

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

TUESDAY, MAY 22, 2018
9 AM, STATE CAPITOL, ROOM 447

Higher Education General Fund Actions

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VOTE-ONLY ITEMS

0650 OFFICE OF PLANNING AND RESEARCH

VOTE-ONLY ISSUE 1: CALIFORNIA EDUCATION LEARNING LAB

The Governor's Budget proposes \$10 million General Fund to create the California Education Learning Lab. At least for the first few years, the program would focus exclusively on creating new and redesigning existing lower-division online and hybrid courses in science, technology, engineering, and math (STEM) at the three segments. After three years, the program would be permitted to add online and hybrid courses in other disciplines.

Under the proposal, OPR, which undertakes various projects on behalf of the Governor, would operate and oversee the program. Specifically, OPR staff would (1) solicit requests for proposals from faculty at the three segments, (2) recruit members of a selection committee to score proposals and recommend awards, (3) monitor progress of award recipients, and (4) evaluate projects upon completion. As an alternative to using OPR, the administration has indicated that it is exploring the possibility of contracting with an external grant administrator (such as a foundation or nonprofit organization) to manage the program.

The State already supports online learning at all three segments. This funding could be used to support enrollment growth at CSU.

Staff Recommendation: Reject the Governor's Budget proposal

0989 CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

VOTE-ONLY ISSUE 2: COLLEGE ACCESS TAX CREDIT

The May Revision proposes that Item 0989-001-3263 be increased by \$66,000 to support the continued administration of the College Access Tax Credit Program, pursuant to Chapter 527, Statutes of 2017.

Staff Recommendation: Approve the May Revision proposal

6120 CALIFORNIA STATE LIBRARY

VOTE-ONLY ISSUE 3: COLLECTION PROTECTION ACTIVITIES

The May Revision requests that Item 6120-011-0001 be increased by \$663,000 for one-time General Fund to purchase a vault that will help protect the library's collection, repair books that were damaged by water leaks that occurred during this year's rainstorms, and to purchase damage response supplies. These funds will help ensure that the State Library's collection remains available to future generations of Californians.

Staff Recommendation: Approve the May Revision proposal

VOTE-ONLY ISSUE 4: CALIFORNIA NEWSPAPER PROJECT

The May Revision requests Item 6120-160-0001 be added in the amount of \$430,000 for the California Newspaper Project. The Project supports the preservation of historic newspapers from each county in California.

Staff Recommendation: Approve the May Revision proposal

VOTE-ONLY ISSUE 5: FACILITIES RENT

The May Revision requests that Item 6120-011-0001 be increased by \$340,000 to account for higher facilities rents charged by the Department of General Services. Of this amount, \$100,000 is for rent increases at the Stanley Mosk Library and Courts Building, \$62,000 is for rent increases at the 900 N Street Library Building, and \$178,000 is for increased central plant service charges.

Staff Recommendation: Approve the May Revision proposal

VOTE-ONLY ISSUE 6: INFORMATION TECHNOLOGY ENTERPRISE SECURITY

The May Revision requests that Item 6120-011-0001 be increased by \$215,000 for improved information technology at the California State Library. Of this amount, \$80,000 is ongoing to support costs of new cloud security subscriptions and \$135,000 is one-time to support costs of implementation of the new system. This augmentation would enable the Library to address information technology security vulnerabilities

identified in a recent technology security analysis, conducted by the California Military Department.

Staff Recommendation: Approve the May Revision proposal

VOTE-ONLY ISSUE 7: DIGITAL PRESERVATION ACTIVITIES

The May Revision requests that that Item 6120-011-0001 be increased by \$195,000 to digitally preserve the state's website history. Of this amount \$120,000 would support digitally preserving state government websites once per quarter and \$75,000 would support digital preservation storage subscriptions.

Staff Recommendation: Approve the May Revision proposal

VOTE-ONLY ISSUE 8: ELIMINATION OF SUNSET PROVISION ON FOR-PROFIT LIBRARY SERVICES LAW

The Subcommittee has a request to eliminate the sunset provision in Education Code Section 19104.5, which describes a process, including public notice and competitive bidding, that a city must go through if it is seeking to withdraw from a county free library system and contract out library services to a for-profit entity. A 2011 law (AB 438, Chapter 611) requires a city or library district that intends to withdraw from the county library system and employ a private for-profit agency to operate the city or district's library services to provide public notice before the decision is made; demonstrate cost savings; ensure a competitive bidding process; disclose qualifications of the potential contractor; develop protections against involuntary employee displacement; and perform financial and performance audits.

The law was enacted with a sunset provision that means it will expire on January 1, 2019. Eliminating the sunset would continue the public process before a city contracts out for library services to a for-profit company.

Staff Recommendation: Approve placeholder trailer bill language eliminating the sunset date in Education Code Section 19104.5

VOTE-ONLY ISSUE 9: FELTON LIBRARY AND NATURE DISCOVERY PARK

The Subcommittee has a request for \$1 million one-time General Fund to support completion of the Felton Library and Nature Discovery Park. The funding will create a community learning center and park within walking distance of downtown Felton and nearby schools.

Staff Recommendation: Provide \$1 million to the State Library to support the Felton Library and Nature Discovery Park

VOTE-ONLY ISSUE 10: STUDENT AUTHORS

The Subcommittee has a request for \$1 million one-time General Fund to support a two-year pilot project that will provide competitive grants to nonprofit organizations for the purposes of establishing a student author book publishing program. The program would support 1,000 students from public housing developments in writing short stories and publishing anthologies of the work.

Staff Recommendation: Provide \$1 million to the State Library to support the Student Authors Program and adopt placeholder trailer bill language creating the program

VOTE-ONLY ISSUE 11: CAREER ONLINE HIGH SCHOOL

The Subcommittee has a request for \$1 million one-time General Fund to support and expand the Career Online High School program. The program offers free GED courses for students, and has nearly 650 libraries participating. The program received \$3 million in the 2017 Budget Act, which included budget bill language ensuring that the program can be evaluated for outcomes and that a report to the Legislature be filed by May 2018.

Staff Recommendation: Provide \$1 million to the Career Online High School with budget bill language allowing for program evaluation and a report to the Legislature

VOTE-ONLY ISSUE 12: INTERNET CONNECTIVITY PROPOSALS

The Governor's Budget includes four proposals aimed at increasing local libraries' use of high-speed Internet services. The proposals are:

Provide \$3 Million One Time to Increase Internet Capacity at Local Library Hubs.

The Governor provides funding to replace or upgrade infrastructure at local library internet hubs to allow them to handle more library branch users. Specifically, the funding could be used for infrastructure upgrades (typically additional fiber with greater internet speeds), equipment that can accommodate more users at higher speeds, and other costs associated with the upgrades (for example, new internet routers). The Governor indicates that libraries plan to begin a process in July 2018 to determine whether they will upgrade from 1 gigabyte of speed to 10 gigabytes of speed. Any funding not used to increase internet capacity and speeds at hubs could be used to help connect libraries not already connected to the backbone. Funding would be prioritized for local libraries in areas of the state with the highest concentrations of students receiving federally subsidized free and reduced-priced meals. Local libraries with greater resources would be required to provide a match.

Provide \$2 Million One Time for Internet Equipment Grants. The Governor provides an additional \$2 million for Internet Equipment Grants to help local libraries cover the one-time costs of initially connecting their infrastructure to the high-speed Internet (CENIC) backbone. The Governor indicates that the new funding would be used to connect library branches that did not connect previously because of the four library branch cap, as well as provide funding to other jurisdictions and branches that wish to connect. It is estimated that 14 central libraries and 90 branches are interested in connecting their infrastructure to the CENIC backbone in 2018-19.

Provide \$350,000 Ongoing for Increases in CENIC Costs. The Administration indicates that CENIC "inadvertently misquoted" the costs of the State Library's contract beginning in 2014-15 (the first year of the contract). This resulted in an ongoing shortfall in the State Library's payment to CENIC for access to the backbone. Specifically, the Administration indicates the original contract cost estimate did not include telecommunication surcharges and taxes, such as for the Lifeline Program, the California Teleconnect Fund, and the Deaf and Disabled Telecommunications Program. During the initial years of the contract, the administration indicates CENIC has covered these costs on behalf of the State Library. Beginning in 2018-19, the Governor proposes the State Library begin paying \$163,000 for the surcharges and taxes. (The total cost for surcharges and taxes is \$326,000—the other half is covered by the California Teleconnect Fund). The Governor also proposes the State Library pay an additional \$100,000 for cost increases associated with backbone services—specifically to fund more staff at CENIC. (The total cost for the staff increase is \$200,000, with the other half of the cost covered by the California Teleconnect Fund.) Lastly, the Governor

proposes to have the State Library give CENIC \$87,000 annually as a General Fund cushion for potential tax and surcharge increases. The Administration indicates that this cushion is needed because historical trends have shown that taxes and surcharges are likely to increase. All these changes combined bring the annual costs of accessing the CENIC backbone for local libraries from \$4.5 million to \$5.1 million (\$2.6 million GF and \$2.5 million California Teleconnect Fund).

Provide \$138,000 Ongoing for a New Position at the State Library to Oversee Local Library Internet. The Governor funds a new full-time Library Programs Consultant at the State Library, who would perform various tasks associated with the CENIC effort. The Administration indicates that the position's primary responsibility would be to help libraries obtain Internet services discounts. Other responsibilities would include (1) providing general oversight of the project and its partners, (2) generating data about library connectivity and producing related reports, and (3) developing a strategy for broadband execution at libraries. Currently, one State Library employee is dedicated partly to overseeing the CENIC effort and partly to overseeing federal grants.

The Subcommittee received a letter of support for these proposals from the California Library Association. Staff notes that the Subcommittee has in recent years pushed for funding to allow libraries to increase Internet access. This proposal is in line with previous Subcommittee actions.

Staff Recommendation: Approve the Governor's Budget proposals. Approve May Revision proposal to move ongoing CENIC costs to appropriate budget item

VOTE-ONLY ISSUE 13: RESOURCE SHARING PROPOSAL

The Governor's Budget augments the California Library Services Act program for one year, from \$3.6 million to \$5.1 million (42 percent). He proposes the State Library use the augmentation to fund two initiatives:

- **\$1 Million One Time to Purchase and Deliver Books.** The Governor indicates that the funding would be used for the Zip Books program and would allow about 60,000 Zip Book purchases for local libraries located in the Central Coast, Central Valley, Long Beach, and Hayward.
- **\$450,000 One Time to Digitally Connect Several Libraries' Catalogues.** The Governor provides funding to a consortium of Northern California libraries to connect their digital catalogues. The library consortium includes 28 counties representing 41 library jurisdictions, including Modoc, Lassen, Marin, and Sacramento. Connecting multiple libraries' digital catalogues allows patrons that

live within the boundaries of one library system to view the catalogues of other library systems. The patron can then order the book online from the other library systems (possibly accessing the books either in digital or physical format). Several library systems already connect their digital catalogues in this way, including the San Joaquin and Bay Area library systems. It is requested that Item 6120 011 0001 be increased by \$137,000 ongoing for an Assistant Bureau Chief in the State Library Services Bureau. No position authority is requested. The State Library Services Bureau is the state's central reference and research library. An Assistant Bureau Chief would be responsible for general management of functions related to the library's collections and for coordination of the State Library's initiative to digitize state records. These responsibilities are currently being performed by the Bureau Chief.

The Subcommittee has received a letter of support for this proposal from the California Library Association. Staff notes that both aspects of this proposal support innovative ways for local libraries to better serve their patrons, without committing the state to ongoing General Fund costs. The Administration notes that there is a statewide concern in ensuring that all Californians have equal access to information, and these proposals allow libraries to utilize innovative strategies and new technologies to bring library services to more Californians.

Staff Recommendation: Approve the Governor's Budget proposal

VOTE-ONLY ISSUE 14: LIBRARY LITERARY SERVICES AUGMENTATION

The Governor's Budget proposes to increase funding for the California Library Literacy Services program from \$4.8 million to \$7.3 million, an increase of 52%. The Governor proposes to allocate the additional funding in several ways. Specifically, the Governor proposes to: (1) increase base funding for each participating local library from \$18,000 to \$25,000; (2) increase funding for each adult learner served from \$85 to \$120; and (3) provide \$20,000 to each participating library that provides literacy services to children of adult learners. Additionally, the Administration estimates costs would increase due to greater library participation, with the number of participating libraries projected to increase from 106 to 125.

The Subcommittee has received a letter of support for this proposal from the California Library Association. Staff notes that this proposal is in line with past Subcommittee efforts to expand this program, which is an important service for adult learners who may not be comfortable in a more traditional school setting.

Staff Recommendation: Approve the Governor's Budget proposal

VOTE-ONLY ISSUE 15: ORAL HISTORIES

The Governor's Budget provides \$250,000 ongoing General Fund for the Oral Histories Program. Of the \$250,000, the Governor provides (1) \$150,000 for the State Library to contract for production of about 15 new oral histories per year, (2) \$70,000 to produce about seven new oral histories on video per year, and (3) \$30,000 to store the files and to convert analog recordings to digital files. The program would be in partnership with the State Archivist, who would chair a committee to select interviewees.

Additionally, the Subcommittee discussed a project that could be undertaken by this program to document the history of legislative caucuses. The State Librarian has indicated this project could cost about \$150,000.

Staff Recommendation: Approve the Governor's Budget proposal. Provide an additional \$150,000 one-time General Fund to support an oral history project regarding the legislative caucuses

VOTE-ONLY ISSUE 16: BRAILLE INSTITUTE

The Subcommittee received a letter from the California Council of the Blind urging ongoing General Fund support for library programs for the visually impaired. The Braille Institute Library in Los Angeles provides these services in Southern California. The Council notes that of the more than \$4 million used to fund the Braille Institute Library, about 15% is from federal funding and the remainder from private sources. The elimination of federal funding for these services has been proposed by the Trump Administration for two years in a row. The Council has asked for some ongoing state funding to support the program in anticipation of declining federal funding.

Staff Recommendation: Provide \$500,000 ongoing General Fund to the State Library to support the Braille Institute Library in Los Angeles

6440 UNIVERSITY OF CALIFORNIA

VOTE-ONLY ISSUE 17: REAPPROPRIATION OF EEO FUNDS

The May Revision proposes that Item 6440-491 be added to reappropriate funds provided for Item 6440-001-0001 in the 2016 and 2017 Budget Acts for equal employment opportunity programs.

Suggested Budget Bill language is proposed as follows to conform to this action:

6440-491 - Reappropriation, University of California. The 2016 and 2017 Budget Acts provided funds for EEO activities. Some of the funds have not been spent, requiring reappropriation authority to allow them to be spent in until June 30, 2021.

Staff Recommendation: Approve the May Revision proposal

6600 HASTINGS COLLEGE OF LAW

VOTE-ONLY ISSUE 18: BASE OPERATIONS INCREASE

The Governor's Budget proposes a \$1.1 million General Fund ongoing increase to Hastings budget, or about 9% over the current year. Under the Governor's Budget, the state would provide about \$13.8 million General Fund to Hastings.

Hastings states that the Governor's proposal will allow tuition to remain flat for the sixth consecutive year and allow an employee compensation pool of 3% increases.

Staff Recommendation: Approve the Governor's Budget proposal

VOTE-ONLY ISSUE 19: UC PATH

The May Revision proposes \$1.5 million one-time General Fund to support Hastings' costs related to implementing the UC Path payroll and human resources system.

Staff Recommendation: Approve the May Revision proposal

6610 CALIFORNIA STATE UNIVERSITY

VOTE-ONLY ISSUE 20: VESTING LANGUAGE

The May Revision proposes that trailer bill language be added to align the vesting period for certain CSU employees' health and dental benefits with recently approved collective bargaining agreements with the employees. Similar to last year, CSU has reached agreement with some collective bargaining units to increase the years of service required for an employee to become eligible for full health and dental benefits as retirees. New agreements extend this "vesting period" from five years of service credit to ten. This change requires a statutory change as well.

The following bargaining units have agreed to the extended vesting period in recently-enacted contracts:

- California State University Employees Union (Units 2, 5, 7, and 9)
- Academic Professionals of California (Unit 4)
- International Union of Operating Engineers (Unit 10)
- Teamsters (Unit 6)
- Union of American Physicians and Dentists (Unit 1)

Staff Recommendation: Approve the May Revision trailer bill language

VOTE-ONLY ISSUE 21: INVESTMENT COMMITTEE CLOSED SESSION

Recent legislation (Chapter 282, Statutes of 2016) allows the CSU Trustees to create a more balanced investment portfolio by investing in equity mutual funds and real estate investment trusts. The law requires that the Trustees establish an advisory committee to provide expertise on investments. The committee was established by the Trustees in September 2017.

CSU is seeking a change to this statute to allow the advisory committee to meet in closed session. CSU states that the ability to conduct sensitive discussions in closed meetings is crucial to allow for thorough deliberations about investment managers, which funds to invest in, and which asset allocations to make. Provisions to allow for closed meetings when considering investment issues currently exist in statute for UC.

Staff Recommendation: Approve placeholder trailer bill language allowing the CSU investment advisory committee to meet in closed session when considering investment decisions

VOTE-ONLY ISSUE 22: FINANCIAL AID REPORT

The May Revision proposes trailer bill language that eliminates the preliminary CSU and University of California (UC) financial aid report. The CSU would still be required, and the UC requested, to complete the final financial aid report. Eliminating the preliminary report would reduce the CSU and UC workload associated with developing two similar reports. Additionally, staff has discussed with stakeholders various changes to the report that would provide more useful information.

Staff Recommendation: Approve placeholder trailer bill language reducing the financial aid report to once per year and making changes to the report to provide more useful information.

VOTE-ONLY ISSUE 23: FELLOWS COLA AND SACRAMENTO SEMESTER AUGMENTATION

The Governor's Budget provides a cost of living adjustment to the Assembly, Senate, Executive and Judicial Fellows programs. The increase amounts to \$81,000 General Fund. The Subcommittee could also consider adding funding to the scholarship fund for the Sacramento Semester program, which provides support for student living costs. The fund is currently at \$76,000 and could be augmented by \$24,000 to reach \$100,000.

Staff Recommendation: Approve the Governor's Budget proposal and augment the Sacramento Semester program by \$24,000 General Fund

VOTE-ONLY ISSUE 24: EDUCATION POLICY FELLOWSHIP PROGRAM

The Governor's Budget provides \$100,000 General Fund to support the Education Policy Fellowship Program, which provides professional development for government education analysts, K-12 and higher education practitioners, researchers and other education professionals. The program's costs have been covered by philanthropic organizations, and participants are charged a fee.

This funding would help cover administrative costs.

Staff Recommendation: Approve the Governor's Budget proposal

6980 CALIFORNIA STUDENT AID COMMISSION**VOTE-ONLY ISSUE 25: FINANCIAL AID PROGRAM ADJUSTMENTS**

The May Revision includes multiple adjustments to the CSAC budget due to caseload and cost updates. The adjustments include:

Middle Class Scholarship Program. It is requested that Item 6980-101-0001 be decreased by \$745,000 for revised cost estimates related to the Middle Class Scholarship Program. The May Revision also recognizes savings of \$178,000 in 2017-18 and \$2,756,000 in 2016-17 due to revised estimates.

State Nursing Assumption Program of Loans for Education (SNAPLE). It is requested that Item 6980-101-0001 be decreased by \$67,000 to reflect revised cost estimates for SNAPLE. There are reduced costs for SNAPLE of \$92,000 in 2016-17.

Assumption Program of Loans for Education (APLE). It is requested that Item 6890-101-0001 be decreased by \$2,115,000 to reflect revised costs estimates for APLE. There are reduced costs for APLE of \$843,000 in 2017-18, and \$687,000 in 2016-17.

Child Development Teacher and Supervisor Grant Program. There are reduced costs and reimbursements for the program of \$41,000 in 2017-18.

John R. Justice Loan Assumption Program. It is requested that Item 6980 101 0001 be amended by decreasing reimbursements by \$11,000 to reflect a change in the agreement between the Student Aid Commission and the Office of Emergency Services. There is a corresponding adjustment in 2017 18.

Staff Recommendation: Approve the May Revision proposals

VOTE-ONLY ISSUE 26: CAL GRANT ADJUSTMENTS AND LOAN AUTHORITY

The May Revision includes adjustments to the Cal Grant program due to caseload and cost updates, as well as a proposal to allow CSAC to borrow funding during a fiscal year to cover costs:

It is requested that Item 6980-101-0001 be increased by \$58,345,000 and reimbursements be decreased by \$29,071,000 to reflect the impacts related to the Cal Grant program as follows:

- An increase of \$29,274,000 in fiscal year 2018-19 to reflect: (1) that the Commission estimates an increase in the number of new recipients in 2017-18,

which increases the estimates of renewal students in 2018-19, and (2) the revised estimate of new recipients in 2017-18 is used as the new base for estimates of new recipients in 2018-19, with growth applied.

- An increase of \$29,071,000 General Fund in 2018-19 to reflect expenditures that can be funded with Temporary Assistance for Needy Families (TANF) resources. A corresponding decrease of \$29,071,000 in reimbursement authority from available TANF resources.

Compared to the Governor's Budget, there are reduced costs for the program of \$4,129,000 in 2016-17 to correct prior estimates and increased costs of \$76,273,000 in 2017-18 to account for the estimated increase in new recipients.

It is further requested that the following provision be added to Item 6980-101-0001 as follows to conform to this action:

4. Notwithstanding any other provision of law, the Director of Finance may authorize a loan from the General Fund for cashflow purposes, in an amount not to exceed \$125,000,000, provided that:

(a) The loan is to meet cash needs resulting from a delay in the receipt of reimbursements from federal Temporary Assistance for Needy Families (TANF) funds.

(b) The California Student Aid Commission has received confirmation from the Department of Social Services that there are no available TANF resources that could be advanced to them.

(c) The loan is for a short term need and shall be repaid within 90 days of the loan's origination date.

(d) Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code.

Staff Recommendation: Approve the May Revision proposals

VOTE-ONLY ISSUE 27: GRANT DELIVERY SYSTEM

The Governor's Budget proposed \$7.4 million in one-time General Fund to begin the replacement of the Grant Delivery System. Of the \$7.4 million, CSAC indicated \$5.5 million would go to project vendors to (1) build, test, and pilot the new system; (2) conduct project management activities; and (3) provide training and materials for staff using the new system. The remaining \$1.9 million would go to licensing fees, staffing and overhead costs, and fulfillment of certain CDT project requirements, such as independent project oversight. The \$7.4 million would be the first-year cost of a two-year project. In 2019-20, the administration anticipates that it will request a further \$8.1

million in one-time funding to complete the project. After the project is completed, the administration indicates that the estimated ongoing costs to support the system will be \$11.1 million—consisting of \$8.8 million in staff (about 90 full-time equivalent positions) and \$2.3 million in other operating costs.

An April Finance Letter reduces the request by \$1.9 million, for a new total of \$5.5 million. The reduced price is due to the Commission's decision to divide the project into multiple tasks and to use open source software for the project, which lowers vendor costs.

Staff Recommendation: Approve the April Finance Letter

MAJOR ACTIONS

6610 CALIFORNIA STATE UNIVERSITY

ISSUE 1: CSU BUDGET PACKAGE

Governor's Proposals. The Governor's Budget provides CSU with a \$92.1 million General Fund increase to campuses to support operations.

The May Revision proposes the following changes to the CSU budget:

- \$100 million one-time General Fund for deferred maintenance
- Budget bill language authorizing the Director of Finance to reduce the UC budget if the Board of Regents approves a tuition increase, with the reduction reflecting the state's increased financial aid costs due to the tuition increase. The reduced amount would be moved to the California Student Aid Commission budget.

CSU Request. The CSU Board of Trustees has adopted a 2018-19 budget that includes \$282.9 million in additional spending above current-year levels. CSU has asked the Legislature for \$171 million in additional General Fund above the Governor's Budget to help support its approved budget. The increased costs include:

- \$122.1 million for compensation increases;
- \$75 million to support Graduation Initiative activities;
- \$39.9 million to support enrollment growth of 3,641 full-time equivalent students;
- \$30.1 million to support mandatory cost increases, such as rising retirement and health benefit costs;
- \$15 million to support facilities and infrastructure.

Staff Recommendations. CSU and its students have made a convincing case this year that funding beyond the Governor's proposal is needed to meet increasing costs, continue the important work on improving graduation rates, increase access to CSU and provide additional support to low-income CSU students. An alarming survey was released this year that found that about 42% of students reported food insecurity and about 11% had experienced homelessness within the last year.

The recommended actions below address CSU's concerns and also address the following issues:

- **Increases enrollment growth.** CSU's funding request supports about 1% enrollment growth. Given that CSU continues to turn away thousands of California students who meet minimal qualifications for systemwide admittance, CSU's proposal does not come close to meeting demand. In part by using ongoing funding redirected from the rejected Governor's Education Learning Lab proposal, the Subcommittee actions seeks to nearly triple the amount of CSU

enrollment growth by supporting 10,923 new students, or about 3% enrollment growth. This enrollment target would conform to one adopted by the state Senate.

- ***Increases tenure track faculty and oversight.*** A key issue in improving graduation rates is to improve the number of tenure track faculty on CSU campuses. Currently, just over half of instructors at CSU are tenure track faculty; this number must grow to provide more student support and allow faculty to fully participate in campus improvement efforts. The Subcommittee received a request from the California Faculty Association to ensure that the percentage of tenure track faculty increases by setting aside \$50 million for this activity. The Subcommittee also received a request from the California State University Employees Union to require improved reporting on the Graduation Initiative, employee hiring, and how employee hiring supports student success. The Subcommittee action also requires CSU to begin reporting next year on changes to admissions policies made this year per legislative direction in the 2017 Budget Act. The new policies allows students an opportunity for admission at a non-impacted campus if they meet systemwide qualifications, and require CSU campuses to provide increased access to local students seeking admission to impacted programs.
- ***Supports student basic needs.*** In addition to providing a second year of support for Hunger-Free Campus activities, as described in the UC section of this agenda, the Subcommittee can also take action to support an emergency student housing program. One-time funding would support a rapid rehousing pilot program on three CSU campuses. The program would provide eligible students with short-term case management and rental support for up to one year.
- ***Continues support for equal employment opportunity activities.*** The 2016 and 2017 Budget Acts provided funding to both UC and CSU to conduct equal employment opportunity activities. The Subcommittee action will direct CSU to emulate the UC model of distributing funding to specific departments at campuses that are interested in these activities and are engaged in significant faculty hiring.
- ***Support shark research.*** During the past 10 years, there has been a substantial increase in shark sightings along the California coast. The Shark Lab at CSU Long Beach has been studying sharks for more than 50 years. It is one of the most advanced labs in the world, using cutting-edge technology to develop new strategies for shark preservation and tracking. Extra funding would help the Shark Lab better understand shark life off the California coast and allow the lab to better partner with local governments to improve beach monitoring and safety.

Staff notes that Subcommittee No. 4 will take action on the Administration's deferred maintenance May Revision proposal.

Staff Recommendation: Approve the following CSU Budget Package:

- 1. Approve the Governor's Budget proposal to increase base CSU funding by \$92.1 million General Fund.**
- 2. Increase CSU ongoing funding by \$215.7 million General Fund above the Governor's Budget.**
- 3. Include placeholder budget bill language stating that CSU will enroll 10,923 new California undergraduates in the 2018-19 academic year.**
- 4. Include placeholder budget bill language stating that of the funding provided to CSU, at least \$50 million shall be used to increase the percentage of tenure track faculty at each campus.**
- 5. Include placeholder budget bill language requiring CSU to report by Feb. 1, 2019 on activities associated with the Graduation Initiative and growth in management, faculty and staff, and how this employee growth advances student success.**
- 6. Approve the May Revision proposal to include budget bill language allowing the Director of Finance to reduce funding for CSU if the CSU Board of Trustees approve a tuition increase for the 2018-19 academic year.**
- 7. Provide \$14 million one-time General Fund to support rapid rehousing pilot projects at three CSU campuses. Adopt placeholder trailer bill language to create the program.**
- 8. Provide \$5 million one-time General Fund to support campus-based activities related to student hunger and basic needs. Campuses must provide a plan for expenditure and agree to collect input and outcomes data to receive funding. Require CSU to report to the Legislature by Jan. 1, 2019 on uses of this funding and outcomes.**
- 9. Provide \$2 million one-time General Fund to support equal employment opportunity practices. Adopt budget bill language stating the funding should be distributed to selected departments on campuses seeking to create or expand equal employment opportunity programs and require a report to the Legislature by Dec. 1, 2017 that describes the proposed uses of these funds and includes the number of ladder-rank faculty, disaggregated by race, ethnicity, and gender.**
- 10. Provide \$5 million one-time General Fund to be spent over 5 years at the Shark Lab at CSU Long Beach on shark research and beach safety.**
- 11. Approve placeholder trailer bill language requiring CSU to report annually, beginning in March 2019, on the impact of admissions policy changes enacted by the Board of Trustees regarding redirection and local students seeking admission to impacted programs.**

6980 CALIFORNIA STUDENT AID COMMISSION**ISSUE 2: CSAC BUDGET PACKAGE**

Governor's Proposals. The Governor's Budget proposed one significant financial aid budget change by maintaining the maximum Cal Grant award for students attending private nonprofit colleges at \$9,084 (\$1,028 higher than the otherwise reduced level of \$8,056) in 2018-19, if the nonprofit sector indicates it is admitting a certain number of community college students who earn an associate's degree for transfer (ADT).

The Governor's Budget also assumes a decrease in the Cal Grant award for students attending accredited for-profit colleges. By statute, the award amount is set to decrease from \$9,084 to \$8,056 in 2018-19.

The May Revision modified the number of ADT students the sector must admit, requiring 2,000 in the 2018-19 academic year, rising to 3,500 in the 2020-21 academic year, and adjusting upward after that based on the percentage change in transfers to the sector.

CSAC Request. CSAC supports the Governor's proposal, as does the Association of Independent California Colleges and Universities.

Per legislative direction, CSAC also released a report this year proposing a major reform of the state's financial aid program to serve more students and provide more aid to address non-tuition costs, which are more than tuition for needy students. CSAC has indicated it will study and discuss this report this Fall and prepare recommendations for next year's budget and policy cycle. The Commission has requested an increase to the Cal Grant B Access Award, which currently provides students with about \$1,600 annually for living costs; funding to support a new CSAC student outreach team; and the establishment of a financial aid innovation fund which would allow CSAC to partner with campuses and high schools to conduct pilot programs to study different ways aid could be packaged to increase college access and affordability.

Staff Recommendations. Staff has no concerns with the Governor's proposal regarding nonprofit colleges, as it resolves a longstanding issue and addresses a state goal in both encouraging the growth of the ADT program and providing more pathways to a bachelor's degree for low-income California students.

Staff notes that the Governor has not provided a similar proposal for accredited non-profits, instead opting to decrease the award for a savings of about \$600,000 General Fund. The Subcommittee could consider an action to keep the award at \$9,084 if accredited for-profits agree to accept more transfer students or offer institutional aid to Cal Grant students.

The Subcommittee can also take action on two other funding requests to provided expanded aid to specific low-income student populations:

- Foster youth can face specific barriers to college that other youth do not. By age 26, only 4% of foster youth have obtained a bachelor's degree. The Subcommittee action would allow foster youth to be eligible for the Cal Grant entitlement program until age 26, and allow foster youth to receive a Cal Grant for up to 8 years. These changes would provide needed extra support for about 2,000 foster youth in the Cal Grant program.
- While eligible for state aid, AB 540 students are not eligible for the federal Pell Grant or work study programs, meaning these low-income students must borrow or work more than other low-income students. The Subcommittee action would create the Cal Grant B Incentive Service Grant Program, which would provide AB 540 students with up to \$1,500 per semester or \$1,000 per quarter if they engage in 300 hours of community service or volunteer service annually.

Staff Recommendation: Approve the following CSAC Budget Package:

Approve the Governor's Budget and May Revision proposals to allow the maximum Cal Grant award for students attending private non-profits to remain at \$9,084 if the sector admits a specified number of Associate Degree for Transfer students in 2018-19 and beyond.

Reject the Governor's Budget action to reduce the maximum Cal Grant award for students attending WASC-accredited for-profit colleges. Instead adopt placeholder budget bill and trailer bill language setting the award amount at \$9,084 if the sector admits more transfer students or offers institutional aid for Cal Grant recipients.

Provide \$4.8 million General Fund and adopt placeholder trailer bill language to support a Cal Grant expansion for foster youth.

Provide \$8.1 million General Fund and adopt placeholder trailer bill language to create the Cal Grant B Incentive Service Grant Program
