

California State Assembly



Agenda

Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymember David Alvarez, Chair

Tuesday, March 19, 2024
9:00 A.M. – State Capitol, Rm 447

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Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the committees.

Items To Be Heard

Issue 1: FAFSA Update

The Subcommittee will discuss current issues involving the Free Application for Federal Student Aid (FAFSA), the primary form used to apply for federal, state and institutional financial aid.

Panel

- Jake Brymner, California Student Aid Commission
- Lisa Qing, Legislative Analyst's Office
- Amanpreet Singh, Department of Finance
- Shawn Brick, University of California Office of the President
- April Grommo, California State University Chancellor's Office
- Gina Browne, California Community Colleges Chancellor's Office

Background

Launch of New Federal Financial Aid Application Has Been Stymied by Many Delays. The U.S. Department of Education recently made significant changes to the FAFSA. The changes are intended to simplify the form by reducing the number of questions students and families need to answer and transferring data directly from their previous tax filings. After a one-year delay in the original launch date, the revised FAFSA is now in the midst of being implemented across the nation for the first time. The department released the new application form for the 2024-25 award year about three months later than usual (on December 30 rather than October 1, 2023). The department also is months behind schedule in sharing the resulting student records that campuses use to make financial aid offers to students. Moreover, technical difficulties have prevented many families, particularly those in which one or more parents do not have a social security number, from completing the new form. The California Student Aid Commission (CSAC) has indicated that about 108,000 FAFSA applicants in California last year reported one or more parents without a social security number.

The troubled rollout of the new FAFSA appears to be negatively impacting applications, as FAFSA filings in California and across the country are far lower than previous years. The National College Attainment Network, which tracks FAFSA filings, reported that as of March 1, the number of Californians filling out the FAFSA (158,000 applicants) was 43% lower in 2024 than in 2023 at the same time.

The U.S. Department of Education has promised fixes for these problems this month.

Staff Comments

Anticipating challenges with the new form, the 2023 budget package extended the application deadline for several state financial aid programs (including most Cal Grant award types and Middle Class Scholarships) from March 2, 2024 to April 2, 2024. In addition, both UC and CSU have recently extended their deadlines for students to accept or decline admittance offers, to May 15.

Discussion of this issue among the Administration, Legislature, CSAC, segments and stakeholders has led to consensus that moving state financial aid deadlines even further could help California students struggling to complete the FAFSA. A further extension would give the US Department of Education more time to correct the FAFSA filing problems. Urgency legislation (AB 1887, Cervantes) has been introduced to extend the deadline to May 2. CSAC is also considering taking administrative action to extend the deadline if needed.

Pushing back the state's financial aid deadline seems warranted given the current issues. However, it could shorten the amount of time students have between receiving financial aid packages from campuses, and having to make a decision about which campuses they will enroll in. Some CSU campuses have already announced later deadlines for students to make a decision, but the segments also have noted that pushing decision deadlines further into the summer could impact other programs like housing, or summer programs for incoming students.

Suggested Questions:

- What is the current information from the Department of Education as to when and how FAFSA filing problems will be addressed?
- What can the state do to address the FAFSA delays?
- How far can UC and CSU extend their deadlines to accept admission offers?

The Governor's Budget proposes about \$3.4 billion in support for CSAC in 2024-25, with about \$2.9 billion from the state General Fund and about \$400 million from federal Temporary Assistance for Needy Families (TANF). The chart below was compiled by the LAO and indicates funding based on the Governor's Budget.

California Student Aid Commission Budget

(Dollars in Millions)

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
Spending					
Local assistance					
Cal Grants	\$2,211	\$2,393	\$2,541	\$148	6.2%
Middle Class Scholarships	568	847 ^a	636	-211	-25
Learning-Aligned Employment Program ^b	300	—	—	—	—
Golden State Teacher Grants ^b	137	177	134	-43	-24
Other programs	56	38	39	1	1.6
Subtotals	(\$3,272)	(\$3,456)	(\$3,351)	(\$105)	-3.0%
State operations	\$28	\$26	\$24	-\$3	-10%
Totals	\$3,300	\$3,482	\$3,374	-\$108	-3.1%
Funding					
General Fund					
Ongoing	(2,416)	(2,655)	(2,819)	(164)	(6.2)
One-time	(464)	(401)	(128)	(-272)	(-68)
Federal TANF	400	400	400	—	—
Other funds and reimbursements	19	27	28	1	2.3
^a Includes \$227 million in one-time funds.					
^b One-time initiatives.					
TANF = Temporary Assistance for Needy Families.					

Issue 2: Cal Grant Update and Cal Grant Reform Discussion

The Subcommittee will discuss updated Cal Grant costs and the implementation of Cal Grant Reform.

Panel

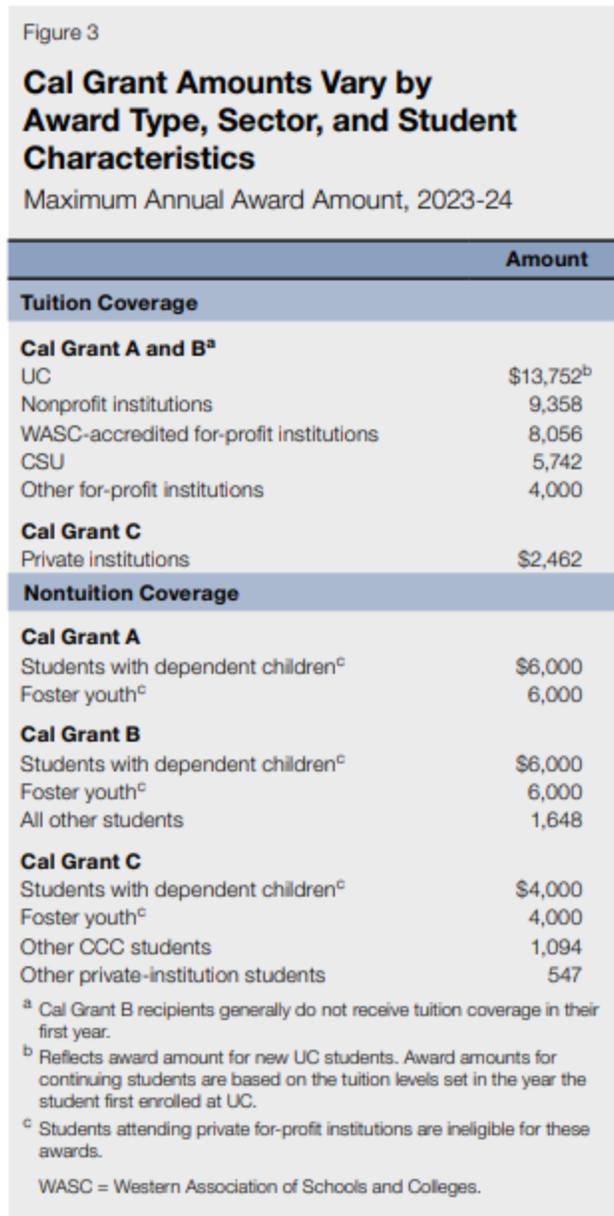
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Background

The Cal Grant program is the state's largest financial aid program, providing more than 400,000 California college students with tuition coverage and/or some support for other college-related costs. Most of the program is an entitlement, meaning if a student meets certain criteria, they are automatically eligible once they have successfully completed the FAFSA or the California Dream Act Application. The program is complex: there are three types of Cal Grant awards - Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide. There is also a competitive Cal Grant program, which provides a Cal Grant A, B or C to some income-eligible students who do not meet other criteria for the entitlement program. Eligibility criteria include income and asset ceilings, which can vary by family size, and high school GPA. For example, in 2022-23, a student from a family of four would qualify for a Cal Grant A if annual household income was under \$116,800; or Cal Grant B if annual household income was under \$61,400. The LAO charts on the next two pages indicate Cal Grant recipients by segment, by program, and by award type, and more specific information on the Cal Grant programs and amount of support students receive.

Cal Grant Recipients

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
Total Recipients	383,666	404,132	418,015	13,883	3.4%
By Segment:					
California Community Colleges	136,579	149,616	159,528	9,912	6.6%
California State University	137,777	139,688	140,014	326	0.2
University of California	78,166	83,642	87,362	3,720	4.4
Private nonprofit institutions	25,709	24,773	24,530	-243	-1.0
Private for-profit institutions	5,413	6,394	6,561	167	2.6
Other public institutions	24	18	19	1	5.8
By Program:					
High School Entitlement	235,313	236,433	241,922	5,489	2.3%
CCC Expanded Entitlement	93,675	123,151	135,427	12,276	10.0
Competitive	32,033	25,058	21,788	-3,270	-13.0
Transfer Entitlement	20,212	16,451	15,737	-715	-4.3
Cal Grant C	2,433	3,038	3,140	102	3.3
By Award Type:					
Cal Grant B	261,616	275,841	282,496	6,655	2.4%
Cal Grant A	119,619	125,252	132,378	7,126	5.7
Cal Grant C	2,433	3,038	3,140	102	3.3
By Renewal or New:					
Renewal	224,305	226,828	234,698	7,870	3.5%
New	159,361	177,304	183,317	6,013	3.4



2021 and 2022 Budget Acts included Cal Grant Equity Framework. After multiple years of legislative hearings and discussion on the limitations of the Cal Grant program, the 2021 and 2022 Budget Acts included multiple reforms. The 2021 budget package created the Community College Expanded Entitlement Program, which removed age and time-out-of-high-school limits for community college students, and allowed those Cal Grant recipients to take Cal Grant coverage to UC and CSU if they transferred. The 2022 budget package adopted a restructuring of the Cal Grant program, known as the Cal Grant Equity Framework and commonly referred to as “Cal Grant Reform.” Cal Grant Reform would replace the existing award types with a Cal Grant 2 award that provides nontuition coverage to community college students and a Cal Grant 4 award that provides tuition coverage at all other segments. Cal Grant Reform would also make

several key changes to program eligibility, including (1) removing grade point average requirements for community college recipients, (2) removing age and time out of high school requirements for recipients at all other segments, and (3) aligning income ceilings with the generally lower ceilings used in the federal Pell Grant program. The chart on the next page indicates differences between the current program and the reform. Under the enacted trailer legislation, Cal Grant Reform would be triggered in 2024-25 if the state determines in spring 2024 that sufficient General Fund is available to support it over a multiyear period.

Comparison of Current Cal Grant Program and Cal Grant Reform		
	Current Cal Grant Program	Cal Grant Reform
Program Structure	Three main award types: <ul style="list-style-type: none"> • Cal Grant A. • Cal Grant B. • Cal Grant C. 	Two award types: <ul style="list-style-type: none"> • Cal Grant 2 • Cal Grant 4
Eligibility Requirements	<p>Age. Entitlement awards limited to recent high school graduates, transfer students under age 28, and CCC students.</p> <p>GPA. Minimum GPA ranging from 2.0 to 3.0, depending on award type.</p> <p>Income. Program-specific income and asset ceilings that vary by award type.</p>	<p>Age. No restrictions related to age or time out of high school.</p> <p>GPA. No GPA requirement for CCC students. Minimum GPA of 2.0 for university students.</p> <p>Income. Income ceilings aligned with federal Pell Grant program (generally lower than current ceilings).</p>
Award Amounts	<p>Tuition. Generally full tuition coverage at public universities and fixed amount of tuition coverage at private universities.^a</p> <p>Nontuition. Awards of \$1,648 for Cal Grant B recipients at all segments.^b</p>	<p>Tuition. Full tuition coverage at public universities and fixed amount of tuition coverage at private universities.^a</p> <p>Nontuition. Awards of \$1,648 at community colleges, with the amount adjusted annually for inflation. Generally no nontuition awards for university students.^b</p>
Projected Recipients (2024-25)^c	418,019	498,207
Projected Costs (2024-25)^c	\$2.54 billion	\$2.79 billion
<p>^a First-year Cal Grant B recipients generally do not receive tuition coverage. The state provides full tuition coverage for CCC students with financial need through a separate program, the California College Promise Grant.</p> <p>^b Students with dependent children and foster youth are eligible for up to \$6,000 in nontuition coverage at CCC, CSU, UC, or private nonprofit institutions.</p> <p>^c Reflects California Student Aid Commission estimates as of Governor's Budget.</p> <p>GPA = grade point average.</p>		

CSAC has updated Cal Grant Reform cost estimates and participation data. Working with the LAO and the Department of Finance, CSAC has provided updated projections on Cal Grant Reform costs and student participation using the 2023-24 year as a baseline. The new program would add more than 137,000 recipients. The reform would add \$195 million in ongoing General Fund costs to the Cal Grant program, with differing amounts of one-time costs over four years to support students who are grandfathered in to the old program.

Cal Grant Cost Increases Under Reform

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Ongoing Cost	\$195 M	\$195 M	\$195 M	\$195 M	\$195 M	\$195 M
One-time Cost	\$55 M	\$134 M	\$74 M	\$23 M		
Total	\$245 M	\$329 M	\$269 M	\$218	\$195	\$195

The reform would also change some characteristics of Cal Grant recipients, shifting aid toward older, lower-income, and more racially diverse students. The reform would double the number of student-parents receiving aid, increase the number of first-generation students by 38%, and increase the number of female recipients by 36%. The next charts compare current Cal Grant recipients to Cal Grant Reform recipients.

Changes in Student Demographics Under Reform

Combined	Count	Demographic					Household			GPA
		Average Income	Average Age	Female	CA Dream Act Applicant	First Generation Student	Dependent	Student Parent	Average Household Size	Average GPA
Current CG	376,084	\$37,364	23	216,791	9,043	243,071	244,045	49,021	3.4	3.11
CG Equity	513,310	\$28,625	25	295,468	11,618	336,620	264,164	95,287	3.1	2.97
Newly Eligible	185,215	\$26,867	29	106,802	3,004	116,947	59,506	47,145	2.7	2.28
Newly Ineligible	47,989	\$87,769	22	27,727	414	22,825	38,818	1,983	3.4	3.37

Combined - Incremental Change	Demographic							Household		GPA
	Increase in Eligible Students	Decrease in Average Income	Average Increase in Age	Increase in Female Students	Increase in CA Dream Act Applicants	Increase in First Generation Student	Increase in Dependent Students	Increase in Student Parents	Decrease in Average Household Size	Decrease in Average GPA
Net Change Total	137,226	(8,739)	2	78,677	2,575	93,549	20,119	46,266	(0.2)	(0.14)

Combined	African American	American Indian	Asian	Filipino	Latinx	Pacific Islander	Two or More Races	White
Current CG	18,407	1,316	35,198	10,481	242,323	1,480	8,751	50,694
CG Equity	31,583	2,054	42,908	11,733	340,287	2,134	11,484	65,303
Newly Eligible	17,372	996	11,830	4,069	119,154	911	4,660	24,972
Newly Ineligible	1,640	158	5,647	2,823	25,175	204	1,692	9,980
Combined Incremental Net Change Total	13,175	738	7,710	1,252	97,965	654	2,734	14,608

The reform would also shift more resources toward community college students. For example, total spending on community college students would grow from 10% of the current program to 18% under the reform, and the number of recipients who are community college students would grow from 36% of the program to 50% of the program. The charts below show future Cal Grant spending and recipients under both the current Cal Grant program and the reform.

Cal Grant (Legacy)										
Cost (General Fund, dollars in millions)	2023-24	23-24 Share of Total	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Dollar Change 23-24 to 29-30	Segment Share of 29-30 Total CG Costs
CCC	270	11%	294	297	301	304	309	312	42	10%
CSU	780	33%	798	844	904	984	1,073	1,104	324	34%
UC	1,078	45%	1,185	1,220	1,307	1,412	1,501	1,583	505	48%
Other Public	0.03	0%	0	0	0	0	0	0	0	0%
Non-Profit	232	10%	232	234	237	241	246	250	18	8%
For Profit-WASC Accred.	20	1%	20	20	20	20	21	21	1	1%
For Profit-Not WASC Accred.	13	1%	13	13	13	14	14	14	1	0%

Cal Grant Equity Framework										
Cost (General Fund, dollars in millions)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Dollar Change 23-24 to 29-30	% of 29-30 Total CG Costs	
										Total
CCC		437	516	565	592	614	633	363	18%	
CSU		915	989	1,000	1,054	1,132	1,161	381	33%	
UC		1,151	1,172	1,208	1,269	1,329	1,399	321	40%	
Other Public		0	0	0	0	0	0	0	0%	
Non-Profit		243	242	243	244	247	251	19	7%	
For Profit-WASC Accred.		23	19	18	17	17	18	-2	1%	
For Profit-Not WASC Accred.		17	17	18	18	18	18	5	1%	

Cal Grant (Legacy)										
Student Count (paid awards)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Student Change 23-24 to 29-30	Segment's % Increase in Students 23-24 to 29-30	Segment Share of 29-30 Total CG Students
CCC	149,616	159,529	160,562	162,574	164,760	167,329	169,130	19,514	13%	36%
CSU	139,688	140,014	141,329	144,220	149,542	155,679	160,272	20,584	15%	35%
UC	83,642	87,363	88,171	92,641	97,083	99,558	101,169	17,527	21%	22%
Other Public	18	19	15	15	15	17	18	0	-1%	0%
Non-Profit	24,773	24,530	24,780	24,955	25,323	25,764	26,224	1,451	6%	6%
For Profit-WASC Accred.	2,270	2,240	2,242	2,277	2,275	2,276	2,293	23	1%	0%
For Profit-Not WASC Accred.	4,124	4,325	4,357	4,449	4,512	4,575	4,643	519	13%	1%

Cal Grant Equity Framework										
Student Count (paid awards)	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Student Change 23-24 to 29-30	Segment's % Increase in Students 23-24 to 29-30	Segment Share of 29-30 Total CG Students
CCC		230,373	260,872	276,764	282,981	287,532	290,636	141,020	94%	50%
CSU		148,585	158,693	153,791	155,351	158,449	162,416	22,728	16%	28%
UC		85,838	86,370	86,327	87,517	88,146	89,207	5,565	7%	15%
Other Public		20	29	37	35	35	35	17	96%	0%
Non-Profit		25,506	25,369	25,260	25,247	25,477	25,917	1,144	5%	5%
For Profit-WASC Accred.		2,730	2,381	2,276	2,258	2,272	2,298	28	1%	0%
For Profit-Not WASC Accred.		5,154	4,822	4,904	5,018	5,121	5,218	1,094	27%	1%

Governor's 2024-25 Budget

From the 2023-24 Budget Act level, the Governor's budget revises current-year Cal Grant spending upward by \$83 million (3.6 percent) to align with CSAC's most recent cost estimates. This brings estimated Cal Grant spending in 2023-24 to \$2.4 billion - a \$182 million (8.2 percent) increase over the previous year. This above-average annual growth follows three consecutive years of small decreases in Cal Grant spending (with recipients and average award amounts affected throughout the pandemic). The upward revision to 2023-24 spending since budget enactment is primarily attributable to community college entitlement awards. With this program component now in its third year of implementation, more recipients are transferring from community colleges and bringing their awards with them to the California State University (CSU) and University of California (UC). CSAC has increased its cost estimates for these awards to reflect newly available data on the share of recipients who transfer and their average award amounts upon transferring.

From the revised 2023-24 spending level, the Governor's budget further increases Cal Grant spending by \$148 million (6.2 percent) in 2024-25. This is a relatively high growth rate compared to the average annual change of 3.7 percent over the past decade. The higher spending reflects a 3.4 percent projected increase in recipients, primarily for community college entitlement and high school entitlement awards. It also reflects a 2.7 percent projected increase in average award amounts, primarily due to tuition increases. Under CSAC's estimates, \$43 million of the Cal Grant spending increase in 2024-25 is attributable to UC tuition increases and an additional \$35 million is attributable to CSU tuition increases.

Cal Grant caseload and cost estimates are typically adjusted in the May Revise, once more information is available on 2024-25 applications.

The *Governor's Budget Summary* notes that "The Administration remains attentive to the 2022 Budget Act's provisions regarding the fiscal conditions upon which the Cal Grant Reform Act may be implemented, and will continue to work closely with the Legislature, the Commission, and others."

Staff Comments

The Cal Grant Equity Framework will modernize and simplify the program, and better serve low-income Californians of all ages seeking a college degree. The reform steers more state dollars to the neediest students, and better aligns the state with both federal and institutional aid programs. By covering more students' tuition costs at UC and CSU, the reform allows the two segments to focus their institutional aid on non-tuition costs that have become a major barrier to higher education access and completion.

Expanding aid to more students should boost enrollment. Multiple studies have shown that increasing financial aid programs increases college-going. For example, a review of financial aid research by the Center on Budget and Policy Priorities noted that reductions in college costs — through either lower tuition or more grant aid — boosts enrollment, especially among low-income youth. A Brookings Institution report found a cost decline of about \$1,000 due to more grant aid for students from families with incomes below \$30,000 was associated with a college attendance rate increase of six to seven percentage points immediately after high school.

Staff notes widespread support for Cal Grant Reform. All three student associations – the UC Student Association, the Cal State Student Association, and the Student Senate for California Community Colleges – have made the reform a top priority, and the groups are part of the Cal Grant Reform Coalition, which includes 33 organizations involved in higher education, social justice, labor or other issues. The Coalition wrote a letter last month to the Assembly and Senate Budget Committees advocating for the implementation of Cal Grant Reform.

Given the state’s poor budget position this year, however, it may be difficult for the Legislature to find \$245 million in new General Fund to begin full implementation in 2024-25. Staff also notes that UC and CSU have expressed concern at launching a new Cal Grant program in the same year that a new FAFSA has launched. The Subcommittee may wish to work with CSAC to develop strategies – and costs – for partial implementation, or discuss ways to consider committing to full implementation in 2025-26.

Staff also notes that another piece of Cal Grant reform was included in the 2022 Budget Act but is subject to the same trigger as the larger reform. The Extended Entitlement Program allows community college students to keep Cal Grant coverage as they transfer to a UC or CSU, but not other higher education institutions, such as private non-profits. The Association of Independent California Colleges and Universities (AICCU), National University and Southwestern Community College have submitted requests to implement the policy to allow community college students to keep Cal Grant coverage if they transfer to private non-profits. AICCU estimates the change could provide Cal Grant to about 1,200 students transferring to their sector from community colleges. Cost of this change is estimated to be \$13.2 million ongoing General Fund.

Suggested Questions:

- How are the segments and CSAC preparing to implement Cal Grant Reform?
- Which types of students would benefit the most from the reform?
- Are there ideas for partially or fully implementing the reform this year while constraining the full cost? Are there ways to use one-time funding to begin the new program?

Staff Recommendation: Hold Open and Continue to Discuss Strategies to Fully or Partially Implement Cal Grant Reform.

Issue 3: Middle Class Scholarship

The Subcommittee will discuss the Middle Class Scholarship program and the Governor's Budget proposal to forego an increase in funding for the program in 2024-25.

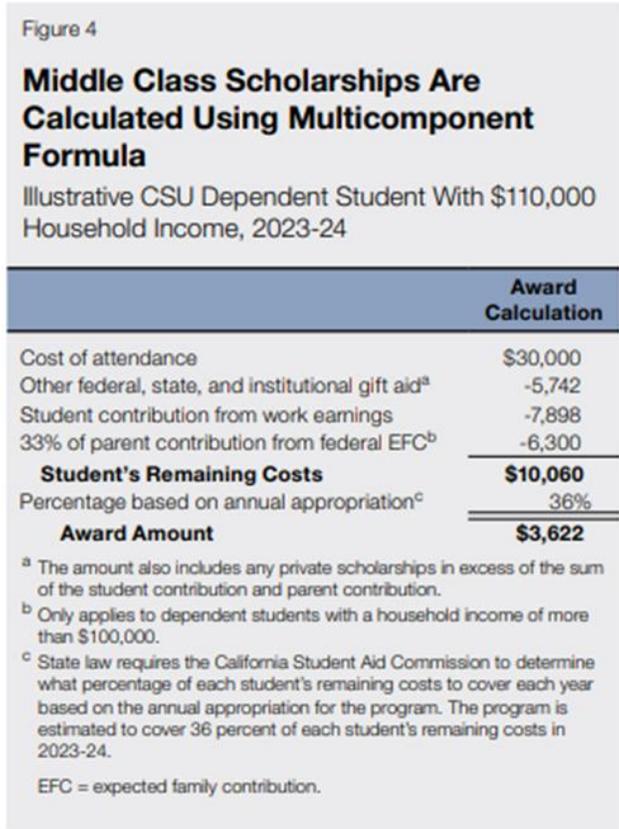
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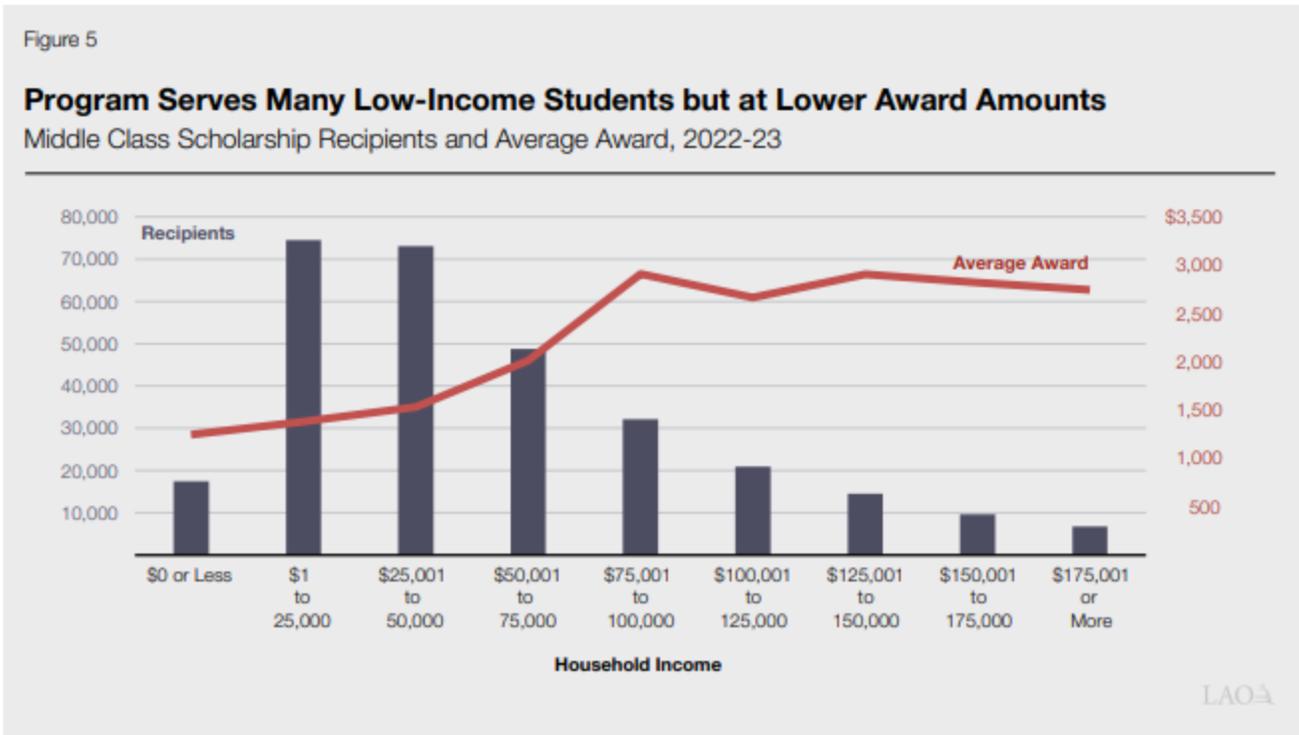
Background

State Revamped Middle Class Scholarship Program in 2022-23. The state created the original Middle Class Scholarship program in the 2013-14 budget package to provide partial tuition coverage to certain UC and CSU students. Originally, awards were for students who were not receiving tuition coverage through the Cal Grant program or other need-based financial aid programs. In 2022-23, the state implemented a new set of rules for the Middle Class Scholarship program. The new program focuses on total cost of attendance (rather than only tuition). Under the new program, students may use their awards for nontuition expenses, such as housing and food.

Award Amounts Are Now Calculated Based on Total Cost of Attendance. Middle Class Scholarship award amounts now vary widely among students, with each student's award reflecting their costs and available resources. As Figure 4 shows, calculating each student's award amount involves several steps. Starting with a student's total cost of attendance, CSAC deducts the student's available resources, consisting of other gift aid, a student contribution from part-time work earnings, and in some cases a parent contribution. (The parent contribution only applies to dependent students with a household income of more than \$100,000.) This calculation determines the student's remaining costs. Next, CSAC determines what percentage of each student's remaining costs it can cover based on the annual state appropriation for the program. Awards cover the same percentage of remaining costs for each student, except foster youth receive awards that cover 100 percent of their remaining costs.



Awards Are Now Available to a Broader Group of Students. The new Middle Class Scholarship program generally maintains the income and asset ceilings of the original program, adjusted annually for inflation. The maximum annual household income to qualify for an award is \$217,000 for dependent students in 2023-24. However, the new program serves considerably more low-income students than the original program. This is because students receiving tuition coverage through Cal Grants or other need-based financial aid programs are now eligible for Middle Class Scholarship awards to help cover nontuition expenses. As Figure 5 shows, more than half of students who received Middle Class Scholarship awards in 2022-23 had a household income of \$50,000 or less, and more than 80 percent had a household income of \$100,000 or less. Students with lower household incomes, however, tended to receive smaller award amounts because they were receiving more gift aid from other programs. In addition to serving more low-income UC and CSU students, the program also newly serves CCC students enrolled in bachelor's degree programs.



State Funding Level Determines Percentage of Students’ Remaining Costs Covered.

Each year, the Middle Class Scholarship funding level determines what percentage of each student’s remaining costs are covered. (Statute does not specify these percentages or set forth a policy for increasing them over time.) The state currently provides \$637 million ongoing for the program. In 2022-23 (the first year of the new program), the ongoing funding level was sufficient to cover 26 percent of students’ remaining costs. In last year’s budget, the state added one-time funds on top of the ongoing funding level to increase the percentage of each student’s remaining costs that are covered. Specifically, the budget provided \$227 million one time in 2023-24 and included intent to provide \$289 million one time in 2024-25.

Cost of Maintaining Award Coverage Tends to Increase Over Time.

If the state intends to hold Middle Class Scholarship award coverage at a certain share of students’ remaining costs (such as 26 percent), more funding tends to be required each year. Annual increases in the program cost are driven by two main factors. First, the number of recipients goes up, reflecting UC and CSU enrollment growth as well as annual adjustments to the program income ceiling. Second, the cost of attendance tends to increase for each recipient, reflecting UC and CSU tuition increases as well as rising nontuition expenses (such as housing and food). These increases in cost of attendance are partly offset by increases in students’ available resources, including other gift aid and work earnings.

Awards Are Covering 36 Percent of Students’ Remaining Costs in 2023-24. The 2023-24 Budget Act provided a total of \$864 million General Fund (consisting of \$637 million ongoing and \$227 million one-time) for Middle Class Scholarships. The Governor’s budget revises this funding level downward by \$17 million (1.9 percent) to align with CSAC’s most recent cost estimates for covering 36 percent of each student’s remaining costs. Based on CSAC’s cost estimates, this is the maximum percentage of coverage possible without going over the budget act appropriation.

Governor’s 2024-25 Budget

Under Governor’s Budget, Awards Are Estimated to Cover 24 Percent of Students’ Remaining Costs. Under the 2023-24 budget agreement, the state would have provided a total of \$926 million General Fund (consisting of \$637 million ongoing and \$289 million one-time) for Middle Class Scholarships in 2024-25. Based on CSAC’s estimates, this funding level would have been sufficient to cover 35 percent of each student’s remaining costs - similar to the current coverage level. Due to the state budget condition, the Governor’s budget forgoes the one-time funds but retains the ongoing funds in 2024-25. We estimate the Governor’s proposed funding level is sufficient to cover 24 percent of each student’s remaining costs in 2024-25. Figure 6 provides key information about the program, including how award amounts would change under the Governor’s proposal. Although the Governor’s proposal is reasonable given the state’s large budget deficit, it would result in students receiving smaller awards in 2024-25 than in the current year.

Figure 6
Middle Class Scholarship Awards Are Expected to Decrease in 2024-25
 Key Information by Segment

	2022-23 Actual	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
Recipients					
CSU	205,037	215,889	233,161	17,272	8%
UC	90,060	91,849	99,197	7,348	8
CCC	37	40	43	3	8
Total	295,134	307,778	332,401	24,623	8%
Spending (in Millions)					
CSU	\$419	\$617	\$463	-\$154	-25%
UC	150	230	173	-57	-25
CCC	— ^a	— ^a	— ^a	— ^a	-25
Total	\$568	\$847	\$636	-\$211	-25%
Average Award					
CSU	\$2,041	\$2,858	\$1,987	-\$871	-30%
UC	1,663	2,506	1,742	-764	-30
CCC	2,622	5,325	3,725	-1,600	-30

^a Less than \$500,000.

Notes: Data for 2022-23 and 2023-24 reflect California Student Aid Commission (CSAC) estimates. Data for 2024-25 reflect CSAC estimates adjusted by LAO to align with the proposed funding level in the Governor’s budget.

Staff Comments

While the Cal Grant program is often seen as a key component of the Legislature's higher education access agenda, the Middle Class Scholarship program addresses affordability. The reformed program is an important step toward supporting students' full college costs and providing a possible debt-free bachelor's degree for hundreds of thousands of California students. The program now actually serves more low-income students: the LAO notes that more than half of students who received Middle Class Scholarship awards in 2022-23 had a household income of \$50,000 or less, and more than 80 percent had a household income of \$100,000 or less. Full implementation of this program will likely require at least \$2 billion more in state funding.

The Governor's proposal to forego the one-time increase is not surprising given the state's budget problem, but the proposal will cost students: average awards for students at all three segments would be reduced by about 30% when comparing awards this year versus next year. This could lead to more student debt, or require recipients to increase their work hours to make ends meet. The Legislature likely faces numerous difficult decisions like this one this year as it works to resolve the budget gap.

Staff also notes that both UC and CSU are seeking changes to the program to ease some implementation challenges. The program is complicated for multiple reasons: CSAC must understand enrollment and eligibility levels before determining how much of students' costs can be covered, and each student receives a differing amount of support based on their other financial aid awards. A student's MCS award can change if the student receives an unexpected scholarship or grant, so the program requires significant interaction between CSAC and campus financial aid offices. In a September letter to CSAC, the segments suggested multiple changes, including rounding awards to the nearest \$100 or \$500 increment to simplify the program, altering rules that require a student's MCS level to change even mid-year if other aid is received, or exploring ways to provide an earlier determination of the percentage of total costs that can be covered.

Suggested Questions:

- What are the likely impacts on students of adopting the Governor's proposal?
- How can the program be improved to ensure campuses and students understand how much aid is available, and to prevent mid-year reductions in awards?

Staff Recommendation: Hold Open.

Issue 4: Student Housing Revolving Loan Fund

The Subcommittee will discuss the Governor's Budget proposal to defund the Student Housing Revolving Loan Fund Program.

Panel

- Alex Anaya Velazquez, Department of Finance
- Jennifer Pacella, Legislative Analyst's Office
- Fiona Ma, State Treasurer
- Carolyn Aboubechara, Executive Director, California Educational Facilities Authority, State Treasurer's Office
- Seija Virtanen, University of California Office of the President
- Paul Gannoe, California State University Chancellor's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

Background

The 2022 Budget Act created the California Student Housing Revolving Loan Fund Act to provide zero-percent-interest loans to qualifying college and university applicants for the purpose of constructing affordable student housing and affordable faculty and staff housing. The act created a grant program in which UC, CSU and CCC campuses could apply to either the California Educational Facilities Authority (universities) or the California School Finance Authority (community colleges) for interest-free loans to construct housing. Both authorities operate within the State Treasurer's Office.

The statute required the authorities to develop an application process by April 1, 2024, and required applicants to demonstrate that rates charged to students, staff, or faculty be below local market rental rates. The authorities were authorized to give priority to projects with faster timeline to opening, to campus' with the highest unmet need for student housing, to campus' that offered a local match, and to ensure that as a whole, the applications approved are fairly representative of various geographical regions of the state. Loans are to be paid back over a period not to exceed 30 years, allowing for the program to become ongoing. The statute designated 75% of funding for UC and CSU projects, and 25% for CCC projects.

The 2022 Budget Act called for \$1.8 billion one-time General Fund for the program, with \$900 million to be available in both 2023-24 and 2024-25. However, the 2023 Budget Act changed the amount of funding and the distribution period, with \$200 million provided in the 2023-24 budget, and then the intent to provide \$300 million more annually in each of the next five years, for a total of \$1.7 billion.

The two authorities worked in the Fall to develop the application process, and were set to release the applications this Spring.

Governor’s 2024-25 Budget

The Governor’s Budget proposes to pull back the current-year funding, minus administrative costs already incurred by the State Treasurer’s Office, and eliminate all future funding. This action would recoup about \$194 million in 2023-24 and then forego spending \$1.5 billion over the next five years.

Staff Comments

Housing is the costliest issue facing students, as many California college campuses are situated in some of the highest-cost rental markets in the country. The chart below is from a March 2022 UC Office of the President report and shows typical housing rates near campuses derived from the U.S. Department of Housing and Urban Development (HUD).

Table 1: HUD Monthly Rent for Off-campus 1-bedroom and 2-bedroom Apartments near UC Campuses

HUD Description	Berkeley	Davis	Irvine	Los Angeles	Merced	Riverside	San Diego	San Francisco	Santa Barbara	Santa Cruz
HUD 1 BDRM	\$1,995	\$1,448	\$2,173	\$2,132	\$950	\$1,290	\$1,665	\$2,810	\$2,293	\$2,609
HUD 2 BDRM	\$2,448	\$1,908	\$2,654	\$2,717	\$1,168	\$1,620	\$2,139	\$3,410	\$2,671	\$3,431

Additionally, many UC campuses and some CSU campuses need to increase their on-campus housing options to accommodate enrollment growth: for example, UC Davis’ campus has an agreement with the city of Davis that requires the campus to build more housing if it increases enrollment. And finally, data indicates students who live on campus are more engaged in their education and have better academic outcomes: San Diego State University, for example, found that the SDSU six-year graduation rate was 13.5 percent higher for students who lived on campus during their second year compared to those students living in off-campus housing their second year.

The Student Housing Revolving Loan Fund, along with the Student Housing Grant Program discussed in the next item in this agenda, was created to address all of these issues. Unlike the Student Housing Grant Program, which distributes one-time grants to campus projects and is now largely out of funding, the RLF is intended to become an ongoing program by recycling the funding in the future as projects pay their loans back. Projects built using the RLF will likely have higher rents than the grant program, but the benefit is there will be permanent state funding available for student housing.

The State Treasurer’s Office was a few weeks away from releasing applications for the program, but halted the effort after the Governor’s Budget was released. The Governor’s proposal presents another difficult decision for the Legislature, as student housing is a clear need and all three segments have numerous projects they would like to build in the near future. Community colleges recently submitted 30 proposals for housing projects through the grant program. A March 2023 report to the UC Board of Regents noted that the system plans to add more than 20,000 beds in the next six years, as the chart below indicates. A 2022 report from CSU to the Legislature indicated a future unmet housing need of more than 32,000 beds, assuming continued and stable enrollment growth, as the chart on the next page indicates.

Campus	Planned Opening Dates					
	Fall 2023	Fall 2024	Fall 2025	Fall 2026	Fall 2027	Fall 2028
Berkeley		1,530	1,100		1,000	1,900
Davis	1,500				400*	
Irvine	1,077		300			
Los Angeles				442		
Merced				1,210*		
Riverside			1,553			
San Diego	2,050	1,310	2,444			
San Francisco						
Santa Barbara			3,500			
Santa Cruz	185		440			
UCDC						
Total	4,812	2,840	9,337	1,652	1,400	1,900
Potential Beds Coming Online Fall 2022 to Fall 2028: 21,941						
* Project implementation assumes receipt of State housing grant funds						

Source: “Overview of University-Provided Student Housing,” presentation to UC Board of Regents, March 15, 2023

FIGURE 9 | Unmet Need – Students Needing Housing Assistance

Campus	Projected Fall 2027 Headcount	Total Bed Spaces (Current)	Projected Additional Bed Spaces ¹	Market Demand ²	Housing-insecure (10%) ²	Students not graduating in 6 years ³	Capture of students not graduating in 6 years	Students Needing Housing Assistance	Total Housing Need (Less Projected Supply)
Bakersfield	10,500	500			300	5,502	5%	275	575
Channel Islands	6,200	1,477		400	300	2,598	5%	130	830
Chico	14,900	2,244			700	5,155	5%	258	958
Dominguez Hills	16,300	1,187	365		200	7,743	5%	387	222
East Bay	13,200	1,338			600	6,811	5%	341	941
Fresno	25,400	1,076	200	1,100	600	11,024	5%	551	2,051
Fullerton	41,500	1,995	1,200	300	1,000	11,828	5%	591	691
Humboldt	10,500	2,069	1,400	2,500	300	5,513	5%	276	1,676
Long Beach	39,800	3,150	400	1,500	600	9,751	5%	488	2,188
Los Angeles	26,800	2,600			100	12,891	5%	645	745
Maritime	1,000	988			0	318	5%	16	16
Monterey Bay	7,100	3,819			100	2,826	5%	141	241
Northridge	37,800	3,244	200		1,500	17,312	5%	866	2,166
Pomona	29,000	4,128		1,000	800	8,642	5%	432	2,232
Sacramento	31,600	2,128		700	400	13,430	5%	672	1,772
San Bernardino	19,000	1,852			2,000	8,170	5%	409	2,409
San Diego	38,400	6,075		400	1,600	9,178	5%	459	2,459
San Francisco	27,700	4,332		1,800	900	12,825	5%	641	3,341
San José	33,900	4,016	268	2,600	1,800	10,577	5%	529	4,661
San Luis Obispo	21,800	8,144		650	300	3,183	5%	159	1,109
San Marcos	14,400	1,532	300	200	200	5,875	5%	294	394
Sonoma	6,900	3,286			100	2,767	5%	138	238
Stanislaus	10,100	672		100	500	2,767	5%	138	238
TOTAL	483,800	61,852	4,333	13,250	14,900	178,199	5%	8,900	32,717

Source: 2022 CSU Systemwide Housing Plan, Report to the Legislature, September 8, 2022

While some projects may advance and be built through the segments’ internal financing processes or without state support, state funding would lessen the projects’ costs, with savings leading to lower costs for students.

Suggested Questions:

- What is the interest level among campuses for this program?
- Without this program and with the grant program out of funding, what are the segments' plans for building more student housing in the next few years?
- This was to be the only state-funded program to support faculty or staff housing. Are segments considering faculty/staff housing, and how could this program help that issue?

Staff Recommendation: Hold Open.

Issue 5: Student Housing Grant Program

The Subcommittee will discuss the Student Housing Grant Program.

Panel

- Alex Anaya Velazquez, Department of Finance
- Jennifer Pacella, Legislative Analyst's Office
- Seija Virtanen, University of California Office of the President
- Paul Gannoe, California State University Chancellor's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

Background

The 2021, 2022 and 2023 Budget Acts created the Higher Education Student Housing Grant Program and authorized 35 projects: five UC projects, 11 CSU projects, 16 CCC projects, three joint UC/CCC projects, and one joint CSU/CCC project, totaling about \$2.2 billion in state funding. Projects were required to provide "affordable" beds for students, which was defined as rents not exceeding 30 percent of 50 percent of a campus's area median income. (This is a measure used in various federal and state affordable housing programs to gauge housing affordability for low-income residents.)

While the program was originally conceived with one-time General Fund, the 2023 Budget Act shifted the program to bond financing. Starting in the 2023 Budget Act, UC and CSU began receiving ongoing General Fund to cover debt service costs on bonds issued by each segment. UC is receiving \$50.7 million annually to cover debt service for its five projects, and the three joint UC/CCC projects; while CSU is receiving \$52 million.

Final provisions of the 2023 Budget Act also included language stating legislative intent to create a statewide lease revenue bond to support community college projects, after discussion last year revealed that many community college districts would face difficulties in issuing their own bonds.

The chart on the following page lists the projects for each segment, state and nonstate costs, the number of beds for each project, and project updates. Completion dates for community college projects are less certain, as some projects are paused until the statewide bond is issued.

Campus	State Cost (in millions)	Nonstate Cost (in millions)	Affordable Beds	Standard Beds	Current Phase	Estimated Completion
UC San Diego	\$100	\$265	1,100	210	Construction	Fall 2024
UC Berkeley	\$100	\$264.8	310	790	Construction	Unknown
UC Santa Cruz	\$89	\$106.4	320	120		
UC Irvine	\$65	\$15.6	300	0	Construction	Fall 2025
UCLA	\$35	\$28.6	358	84	Working Drawings/Construction	Fall 2026
UC Riverside/Riverside CCD	\$126	\$186	652	897	Construction	Fall 2025
UC Santa Cruz/Cabrillo CCD	\$111.8	\$69.90	376	248	Preliminary Plans	Summer 2027
UC Merced/Merced CCD	\$100	\$0	488	0	Preliminary Plans	Winter 2026
Subtotal	\$726.8	\$936.3	3,904	2,349		
Campus	State Cost (in millions)	Nonstate Cost (in millions)	Affordable Beds	Standard Beds	Current Phase	Estimated Completion
CSU San Francisco	\$116.3	\$62.7	750	0	Construction	Summer 2024
CSU San Marcos	\$91	\$29.0	390	145	Construction	Summer 2026
CSU Fullerton	\$88.9	\$48.0	390	110	Design	Summer 2026
CSU Long Beach	\$53.3	\$28.7	424	0	Design	Summer 2026
CSU Dominguez Hills	\$48.8	\$26.3	238		Design	Spring 2026
CSU Northridge	\$37.5	\$20.2	198	0	Construction	Spring 2025
CSU Fresno	\$31.1	\$16.7	175	0	Design	Spring 2026
CSU Humboldt	\$27.1	\$14.6	138	0	Construction	Winter 2025
CSU San Diego	\$4.6	\$2.3	78	0	Design	Spring 2026
CSU San Jose	\$89.1	\$244.7	517	490	Change in Project	Fall 2024
CSU Sacramento	\$41.3	\$25.7	285		Design	Summer 2026
CSU Stanislaus	\$18.9	\$10.2	75	45	Design	Summer 2027
Project Cost Overruns	\$7.5					
Subtotal	\$655.4	\$529.1	3,658	745		
Campus	State Cost (in millions)	Nonstate Cost (in millions)	Affordable Beds	Standard Beds	Current Phase	Estimated Completion
Fresno City College	\$34.1		354		Preliminary Plans	Summer 2026
College of the Siskiyous	\$32.6		250		Preliminary Plans	Winter 2027
Ventura College	\$62.9		320		Preliminary Plans	Summer 2026
Sierra College	\$80.5		100		Construction	Summer 2025
Napa Valley College	\$31.0		154		Construction	Summer 2024
Santa Rosa Junior College	\$15.0		145		Complete	Open
Consumnes River College	\$44.1		100		Preliminary Plans	Fall 2026
Compton College	\$80.4		360		Working Drawings	Spring 2026
Lake Tahoe CCD	\$39.4		252		Construction	Summer 2025
Bakersfield College	\$60.2	\$97.0	124	404	Working Drawings	Winter 2026
College of the Canyons	\$61.9	\$63.3	70	282	Preliminary Plans	Winter 2026
Imperial Valley College	\$4.6	\$4.7	78		Working Drawings	Summer 2026
San Diego City College	\$75.0	\$147.9	808		Setting Performance Criteria	Fall 2027 or Fall 2028
Cerritos College	\$68.0	\$12.0	396		Preliminary Plans	Spring 2026
College of San Mateo	\$55.9	\$10.0	312		Working Drawings	Summer 2027
College of the Redwoods	\$28.4	\$24.9	181	34	Working Drawings	Summer 2027
Subtotal	\$774.0	\$359.8	4,004	720		
Totals	\$2,156.2	\$1,825.2	11,566	3,814		

Project approvals in the 2023 Budget Act left \$81.3 million available for community college projects, which would likely be financed through the statewide lease revenue bond. As it did in the previous year, the Chancellor’s Office received applications from colleges in the fall, and then ranked the projects based on the criteria described in statute, which includes projected rents, project timeline, and a campus’ unmet need for student housing. The Chancellor’s Office

received 30 applications requesting nearly \$1.7 billion in state funds. The projects are listed in the following chart in the order of ranking.

District	Campus	Region	State Funding Per Low-income Bed	State Cost (CCD)	Local Cost	Total Project Cost
Kern CCD	Porterville College	Central Valley/ Mother Lode	\$192,393.75	\$ 30,783,000.00	\$ 3,383,000.00	\$ 34,166,000
Contra Costa CCD	Los Medanos College	Bay Area	\$182,213.48	\$ 48,651,000.00	\$ 29,500,000.00	\$ 78,151,000
Victor Valley CCD	Victor Valley College	Inland Empire/ Desert	\$259,793.30	\$ 46,503,000.00	\$ 15,486,000.00	\$ 61,989,000
Long Beach CCD	Long Beach City College	Los Angeles	\$143,128.27	\$ 60,257,000.00	\$ 44,999,000.00	\$ 105,256,000
Feather River CCD	Feather River College	North/ Far North	\$486,292.31	\$ 63,218,000.00	\$ 11,019,000.00	\$ 74,237,000
Southwestern CCD	Southwestern College	San Diego/ Imperial	\$193,897.62	\$ 81,437,000.00	\$ -	\$ 81,437,000
Ohlone CCD	Ohlone College, Newark Center	Bay Area	\$152,750.00	\$ 18,330,000.00	\$ 7,333,000.00	\$ 25,663,000
Antelope Valley CCD	Antelope Valley College	South Central Coast	\$205,050.00	\$ 61,515,000.00	\$ -	\$ 61,515,000
San Bernardino CCD	Crafton Hills College	Inland Empire/ Desert	\$269,988.30	\$ 46,168,000.00	\$ 15,147,000.00	\$ 61,315,000
Rio Hondo CCD	Rio Hondo College	Los Angeles	\$174,723.00	\$ 37,216,000.00	\$ 12,236,000.00	\$ 49,452,000
South Orange County CCD	Irvine Valley College	Orange County	\$222,809.38	\$ 71,299,000.00	\$ 3,706,000.00	\$ 75,005,000
Mendocino-Lake CCD	Mendocino College	North/ Far North	\$453,071.43	\$ 57,087,000.00	\$ -	\$ 57,087,000
Peralta CCD	Alameda, College of	Bay Area	\$169,003.27	\$ 51,715,000.00	\$ 42,138,000.00	\$ 93,853,000
Santa Monica CCD	Santa Monica College	Los Angeles	\$175,573.88	\$ 51,092,000.00	\$ 16,716,000.00	\$ 67,808,000
West Hills CCD	West Hills College Coalinga	Central Valley/ Mother Lode	\$378,611.11	\$ 47,705,000.00	\$ 2,484,000.00	\$ 50,189,000
Los Rios CCD	American River College	North/ Far North	\$176,970.59	\$ 48,136,000.00	\$ -	\$ 48,136,000
State Center	Fresno City College	Central Valley/ Mother Lode	\$310,463.92	\$ 60,230,000.00	\$ 6,215,000	\$ 66,445,000
Riverside CCD	Moreno Valley College	Inland Empire/ Desert	\$178,000.00	\$ 49,840,000.00	\$ 4,388,000.00	\$ 54,228,000
West Valley Mission CCD	Mission College	Bay Area	\$187,312.50	\$ 56,943,000.00	\$ 25,000,000.00	\$ 81,943,000
Ventura County CCD	Moorpark College	South Central Coast	\$289,920.00	\$ 57,984,000.00	\$ 3,016,000.00	\$ 61,000,000
Merced CCD	Merced College	Central Valley/ Mother Lode	\$458,733.33	\$ 13,762,000.00	\$ -	\$ 13,762,000
North Orange County CCD	Cypress College	Orange County	\$254,104.58	\$ 77,756,000.00	\$ 5,922,000.00	\$ 83,678,000
Gavilan Joint CCD	Gavilan College	Bay Area	\$212,659.09	\$ 46,785,000.00	\$ 15,329,000.00	\$ 62,114,000
Shasta-Tehama-Trinity Joint CCD	Shasta College	North/ Far North	\$363,415.73	\$ 64,688,000.00	\$ 3,369,000.00	\$ 68,057,000
San Mateo County CCD	Skyline College	Bay Area	\$204,164.43	\$ 60,841,000.00	\$ 10,008,000.00	\$ 70,849,000
Solano CCD	Solano Community College	Bay Area	\$378,957.63	\$ 44,717,000.00	\$ -	\$ 44,717,000
Chabot-Las Positas CCD	Las Positas College	Bay Area	\$273,384.62	\$ 53,310,000.00	\$ 5,844,000.00	\$ 59,154,000
San Jose-Evergreen CCD	Evergreen Valley College	Bay Area	\$346,116.48	\$ 121,833,000.00	\$ 13,674,000.00	\$ 135,507,000
Lassen CCD	Lassen College	North/ Far North	\$533,914.53	\$ 62,468,000.00	\$ -	\$ 62,468,000
Yosemite CCD	Columbia College	Central Valley/ Mother Lode	\$494,379.03	\$ 61,303,000.00	\$ -	\$ 61,303,000
Totals				\$ 1,653,572,000	\$ 296,912,000	\$ 1,950,484,000

Governor’s 2024-25 Budget

The Governor’s Budget Summary notes that the Administration is developing a statewide lease revenue bond approach for CCC projects for consideration at the May Revision.

The Governor’s Budget also proposes using \$50.6 million General Fund of the \$61.5 million provided in the current year for lease revenue bond debt service for the CCC projects to instead support one-time payments to three districts for housing projects that are not appropriate for bond funds. The three projects are Santa Rosa City College (\$15 million), Napa Valley College (\$31 million) and Imperial Valley College (\$4.6 million).

Staff Comments

As noted in the previous item, the need for more student housing is clear. The issues for the Subcommittee to discuss in this item include progress the Department of Finance is making on developing the statewide lease revenue bond for the community college projects, reviewing the list of community college projects submitted this year for possible approval with the money left in the program, and to hear an update from the segments on campus’ progress in constructing the new facilities.

Staff notes that CSU is proposing to change one project. San Jose State received authority for \$89.1 million to construct a new facility that would have provided 517 affordable beds and 490 standard beds and cost a total of \$333.8 million. Instead, the campus would like to use the funding to purchase a hotel adjacent to campus to convert into student housing. The new project would provide about the same number of beds but could partially open in Fall 2024, with full opening in Fall 2025, which is earlier than the previous project. The campus reports that the opportunity to lease and then purchase the hotel developed after they submitted their application to the state in the 2022-23 budget cycle.

Staff also notes that the California Affordable Student Housing (CASH) Coalition, comprised of student associations, higher education advocacy groups, and other social justice organizations, has written to the Subcommittee to advocate for protecting and expanding the Higher Education Student Housing Grant program by adopting the state revenue lease bond proposed by the Governor and to fund all viable projects submitted for the third round of the program. The coalition also requests prioritizing affordability in any future funding appropriated for student housing.

Suggested Questions:

- Are community colleges able to proceed with housing projects without state funding? Are there other sources of revenue that could be used?
- How are campuses handling higher-than-expected construction costs for these projects?
- Is the Department of Finance encountering any problems in developing the state wide lease revenue bond for the community college projects? Can the Department provide any details on the bond structure in this hearing, or before the May Revise?
- For CSU, please describe the updated San Jose State proposal.

Staff Recommendation: Hold Open.

Issue 6: Student Basic Needs

The Subcommittee will discuss student basic needs funding and programs at the three segments, and review a 2023 report from the Department of Social Services on improving college students’ access to the CalFresh program.

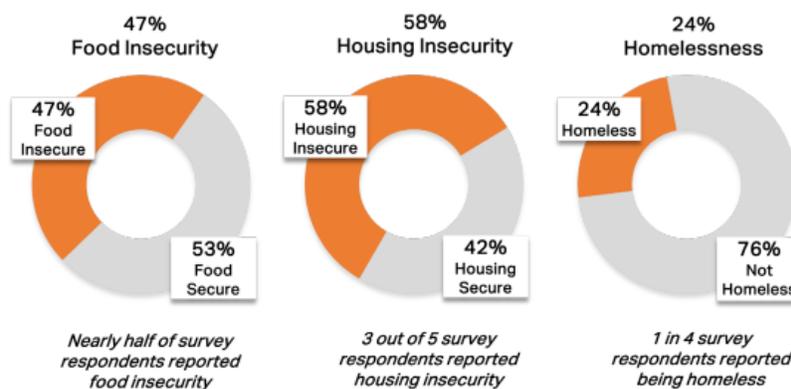
Panel

- Genie Kim, University of California Office of the President
- Ray Murillo, California State University Chancellor’s Office
- David O’Brien, California Community Colleges Chancellor’s Office
- Jennifer Troia, Department of Social Services

Background

Housing and food insecurity remains a significant issue for many California college students. Average off-campus housing costs for students in 2023-24 are nearly \$13,000 per year, according to one survey conducted by the Student Aid Commission, and UC estimates that average campus housing and meal costs are more than \$19,000 annually – far more than tuition. CSU estimated housing and food costs vary by campus and living situation, with on-campus food and housing costs ranging from \$11,634 (Fresno State) to more than \$21,000 (San Diego State.)

All three segments routinely survey students to understand food and housing needs. For example, a large-scale survey of California community colleges students (66,741 respondents from 88 colleges) released in September 2023 found that more than half of students reported housing insecurity, while nearly half reported food insecurity. Almost one in four reported having been homeless in the past year, as the charts below indicate.



Source: Real College California: Basic Needs Among California Community College Students

In response to the clear need for more student basic needs assistance, the state began providing ongoing funding in 2019-20 to campuses to support emergency housing and food assistance. Funding levels have been increased, including 5% increases for UC and CSU and 8.2% increases for CCC in the 2023 Budget Act, which included \$116.5 million total ongoing for these programs. (UC and CSU receive General Fund, while CCC receives Proposition 98 General Fund.) In addition, state statute requires that community colleges establish basic needs centers and establish a position of basic needs coordinator.

Ongoing State Funding (in millions)	UC	CSU	CCC	Total
Basic Needs	15.8	26.3	43.3	85.4
Rapid Rehousing	3.7	6.8	20.6	31.1
Total	19.5	33.1	63.9	116.5

All three segments are required to report to the Legislature annually on how they are using these funds. Below are excerpts from the most recent reports. The segments will discuss their programs at this hearing.

University of California

Based on a report released in February, all ten campuses received a uniform, baseline budget of \$500,000 to address basic needs (for a total of \$5 million) in 2022-23. In addition, \$7 million was distributed across campuses in proportion to the estimated number of students who are food and/or housing insecure at each campus. This funding formula was informed by food and housing security questions on systemwide student surveys. The UC Office of the President (UCOP) then adjusted budget allocations to reflect enrollment counts. To encourage research and creative community-response programs in the field, \$2.5 million was distributed across the ten campuses as innovation awards. An additional \$200,000 was retained by UCOP for efforts supporting innovative systemwide research and basic needs assessments. These efforts provide insights beyond individual campus efforts and support informed systemwide guidance. These awards supported approaches to pinpointing equity gaps and supporting solutions to student food and housing insecurity. The remaining funds were allocated to the UC Washington D.C. Center (UCDC) for students and systemwide coordination; UCDC received \$50,000 and UCOP retained \$450,000 to provide campus basic needs support and coordination.

Figure 2: Students served and contacts made for all food and housing efforts

Campus	Unique Students Served*	Total Student Contacts**
Berkeley	6,103	27,343
Davis	11,216	76,039
Irvine	5,044	32,937
Los Angeles	10,676	132,266
Merced	2,952	9,233
Riverside	8,452	26,418
San Diego	10,326	48,662
San Francisco	2,189	19,231
Santa Barbara	13,888	50,301
Santa Cruz	7,224	31,055
Total	78,070	453,485

UC food assistance programs and supports include: CalFresh outreach and application assistance; food pantries; food distributions (such as holiday food boxes and fresh produce distributions); educational workshops and skills development; grocery cards; meal vouchers; CalFresh-like assistance for ineligible populations; campus-sponsored transportation to grocery stores; and food awards. Seven campuses offer Electronic Benefits Transfer (EBT) services on campus, allowing students to use CalFresh to pay for food from grocery vendors. Two additional campuses plan to soon accept EBT.

Rapid rehousing funds are also distributed to each campus: each campus received \$150,000 (\$1.5 million total) in 2022-23. An additional \$2 million was distributed based on the proportion of students who are food and/or housing insecure at each campus, in accordance with results from systemwide surveys and adjusted for enrollment counts. A total of 4,706 students were served systemwide through campus rapid rehousing programs in fiscal year 2022–23. The next chart indicates the types of services provided at each campus.

Figure 5: Basic needs housing and rapid rehousing common programs

Campus	Short- or long-term housing arrangements	Emergency housing*	Rental deposit assistance	Cash/ crisis grants (direct aid)	Case Management	Skills development
Berkeley	x	x	x	x	x	
Davis	x	x	x	x	x	x
Irvine	x	x		x	x	x
Los Angeles	x			x	x	x
Merced	x	x	x	x	x	x
Riverside	x	x	x	x	x	x
San Diego	x	x		x		
San Francisco	x	x		x		
Santa Barbara	x	x	x	x	x	x
Santa Cruz	x	x	x	x	x	x
Total	10	9	6	10	8	7

*on and/or off campus

California State University

Based on a report released this month, CSU reports that approximately 67,500 students have been supported through the 23 university-based food pantries, and campus-based case managers have helped approximately 22,825 students to apply for CalFresh benefits. In addition to these foundational food-support programs, universities provide programming to increase not only food security, but also nutrition security. Several campuses have edible gardens, offer cooking classes and host farmers’ markets. Many Basic Needs departments have also developed partnerships both across their campuses and in their communities to enhance services. Community partners include local food banks, grocery stores and restaurants, and on-campus partnerships include collaborations with campus dining partners and with academic faculty in Nutrition Science.

Emergency housing is offered at all 23 CSUs, with 22 universities providing on-campus emergency housing and 16 universities providing off-campus emergency housing. Off-campus emergency housing is typically offered when on-campus emergency housing is at capacity or when a student has a living situation that would not be appropriate for the residence halls, such as having a spouse, children and/or pets. The length of stay in emergency housing ranges from 14 days to one semester and extensions are offered based upon individual circumstances. Eleven universities also offer a residence hall meal plan to those staying in on-campus emergency housing. In addition, long-term housing assistance is offered by 17 CSUs. Several of these universities offer one-time financial assistance for expenses such as security deposits, rent supplements and utilities. Ongoing case management support and connections to community referrals are also provided. In addition to these types of assistance, eight CSUs participate in the College Focused Rapid Rehousing program in which CSU students receive subsidized rental support and ongoing case management. This program is founded on community partnerships with local housing agencies.

Campus	Basic Needs/Rapid Rehousing Funding	Campus	Basic Needs/Rapid Rehousing Funding
Bakersfield	\$776,773	Northridge	\$2,584,000
Channel Islands	\$405,480	Pomona	\$1,938,788
Chico	\$788,000	Sacramento	\$1,781,000
Dominguez Hills	\$710,608	San Bernardino	\$1,244,000
East Bay	\$907,500	San Diego	\$1,396,088
Fresno	\$926,000	San Francisco	\$1,226,490
Fullerton	\$2,024,520	San Jose	\$1,226,490
Humboldt	\$387,009	San Luis Obispo	\$369,940
Long Beach	\$2,913,550	San Marcos	\$1,256,000
Los Angeles	\$1,789,890	Sonoma	\$331,029
Maritime Academy	\$25,610	Stanislaus	\$666,140
Monterey Bay	\$365,000		

California Community Colleges

Based on a report provided in May 2023 for the 2021-22 fiscal year, which was the first report from colleges on this issue, 60 colleges reported 64,777 contacts were made by over 47,000 California community college students accessing basic needs services through basic needs centers. (The chancellor’s office notes that more robust data will be provided in a report this summer.) The report also indicates that by July 2022, 77 colleges were providing services from their Basic Needs Centers; the remaining colleges all have a plan to establish and staff their Basic Needs Centers by June 2023. Below is a description of various services provided by basic needs centers and the contacts made:

- Food Security Services: 31,361 Food security services include: CalFresh application assistance and referral, accessing the on-campus food pantry, drive-thru food distribution, on-campus meal vouchers, and grocery store gift cards, partnering with on-campus student support programs and community organizations that provide food security resources or other types of services designed to improve food security.
- Housing Security Services: 4,156 Housing security services include rapid rehousing, rental vouchers, eviction assistance, emergency funds for rent payments, referrals to available student with the county housing authority, or other types of services designed to improve housing security.
- Transportation Services: 15,179 Transportation services include free or discounted public transit vouchers, gas gift cards, waive or reduce on-campus parking fees, and partnering with local transit authority to increase public transportation options.

- **Mental Health Services:** 1,615 Mental health services include Medi-Cal application assistance, provide early intervention and suicide prevention support, incorporating trauma-informed principles into service delivery models, develop peer-to-peer mental health support programs, partner with county behavioral mental health service providers, and contract with third-party mental health service providers.
- **Physical Health Services:** 4,466 Physical health services include Medi-Cal and Covered California application assistance, provide basic on-campus preventative health appointments, provide healthy cooking demonstrations.
- **Technology Support Services:** 9,091 Technology support services includes access to on-campus high-speed internet, providing laptops and tablets, Wi-Fi hotspots, and referrals to discounted internet service providers.
- **Childcare support Services:** 524 Childcare support includes priority access to on-campus childcare facilities, awarding grants to cover the cost of childcare, providing play areas near computer/study labs for student-parents, and providing lactation rooms.

State and segments have sought to increase students' access to CalFresh program.

CalFresh, federally known as the Supplemental Nutrition Assistance Program (SNAP), provides eligible individuals and families with monthly food benefits via an Electronic Benefit Transfer (EBT) card that clients can use to purchase food. Federal SNAP rules generally exclude college students from eligibility unless they are employed at least 20 hours per week or meet an exemption from the rule, such as being approved and anticipate participating in a work study program, attend school as part of an employment and training program or participate in a program to improve employability, or receive TANF funding, known as CalWORKS in California. The application process can be challenging for students, as it requires extensive documentation and extensive interaction with county human services offices. Some of these college rules were waived during the COVID pandemic, but were reinstated last year.

A report commissioned in the 2019-20 Budget Act found that based on available data, which is limited, between 400,000 and 700,000 California college students were likely eligible for the program but not enrolled.

A key component of campus basic needs' programs is aiding students in applying for CalFresh, although only county human services offices can process applications. AB 1326 (Arambula), signed in 2021, requires county human services agencies to designate at least one employee as a staff liaison to serve as a point of contact for campuses and to develop protocols for engagement between the staff liaison and a campus.

In addition, SB 641 (Skinner, Chapter 874, Statutes of 2022), required the California Department of Social Services (CDSS), in collaboration with various stakeholders, to convene a workgroup to identify the steps necessary to establish a CalFresh student application submission process, and to identify recommendations that accommodate the large influx of CalFresh applications during the beginning of a school term in counties where large public postsecondary educational institutions with 10,000 students or more are located.

CDSS convened a workgroup of representatives comprised of the following organizations: UC Office of the President; CSU Office of the Chancellor; CCC Chancellor's Office; CSAC; CWDA; SEIU; Legal Services of Northern California; and Coalition of California Welfare Rights Organizations.

The workgroup developed eight recommendations:

- Conduct a Landscape Analysis to Identify County Best Practices for Handling Influxes of Student Applications;
- Create a Student Eligibility Decision Tree;
- CDSS to Develop and Deliver Statewide Training on Student Eligibility;
- Establish a Partnership Between College Institutions and Counties;
- Increase CalFresh Administration Funding;
- Change Student Eligibility at the Federal Level;
- Make the Current Temporary CalFresh Student Eligibility Rules Permanent;
- Improve the California Statewide Automated Welfare System (CalSAWS) Functionality for Student Eligibility

CDSS will testify at this hearing to discuss the recommendations.

Staff Comments

The state and all three segments have made significant progress in establishing various basic needs services, and most California campuses have developed basic needs supports as key components of their mission. CSU integrated basic needs services into their Graduation Initiative 2025, for example, noting that improving students' food and housing security improves their academic outcomes.

There are some indications that these programs are improving students' lives. For example, the large CCC student survey released last year found that food insecurity rates declined slightly since 2019 (from 50% to 47%), and students with food insecurity in 2023 were nearly twice as likely to receive CalFresh monthly food benefits as in 2019. A February 2022 report from the California Policy Lab noted that Cal Fresh participation rates among UC students have increased dramatically since 2016–17, which coincided with increased funding targeting basic needs initiatives. The report stated that about 28,000 UC undergraduate students and 2,500 graduate students were enrolled in Cal Fresh, although that data is from 2019-20.

Despite some signs of progress, student needs remain significant. This item will allow the segments to describe their current efforts in this area and discuss future actions and programs they are considering to better serve students. A key question for the Legislature and the segments is how to measure the effectiveness of these programs, and how to develop best practices for services. Staff is aware that a few campuses – such as Compton College and UC Davis – have developed data-sharing agreements with their respective counties to better track students' progress in receiving CalFresh. Campuses often help students apply for the program but then do not have access to information on whether the student's application was successful.

Suggested Questions:

- Are basic needs and rapid rehousing programs serving all students who need help? Are there waitlists for any of these programs? Do food pantries have enough food?
- How are the segments measuring the effectiveness of basic needs programs, both in terms of addressing food and housing insecurity and student academic outcomes?
- How connected are basic needs programs to other campus support programs?
- Do the segments know how many of their students are currently enrolled in CalFresh? Does DSS know how many California college students are currently enrolled in CalFresh?
- How can campuses and counties work more closely to ensure more student access to the CalFresh program? Why don't more campuses and counties have data-sharing agreements or other partnerships to ensure students who apply for CalFresh are enrolled?
- How can the Legislature support implementation of the recommendations in the DSS report?

Staff Recommendation: This is an informational item.

This agenda and other publications are available on the Assembly Budget Committee's website at: [Sub 3 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Mark Martin.