework, the UC grant program supplements other available grant and scholarship aid in order to ensure all students can cover total college costs (including non-tuition and fee costs) with an equal loan and work burden set at a level deemed manageable. In 2019-20, this “self-help” level was approximately \$10,000. The University’s Blue and Gold Opportunity Plan, in which students with parent incomes of up to \$80,000 and financial need are guaranteed to receive grants covering mandatory systemwide fees, is embedded within the EFM framework.

California residents enrolled in an undergraduate program at any UC campus who demonstrate financial need in their FAFSA or California Dream Act application, are broadly eligible for a UC grant under the EFM. Because UC grants fill in gaps left by other financial aid programs, whether students receive a UC grant and the size of the award depends on how much of a gap remains, rather than having an EFC in a specified range.

In the 2018-19 award year, nearly 111,000 undergraduates received an average of about \$7,500 in UC need-based grant aid. Average UC grant awards are highest for independent students (for whom grants typically average nearly \$12,500). While demographic data for UC grant recipients specifically are not available, public reports show that 38 percent of students receiving state or UC gift aid have an EFC of zero; nearly three-quarters have an EFC of \$5,000 or less.

Lower income UC students are much more likely to receive a UC Grant than their higher income peers. Between 83 and 85 percent of students from families earning \$63,000 or less received a UC grant in 2018-19, compared to 18 percent of those from families with incomes between \$155,000 and \$185,000 and three percent of students from families earning \$185,000 or more. At the same time, the lowest income recipients of a UC Grant tend to have smaller average UC grants than many of their higher income peers, a function of the UC Grant topping off other federal and state grant aid of which the lowest income students tend to receive more. Considering all forms of grant aid, amounts received decline as income goes up.

The following chart illustrates how UC uses institutional, state and federal aid, plus a student contribution for all students and a parent contribution for some students, to address total cost of attendance.



Cal Grant reform under discussion. CSAC's Cal Grant reform proposal was presented to the Subcommittee at its Feb. 9th hearing. As a reminder, the proposal includes the following components.

- The Cal Grant 2 would serve community college students by providing non-tuition support to students with a 0 EFC. The proposal would eliminate high school GPA verification, eliminate time out of high school and age requirements, and allow students to apply until Sept. 2 for the academic year.

CSAC data indicates this program could increase the number of eligible new community college students from about 124,000 in the current Cal Grant program to nearly 280,000 students. Within current funding levels, this would provide students with an average non-tuition award of \$1,250. More students would be served, but students would receive a lesser amount than the current program. Higher funding levels could increase per-student support: for example, providing students with \$2,500 would require an additional \$150 million annually.

- The Cal Grant 4 would serve UC and CSU students, as well as students at private institutions. Similar to Cal Grant 2, the proposal would eliminate time out of high school and age requirements, and would lower the GPA requirement from 3.0 to 2.0. The award would cover full tuition & fees at a UC or CSU and maintain existing award amounts for students at eligible private institutions. Segment-based institutional aid programs would be expected to provide 0 EFC students with a stipend to support their basic needs expenses.

CSAC data indicates this program could increase the number of new eligible students from about 132,000 to more than 174,000

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| STAFF COMMENT |
|----------------------|

The Office of the President has been asked to discuss its institutional aid programs with the Subcommittee and provide reaction to the CSAC Cal Grant reform proposal. A similar item will be included for CSU.

6610 CALIFORNIA STATE UNIVERSITY

The Governor's Budget proposes about \$4.5 billion in General Fund support for California State University (CSU) in 2021-22. Overall revenue for CSU is estimated to be about \$10.7 billion. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget. *Note that an agreement announced between Governor Gavin Newsom and legislative leaders in February will restore \$299 million ongoing General Fund that was cut from the CSU budget in 2020-21. This restoration will be effective July 1 and will be included in the May Revise.*

California State University Funding by Source

(Dollars in Millions Except Funding Per Student)

| | 2019-20 Actual | 2020-21 Revised | 2021-22 Proposed | Change from 2020-21 | |
|---|-------------------|--------------------|---------------------|---------------------|----------------------|
| | | | | Amount | Percent |
| Core Funds | | | | | |
| General Fund | | | | | |
| Ongoing ^{a,b} | \$4,352 | \$4,042 | \$4,243 | \$202 | 5.0% |
| One time | 328 | 14 | 225 | 211 | 1,480 |
| Subtotals | (\$4,680) | (\$4,056) | (\$4,468) | (\$413) | (10.2%) |
| Tuition and fees ^c | \$3,270 | \$3,239 | \$3,239 | — | — |
| Other core funds ^d | 66 | 61 | 61 | — ^f | -0.2% |
| Subtotals | (\$8,016) | (\$7,355) | (\$7,768) | (\$413) | (5.6%) |
| Other Funds | | | | | |
| Federal funds | \$1,511 | \$1,425 | \$1,425 | — | — |
| Other CSU funds ^e | 2,463 | 1,533 | 1,533 | — ^f | — ^f |
| Other state funds ^g | 2 | 3 | 2 | -\$1 | -20.0% |
| Subtotals | (\$3,976) | (\$2,960) | (\$2,960) | (—) ^f | (—) ^f |
| Totals | \$11,992 | \$10,316 | \$10,728 | \$412 | 4.0% |
| Enrollment^h | 411,081 | 415,251 | 415,366 | 115 | —^f |
| Ongoing core funding per student | \$18,693 | \$17,679 | \$18,160 | \$481 | 2.7% |
| ^a Includes funding for pensions and retiree health benefits. ^b The 2019-20 Budget Act also included \$7 million ongoing General Fund to the Department of Social Services for provision of legal services to undocumented students and immigrants at CSU campuses. ^c Includes funds used for financial aid. ^d Includes lottery funds and, in 2019-20, \$3 million one time from the Mental Health Services Fund for campus mental health. ^e Includes housing fees, parking fees, extended education charges, and fees for other noncore programs. ^f Less than \$500,000 or 0.05 percent. ^g Consists of State Transportation Fund monies designated for transportation research and workforce development. The amount shown in 2020-21 includes \$500,000 in carryover funds. ^h Reflects full-time equivalent students. Includes resident and nonresident students. | | | | | |

ISSUE 6: BASE FUNDING/ENROLLMENT

The Subcommittee will discuss the Governor's Budget proposal to provide a 3% base increase to CSU (\$111.5 million ongoing General Fund), as long as CSU develops a plan to eliminate student equity gaps, increases online education, and creates a dual admissions pathway for community college students. The Governor's Budget assumes CSU will not increase tuition in 2021-22 and provides no overall enrollment target, but provides \$1 million ongoing General Fund to support enrollment growth of 115 students at the CSU Stanislaus Stockton campus.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office

BACKGROUND

COVID-19 pandemic forces remote learning, and significant impacts on students and campuses. In response to the public health crisis, all 23 CSU campuses shifted primarily to remote operations beginning in March 2020. Campuses continue to offer the vast majority of their instruction online, with the exception of a small number of courses that involve laboratory or other required hands-on work. In addition, campuses are providing most of their student services (such as academic advising, financial aid administration, and mental health services) online. Institutions tend to be operating their noncore programs (including their housing, dining, and parking programs) at substantially reduced capacity.

Students have faced significant hurdles to their education, including changed living situations, technology challenges, and lost income. Campuses have also faced costs and lost revenue: CSU reports facing \$689 million in lost revenue from March to December 2020, and \$70 million in new costs.

Federal funding has helped address some of these costs and lost revenue. The chart below indicates the two rounds of federal funding provided to CSU so far.

| CARES ACT (March 2020) | Amount (in millions) | CRRSAA (December 2020) | Amount (in millions) |
|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Student Aid | \$263 | Student Aid | \$263 |
| Campus Funds | \$263 | Campus Funds | \$591 |
| Supplemental Funds | \$38 | Total | \$854 |
| Total | \$564 | | |

2020 Budget Act reduced state support for CSU. Overall state funding for CSU was reduced by about \$299 million. As noted previously, a February agreement will restore this cut beginning on July 1. The Budget Act included no enrollment targets.

The Budget Act sought to minimize harm to CSU students and employees in multiple ways. It directed CSU (and UC) to use a portion of their operating reserves to offset some of the state General Fund reductions. (CSU had about \$1.7 billion going into the 2020-21 fiscal year.) The Budget Act also allowed CSU to redirect unspent one-time deferred maintenance funds from the previous year – about \$146 million for CSU - to help cover instruction and other operating costs in 2020-21.

CSU used various strategies to protect programs and avoid significant layoffs. CSU campuses have implemented several strategies to create current year, one-time savings. Examples are a hiring chill, travel freeze, utility savings due to limited campus openings, and early exit programs. Campuses are expected to use about \$200 million in reserves and are using redirected deferred maintenance funding to support operational costs.

In the Fall, CSU sent out 346 employee layoff notices to represented employees at the following campuses: Fresno, Fullerton, Maritime, Monterey Bay, Northridge, Sacramento, San Bernardino, San Francisco, and Sonoma. As of December 31, 2020, 140 of those layoffs have been affected, all due to either a lack of work or lack of funds caused by COVID physical closures and economic consequences. (About half of the layoffs were at San Francisco State University and due primarily to enrollment decline and ongoing budget issues.) CSU employs just over 53,000 represented employees.

In addition, about 100 non-represented employees have been laid off since the beginning of the pandemic.

CSU reports variance in graduation rates for student groups. Statute requires CSU to report annually to the Legislature on various student outcomes. Four-year graduation rates vary among student racial/ethnic groups, and between students who receive a financial need-based federal Pell Grant, and those who don't. The gaps are smaller, but still significant for six-year graduation rates.

| Student Group | 4-Yr Grad Rate | 6-Yr Grad Rate |
|------------------------|----------------|----------------|
| White | 43% | 70% |
| Asian/Pacific Islander | 29% | 68% |
| Latino | 21% | 57% |
| Black | 16% | 48% |
| | | |
| Pell Grant Recipient | 20% | 57% |
| Non-Pell Grant | 36% | 67% |

About 12% of CSU courses were online before pandemic. Data from the CSU Chancellor's Office indicates that CSU was offering about 12% of state-supported courses online in 2018-19, before COVID-19. (Data is not available on how many courses were a mix of online and in-person instruction.) CSU also notes that they offer 29 state-supported online-only degree programs, including 10 bachelor's degree programs, 16 master's degree programs, and three doctoral programs.

Community college transfer students are half of CSU undergraduate enrollment. The Associate Degree for Transfer (ADT) program has created clearer transfer pathways, but thousands of ADT students have been turned away at CSU and ADTs are lacking in some majors. A September 2020 PPIC report noted that about 52 percent of California community college students who enrolled at a four-year institution in 2017–18 went to CSU, and CSU's undergraduate population is about half transfer students.

Legislation in 2010 created the Associate Degree for Transfer program (ADT), which provides clear course requirements and guaranteed admission as juniors in dozens of majors for community college students. Campuses have also ramped up services tailored to transfer students such as workshops, study centers, peer mentors, and theme housing to ease the transition from a CCC. In the past three academic years, CSU has enrolled about 61,500 new transfer students each year, compared to about 57,500 per year in the previous three-year period, according to the PPIC report.

Community college students still face barriers in transferring to CSU and other institutions, however:

- PPIC notes that over the past five years more than 63,000 qualified transfer students have been denied admission because their first-choice campus has reached or surpassed existing enrollment capacity in terms of physical size and instructional and student services resources, referred to as "impaction".
- Additionally, ADTs are not offered in all majors areas. Some popular degrees, such as engineering, have been difficult to create as 120-unit ADT pathways due to specific program requirements.
- And as noted in the UC section, students still face differing transfer requirements for UC and CSU.

California undergraduate enrollment grew at CSU in Fall 2020, although applications have been declining. Despite the pandemic, California undergraduate enrollment grew at CSU in Fall 2020 by more than 3,000 students when compared to Fall 2019. CSU has added more than 18,000 full-time equivalent students in the past 5 years. The chart below indicates California full-time equivalent undergraduate enrollment during the past five years.

| CSU Undergraduate Enrollment | Fall 2016 | Fall 2017 | Fall 2018 | Fall 2019 | Fall 2020 | Change, Fall 2019 to Fall 2020 | Change, Fall 2016 to Fall 2020 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|--------------------------------|--------------------------------|
| CA Resident | 349,517 | 359,515 | 359,020 | 364,570 | 367,801 | 3,231 | 18,284 |

After significant growth during the past decade, applications to CSU have been declining. CSU saw a decrease of about 13,000 applicants between Fall 2020 and Fall 2019, and a decrease of nearly 6,000 community college transfer applicants. Continuing that trends, applications for Fall 2021 are down by about 4% from Fall 2020. Several campuses (including Humboldt, East Bay, Pomona, San Bernardino, San Marcos and Stanislaus) are still accepting applications. Despite the decline, CSU still has received more than 800,000 undergraduate and graduate student applications.

Some CSU campuses operate off-campus centers. In addition to its 23 campuses, CSU operates 8 off-campus centers. Off-campus centers have been the primary mechanism used by the CSU system to address unmet demand for academic degree programs in geographic areas not adequately served by an existing CSU main campus. An off-campus center is supported by a main campus and is established when an existing CSU campus either rents or acquires a facility from which it offers academic courses and programs to support regional demand. Off-campus centers are funded through the main campus's annual budget allocation, and enrollment is incorporated into the main campus's multi-year enrollment planning proposal. Off-campus centers are more likely to have some or all coursework run through self-support programs.

| CSU Off-Campus Centers | Main Campus |
|----------------------------|----------------|
| Concord | East Bay |
| Downtown | San Francisco |
| Stockton | Stanislaus |
| Antelope Valley | Bakersfield |
| Irvine | Fullerton |
| Palm Desert | San Bernardino |
| Imperial Valley - Brawley | San Diego |
| Imperial Valley - Calexico | San Diego |

Off-campus centers tend to be small, and fixed costs are higher on a per-student basis. Full-time equivalent enrollment varies from about 200 at the Stockton site to about 1,200 at the Irvine site.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes a 3% base increase for CSU, or about \$112 million ongoing General Fund. The new funding is contingent upon CSU taking the following actions:

- Submit by June 30, 2022 a multiyear plan to reduce student equity gaps by 20 percent each year, fully eliminating them by 2025;
- Adopt a policy by June 30, 2022 designed to maintain the share of online courses and programs at a level that is at least 10 percentage points higher than the share in 2018-19;
- Create a dual admissions pathway with community colleges, which would allow recent high school graduates to apply and be admitted to CSU campuses but start and complete lower-division coursework at a community college.

The Governor's Budget assumes CSU will not increase tuition in 2021-22 and provides no enrollment target, but does provide \$1 million ongoing General Fund to support 115 new students at the CSU Stanislaus Stockton campus.

As noted above, the Administration and Legislature announced an agreement in February that will restore the \$299 million cut made in the 2020 Budget Act. This restoration will take place on July 1, and will be reflected in the May Revise.

STAFF COMMENT

CSU Trustees' request. Each fall the CSU Board of Trustees votes on a budget for the following fiscal year, which includes the Trustees' request for state funding. CSU's request this year includes the following base funding components:

- Restore the 2020-21 cut. This request has been achieved.
- \$66 million ongoing General Fund to support the Graduation Initiative 2025. The initiative funds faculty hiring, counseling and advising, and other programs designed to improve graduation rates.

Governor's Budget requirements are questionable. As noted in the UC section of this agenda, two of the three proposed requirements – addressing equity gaps and the dual admissions proposal - do address Assembly priorities around access to CSU, and student success. Staff notes the following concerns with the three requirements, however:

- CSU already has a plan to address student equity gaps, so it is unclear why this requirement is necessary. The Subcommittee may wish to consider specific programs or policies to implement to improve student outcomes.

- The Governor's Budget does not reform any current transfer program, and instead creates one more program on top of other programs. This will likely add more complexity to an already confusing list of transfer options for students. Additionally, the proposal requires that students complete their community college portion in two years, which may not benefit community college students who need more support – and time – to transfer. Finally, staff notes that this is a policy issue that has no specific budget implication.
- Requiring 10% more online courses is arbitrary and may disadvantage low-income students, or other students who do not traditionally perform well in online courses.

Enrollment growth should remain a key legislative priority. With increased funding from the state, and regular enrollment targets in the Budget Act, CSU has grown California enrollment significantly. Despite that growth, thousands of qualified students have been turned away by their campus or program of choice. Staff notes that the Legislature sought to address the problem of impaction at CSU campuses – in which campuses and programs are unable to admit all qualified students due to lack of resources – by requiring CSU to develop a redirection policy, which allows students with minimal CSU qualifications the chance to enroll at less-crowded CSU campuses and programs if they are not admitted to their campus/program of choice. The policy was implemented in 2019 and has allowed hundreds of students to attend CSU who otherwise might not have. Data indicates that San Francisco State University and CSU Dominguez Hills are the two campuses enrolling the most redirected students. The percentage of students accepting redirection is 4-5%, signaling that many CSU students who are not admitted to the campus or program of their choice are not interested or able to attend a different campus.

| CSU Redirection | Fall 2019 | Fall 2020 |
|--|-----------|-----------|
| Students Offered Redirection | 25,013 | 14,848 |
| Redirected Students Who Enrolled | 892 | 728 |
| % of Students who Took Redirection Offer | 4% | 5% |

Staff notes that the Stockton center's current strategic plan does contemplate significant enrollment growth, and the administration and Legislature have been interested in recent years in increasing higher education opportunities in areas of the state with lower degree attainment numbers. Beyond the Stockton enrollment proposal, the Subcommittee may wish to work with CSU and the administration to determine an appropriate overall enrollment target for Fall 2021 and/or Fall 2022.

ISSUE 7: STUDENT SUPPORT/BASIC NEEDS PROPOSALS

The Subcommittee will discuss the Governor's Budget proposals for CSU student basic needs, including ongoing funding for the Basic Needs Initiative, ongoing funding for student mental health and technology needs, and one-time funding for emergency financial aid.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Luoluo Hong, California State University Chancellor's Office

BACKGROUND

The term "basic needs" generally refers to living costs that affect students' well-being. Definitions vary, but they almost always include food and housing and may also include other components, such as mental health and technology. Previous surveys suggest a notable share of university students have difficulty covering certain basic needs. In a survey conducted before the pandemic, 42% of CSU undergraduates reported very low or low food security and 11% had experienced homelessness.

CSU campuses offer some basic needs support for students. All 23 campuses have a food pantry or food distribution program, for example, and 13 campuses have basic needs centers. In addition, CSU reports that campuses have formed 80 partnerships with local entities to support students' basic needs, primarily in the areas of food assistance and temporary/emergency housing. The state provided \$24.5 million in 2019-20 to CSU to address several basic needs issues, although most of that funding was one-time.

| Basic Needs Service | 2019-20 State Funding |
|------------------------|-----------------------|
| Food and Housing | \$ 15.0 |
| Rapid Rehousing | \$ 6.5 |
| Mental Health Services | \$ 3.0 |
| Total | \$ 24.5 |

Note: Mental Health funding was Proposition 63. Only the Rapid Rehousing funding is ongoing.

Early action this year included student CalFresh outreach. In addition, AB 85, passed by the Legislature and signed by the Governor in February, provides UC and the other segments with funding to support efforts to enroll more students in the federal CalFresh food program. The action provided \$6 million one-time General Fund and Proposition 98 General Fund for the segments (including \$2.3 million General Fund for

CSU) to conduct outreach and application assistance activities, and \$11.8 million one-time state General Fund and \$16.9 million one-time federal funds to counties to support CalFresh enrollment of students.

Federal aid helped support students. Federal funding provided to colleges and universities during the pandemic has also sought to support students. Across the two rounds of funding provided so far, the minimum portion for student aid totals \$526 million for CSU. Under the federal legislation related to the second round of funding, which campuses are receiving now, grants may support students' regular costs of attendance or emergency expenses related to COVID-19. The legislation includes a requirement for institutions to prioritize aid for students with exceptional need, such as Pell Grant recipients. In addition to the federal relief funds, the state provided funds in the 2020-21 Budget Act for emergency grants to undocumented students (who were generally excluded from receiving aid under the first round of federal relief), allocating \$3 million to CSU for this purpose.

In distributing this aid, each CSU campus utilized a three-pronged approach, benchmarked against students' documented financial need whenever possible, with students in each group receiving different levels of grant aid proportional to their financial difficulty. Campuses retained the autonomy to determine the amount of their allocation to be expended for each group, as well as to determine the threshold criteria for use in differentiating students between the first two groups. The third group allows all students to be eligible for a baseline amount of emergency funds if they request such funds. The three primary categories of students were as follows:

- Students with the lowest income status who received maximum state and/or federal aid;
- Students with some financial need prior to the COVID-19 pandemic; and
- All other students without regard to prior state and/or federal aid received.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes the following CSU student support actions:

- \$15 million ongoing General Fund to support student mental health and technology needs. Budget language would allow CSU to determine how to distribute this funding to campuses, and how to divide funding between the two purposes. CSU would be required to report back to the administration and Legislature on how funding was spent.
- \$15 million ongoing General Fund to support the CSU Basic Needs Initiative, which provides a framework for the CSU's 23 campuses to take a more

coordinated approach to developing programs and strategies that support students who are experiencing food and housing insecurity.

- \$30 million one-time General Fund to support emergency financial aid for students. Budget language specifies that CSU would allocate the funds to campuses based on their headcount of Pell Grant recipients, as well as undocumented students qualifying for resident tuition. Campuses may award grants to students who self-certify that they meet the following criteria:
 - Have an emergency financial need.
 - Meet the financial eligibility requirements to receive a Pell Grant or (for undocumented students) a Cal Grant.
 - Are currently enrolled full time with a grade point average of at least 2.0 in one term during the past academic year or meet certain full-time employment conditions.

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| STAFF COMMENT |
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Recent state support for basic needs has boosted campus efforts to create programs that bring food and other services to campuses, and also connect students to local need-based programs. More data is needed to better understand the impacts these type of services have on student lives and outcomes. However, investment in basic needs infrastructure seems warranted, given the clear need among students. Key decision points for the Subcommittee this year are how much funding to send directly to students as emergency aid, how much to spend on programs that support students, and how to organize this funding.

Among the issues the Subcommittee could consider in this discussion are:

- ***How should basic needs spending be organized?*** The Governor's Budget proposes two differing CSU basic needs programs: one to support student mental health and technology needs, and another to address food and housing insecurity. The Subcommittee may wish to review how best to prioritize and organize these services. The LAO recommends establishing state goals and objectives.
- ***Non-Proposition 98 funds could be pursued.*** As noted previously, the 2019 Budget Act used \$10 million from the state administration fund within Proposition 63 to support mental health services for CSU and community college students. While the Governor's Budget proposes using General Fund to support mental health services for students, the Subcommittee may wish to pursue more Proposition 63 funding for this activity, either to replace the funding or

supplement it. Staff notes that the Proposition 63 state administration fund is projected to have a \$46 million balance in 2021-22.

- ***Emergency aid should follow best practices and serve all needy students.***
The Governor's Budget proposal requires students to certify that they are a full-time student or have met full-time work requirements, which could be confusing for students and campuses. Best practices around emergency aid generally suggest simple rules that allow for quick distribution of funds. The Subcommittee may wish to work with the Administration on tweaks to this language. In addition, staff notes that the two rounds of federal emergency aid funding have left out undocumented or AB540 students. While CSU has sought to use other campus funds to offer similar grants to students, the Subcommittee may wish to consider whether it should prioritize state funds for students not eligible for federal funding. The Chancellor's Office has asked for funding this Spring to support undocumented CSU students.

ISSUE 8: DEFERRED MAINTENANCE/CAPITAL OUTLAY

The Subcommittee will discuss the Governor's Budget proposal to provide \$175 million one-time General Fund to support deferred maintenance projects, and CSU capital outlay projects proposed by CSU and preliminarily approved by the Department of Finance.

PANEL

- Jennifer Louie, Department of Finance
- Randall Katz, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Vi San Juan, California State University Chancellor's Office

BACKGROUND

CSU faces billions in deferred maintenance. Like most state agencies, CSU campuses are responsible for funding the maintenance and operations of their buildings from their support budgets. When campuses do not set aside enough funding from their support budgets to maintain their facilities or when they defer projects, they begin accumulating backlogs. These backlogs can build up over time, especially during recessions when campuses sometimes defer maintenance projects as a way to help them cope with state funding reductions. CSU estimates \$4 billion in deferred maintenance.

Both the state and CSU have sought to address the significant backlog in recent years. Since 2015-16, the state has provided \$334 million one-time General Fund to support deferred maintenance (although CSU was allowed to redirect some unspent deferred maintenance funding to support operations in 2020-21). According to a plan submitted to the Legislature in January, CSU needs to spend \$708 million each year for the next ten years to address its deferred maintenance backlog and ongoing maintenance needs. Campuses and the Chancellor's Office identified approximately \$750 million in priority deferred maintenance projects for the 2021/22 budget year.

Capital outlay projects proposed for 2021-22 includes deferred maintenance. Per Education Code sections 89770-89774, the Department of Finance provided notice to the Legislature in February of its preliminary approval of two capital outlay projects:

- Chico Butte Hall Replacement [preliminary plans, working drawings, and construction (PWC)]: \$98,663,000 (\$89,012,000 State Revenue Bonds and \$9,651,000 campus reserves) for a project to replace the Butte Hall Renovation project approved in 2019, but no longer cost efficient due to unforeseen costs related to hazardous waste remediation. The Butte Hall Replacement includes

the correction of functional, building code, and programmatic deficiencies and provides a net increase in capacity for 224 full time equivalents.

- Statewide Infrastructure Improvements (PWC): \$200,000,000 (approximately \$195,000,000 State Revenue Bonds and approximately \$5,000,000 campus reserves) for improvement projects throughout the CSU system. Examples of projects include building systems modernization (fire alarm, HVAC, plumbing, mechanical, and electrical), energy management upgrades, and Americans with Disabilities Act compliance.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget proposes \$175 million one-time General Fund to support CSU deferred maintenance projects. Budget language requires the Department of Finance to notify the Joint Legislative Budget Committee within 30 days of the release of funds and provide a list of projects to be supported by these funds.

STAFF COMMENT

Deferred maintenance is a significant problem for CSU, as it is for UC, community colleges, and other public agencies. Maintenance projects are a good use for one-time funds, although it is clear that the millions of dollars the state has provided, and could provide with this proposal, will not make much of a dent toward the billions in need. Staff notes that the CSU is requesting significantly more funding than the Governor proposes for maintenance and infrastructure issues: \$565 million.

The LAO recommends approving funding for deferred maintenance, but suggests changing the reporting language to allow more legislative review of projects before funds are spent.

Staff has no concerns with the Chico capital outlay proposal. Regarding using bond funding for infrastructure improvement projects, staff notes that borrowing, which brings long-term costs, to support short-term projects is not ideal. But CSU has noted its significant maintenance needs require this funding.

ISSUE 9: OTHER PROPOSALS

The Subcommittee will discuss the following Governor's Budget proposals for CSU: \$2 million ongoing General Fund to support the CSU in using the Canvas learning management system, \$10 million one-time General Fund to support the Computing Talent Initiative administered by CSU Monterey Bay, and \$10 million one-time to support culturally competent professional development for faculty.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Nathan Evans, California State University Chancellor's Office

BACKGROUND

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

Two CSU campuses have partnerships with community colleges to increase the number of computer science degrees and diversity of students seeking these degrees. Since 2013, CSU Monterey Bay and Hartnell College operate a joint program, CSin3, which provides a pathway for students to earn a bachelor's degree in computer science in three years. A key program goal is to increase the diversity of computer science majors. In 2014-15, this program received a \$5 million innovation award from the state. Half of the coursework is completed at Hartnell and the other half at CSU Monterey Bay and students have access to resources at both institutions all three years. This program has supported 429 students, of which 32% identified as female, 75% were underrepresented minorities, and 68% were first generation. The program also has a 69% four-year graduation rate, and 57% of students have completed internships by their senior year. About 35% are employed before graduation. In 2018, the program was replicated at El Camino College and CSU Dominguez Hills.

CSU offers professional development for faculty and has expanded efforts during pandemic. The CSU Center for Teaching and Learning offers various training for CSU faculty, and since the launch of Graduation Initiative 2025 there has been significant focus on diversity, equity, and inclusion, including strategies for culturally responsive and culturally sustaining teaching, developing cognitive empathy, facilitating courageous conversations, and learning to identify and address racial and other kinds of implicit bias.

Training in online teaching has increased since last year, and CSU notes that from this point forward, professional development focused on improving instructional practice will prepare faculty to teach in any environment or modality (in person, fully online, hybrid or blended), and all programming should incorporate cultural competence. CSU notes that more than 17,000 faculty members – about 60% of total teaching force –engaged in nearly 250,000 – a quarter million– hours of professional development programming offered by the CSU since the onset of the pandemic. All of this training has been online.

GOVERNOR'S 2020-21 BUDGET PROPOSAL

The Governor's Budget includes the following CSU proposals:

- \$2 million ongoing General Fund to adopt a common learning management platform for online courses that aligns with the platform used by the California Community College system, at each campus by the 2023–24 academic year. This would be the Canvas system.
- \$10 million one-time General Fund to support the Computing Talent Initiative, administered by CSU Monterey Bay. The initiative seeks to support increasing the number of computer science majors, and providing additional support and work experience for these students.
- \$10 million one-time General Fund to provide culturally competent professional development for faculty, including leveraging technology to improve learning outcomes.

STAFF COMMENT

These proposals can be reviewed by the Subcommittee in the context of overall CSU funding, and whether they best accomplish Assembly goals around access, affordability and student success. Many of these proposals have laudable goals but require more scrutiny. Among the issues to consider are:

Rationale for requiring all segments to use same learning management system remains unclear. The Administration is proposing that all CSU and UC campuses use the same learning management system as community colleges, which currently use the Canvas system. While there could be some benefits to students, in that they would be familiar with the system if they changed campuses or segments, it is not clear what other advantages this proposal would produce. The proposal also would hinder competitive bidding processes and add costs to campuses if they had to abandon current systems in favor of a new one. It is unclear if \$2 million would be enough to procure a new system for multiple campuses and cover transition costs.

Computing Talent Initiative might benefit computer science students. The Governor's Budget seeks to replicate the Hartnell-Monterey Bay partnership for five other CSU campuses, create the CTI Hub, which will be an online platform where students, faculty and technology industry companies and professionals have access to resources, materials, workshops and training, and support the CTI Accelerate, an 18-month career program for computer science majors that will provide workshops to prepare students for interviews, internship search, and help them connect with industry mentors. This proposal seeks to expand and improve on a successful but small program. The Subcommittee may wish to consider this proposal in light of other workforce development proposals expected to be announced this Spring by the administration. Should this proposal be approved, the Subcommittee may wish to add reporting language to allow for a better understanding of how funding is spent, and the outcomes associated with the proposal.

State has not supported faculty professional development previously. While the faculty development proposal has laudable goals to increase cultural competence and better use of technology among faculty, staff notes that CSU appears to have a robust faculty training program without this new funding.

ISSUE 10: INSTITUTIONAL AID/CAL GRANT REFORM

The Subcommittee will discuss institutional aid programs at CSU and receive feedback from the CSU Chancellor's Office regarding the Cal Grant Reform proposal.

PANEL

- Luoluo Hong, California State University Chancellor's Office

BACKGROUND

The following summary of the CSU institutional aid program is based on "Institutional Aid at California Colleges: a Primer," released by The Institute for College Access and Success (TICAS) in July 2020, and a March 2020 CSU report to the Legislature on institutional aid..

The State University Grant (SUG) is the main institutional aid program at CSU. CSU distributes about \$750 million in undergraduate grants and scholarships each year – an amount of institutional gift aid that is roughly equivalent to what CSU students collectively receive in state (Cal Grant) grant aid. The vast majority of this aid (81%) is distributed through the need-based SUG program.

The SUG program was established through a general appropriation fund in the early 1980s, and since 1993 has been funded primarily through a dedication of one-third of the new revenue generated from tuition increases. SUG aims to ensure that low-income students have systemwide tuition charges covered by state or institutional financial aid. It is directed at students not receiving Cal Grants or other waivers designated for payment of systemwide tuition, with a focus on students with expected family contributions (EFCs) up to about \$4,000. The CSU Board of Trustees expanded the uses of SUG in 2019, and now campuses may provide SUG awards that also cover up to half of mandatory campus-based fees. SUG is not used to cover other college expenses, such as housing, books or transportation.

Subject to financial need, all California residents (including Dream applicants) enrolled in an undergraduate, post-baccalaureate, or graduate program at a CSU campus are eligible to receive the SUG award. Outside of these priority criteria, awarding decisions can vary across campuses. Available reports cannot shed light on the demographics of SUG recipients specifically, but do show that 43 percent of dependent undergraduate students receiving any institutional aid (including athletic and other non-need based programs) had an average EFC of zero. A total of 83 percent had an average EFC that would be eligible for a Federal Pell Grant. Not all priority students are awarded a SUG, as receipt is subject to funding availability.

According to CSU representatives, among students prioritized for SUG, funding falls \$80-100 million short of being able to cover systemwide tuition charges remaining after state Cal Grant tuition awards and tuition waivers have been applied. In some cases, subject to campus determinations, students outside of the priority group may receive SUG awards. Available data suggest that over \$71.6 million dollars go to students with relatively higher EFCs (averaging about \$6,800 or more).

The chart below indicates SUG spending and students served over a four-year period, although the 2019-20 and 2020-21 numbers are estimated. Note that more than 140,000 students typically receive SUG; about 125,000 undergraduates and 15,000 graduate students.

| | Actual 2017-2018 | | Actual 2018-2019 | | Projected 2019-2020 | | Projected 2020-2021 | |
|----------------------------|------------------|---------------|------------------|---------------|---------------------|---------------|---------------------|---------------|
| | Students | Dollars | Students | Dollars | Students | Dollars | Students | Dollars |
| State University Grants | | | | | | | | |
| Undergraduate | 124,835 | \$605,868,959 | 124,965 | \$607,107,083 | 125,600 | \$613,000,000 | 125,600 | \$613,000,000 |
| Graduate/Postbaccalaureate | 15,224 | \$87,633,261 | 15,525 | \$89,512,435 | 15,300 | \$87,948,800 | 15,300 | \$87,948,800 |
| All Students | 140,059 | \$693,502,220 | 140,490 | \$696,619,518 | 140,900 | \$700,948,800 | 140,900 | \$700,948,800 |

Cal Grant reform under discussion. CSAC's Cal Grant reform proposal was presented to the Subcommittee at its Feb. 9th hearing. As a reminder, the proposal includes the following components.

- The Cal Grant 2 would serve community college students by providing non-tuition support to students with a 0 EFC. The proposal would eliminate high school GPA verification, eliminate time out of high school and age requirements, and allow students to apply until Sept. 2 for the academic year.

CSAC data indicates this program could increase the number of eligible new community college students from about 124,000 in the current Cal Grant program to nearly 280,000 students. Within current funding levels, this would provide students with an average non-tuition award of \$1,250. More students would be served, but students would receive a lesser amount than the current program. Higher funding levels could increase per-student support: for example, providing students with \$2,500 would require an additional \$150 million annually.

- The Cal Grant 4 would serve UC and CSU students, as well as students at private institutions. Similar to Cal Grant 2, the proposal would eliminate time out of high school and age requirements, and would lower the GPA requirement from 3.0 to 2.0. The award would cover full tuition & fees at a UC or CSU and maintain existing award amounts for students at eligible private institutions. Segment-based institutional aid programs would be expected to provide 0 EFC students with a stipend to support their basic needs expenses.

CSAC data indicates this program could increase the number of new eligible students from about 132,000 to more than 174,000

STAFF COMMENT

The Chancellor's Office has been asked to discuss its institutional aid programs with the Subcommittee and provide reaction to the CSAC Cal Grant reform proposal. Similar items have been discussed with California community colleges and UC.

This agenda and other publications are available on the Assembly Budget Committee's website at: <https://abgt.assembly.ca.gov/sub2hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Mark Martin.