

California State Assembly



Assembly Budget Agenda

Assembly Budget Subcommittee No. 3 on Education Finance

Assemblymember David Alvarez, Chair

Tuesday, March 4, 2025
9:00 A.M. – State Capitol, Rm 447

| ITEMS TO BE HEARD | | |
|-------------------|---|------|
| Item | Description | Page |
| 6980 | California Student Aid Commission | 3 |
| 6440 | University of California | |
| 6610 | California State University | |
| 6870 | California Community Colleges | |
| Issues | 1. FAFSA/CADAA Update | 3 |
| | 2. Cal Grant and Institutional Aid Update | 7 |
| 6980 | California Student Aid Commission | 16 |
| 6440 | University of California | |
| 6610 | California State University | |
| Issue | 3. Middle Class Scholarship Update and Proposal | 16 |
| 6980 | California Student Aid Commission | 21 |
| Issues | 4. California College of the Arts Proposal | 21 |
| | 5. CSAC Operations Proposals | 26 |

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

The Governor's Budget proposes about \$3.2 billion in support for the California Student Aid Commission (CSAC) in 2025-26, with about \$2.8 billion from the state General Fund and about \$400 million from federal Temporary Assistance for Needy Families (TANF). Total CSAC funding is proposed to drop by more than 9 percent when compared to the current year. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget. The major change proposed for 2025-26 is a reduction in support for the Middle Class Scholarship program.

California Student Aid Commission Budget

(Dollars in Millions)

| | 2023-24 Actual | 2024-25 Revised | 2025-26 Proposed | Change from 2024-25 | |
|---|--------------------|--------------------|---------------------|---------------------|------------------|
| | | | | Amount | Percent |
| Spending | | | | | |
| Local Assistance | | | | | |
| Cal Grants | \$2,295 | \$2,453 | \$2,562 | \$109 | 4.5% |
| Middle Class Scholarships | 803 | 925 ^a | 527 | -398 | -43 |
| Golden State Teacher Grants ^b | 178 | 116 | 50 | -66 | -57 |
| California College of the Arts ^b | — | 3 | 20 | 18 | 700 |
| Other programs | 50 | 39 | 38 | -0.1 | -0.3 |
| Subtotals | (\$3,326) | (\$3,535) | (\$3,198) | (\$337) | (-9.5%) |
| State operations | \$25 | \$23 | \$26 | \$2 | 9.3% |
| Totals | \$3,351 | \$3,558 | \$3,223 | -\$335 | -9.4% |
| Funding | | | | | |
| General Fund | | | | | |
| Ongoing | (2,468) | (2,729) | (2,730) | (1) | (—) ^c |
| One-time | (407) ^d | (406) | (72) | (-334) | (-82) |
| Federal TANF | 400 | 400 | 400 | — | — |
| Other funds and reimbursements | 28 | 23 | 21 | -2 | -7 |
| ^a Includes \$289 million in one-time funds. ^b One-time initiatives. ^c Below 0.1 percent. ^d Does not include carryover funds used to support 2023-24 spending. TANF = Temporary Assistance for Needy Families. | | | | | |

Items To Be Heard

Issue 1: FAFSA/CADAA Update

The Subcommittee will hear an update on the 2025-26 cycle of the Free Application for Federal Student Aid (FAFSA), the primary form used to apply for federal, state and institutional financial aid, and the California Dream Act Application (CADAA), the primary form used to apply for state and institutional aid for students not eligible for federal financial aid.

Panel

- Jake Brymner, California Student Aid Commission
- Aprí Medina, University of California, Office of the President
- Noelia Gonzalez, California State University, Chancellor's Office
- Gina Browne, California Community Colleges Chancellor's Office

Background

Federal financial aid provides significant funding for students. California college students receive more than \$12 billion annually in federal financial aid, with most of the funding targeting low- and middle-income students who qualify for programs based on family income and assets. Of that funding, about \$8 billion is in the form of student loans, while the Pell Grant provides about \$4 billion. Other programs, including work-study and Supplemental Education Opportunity Grants, provide about \$300 million, according to data compiled by the LAO. A maximum Pell Grant for an individual student is expected to be \$7,395 in 2025-26, and students can use the funding to help cover tuition or other college costs. About 900,000 students attending California schools received a Pell Grant in 2023-24, according to federal data. Federally-funded financial aid, administered by the U.S. Department of Education, is the largest source of aid to California students.

FAFSA is the application used by most students to access federal, state and institutional aid. Students are required to annually submit a FAFSA to the U.S. Department of Education to determine eligibility for federal financial aid. In addition, CSAC and the higher education systems use data from the FAFSA to determine eligibility for state programs like the Cal Grant and Middle Class Scholarship, and institutional aid programs.

CADAA created to support students not eligible for federal financial aid. California has long supported undocumented students by charging in-state tuition and providing state financial aid to eligible students. The CADAA was launched during the 2013-14 Cal Grant application period with the passage of the California Dream Act in 2011. CADAA allows students who qualify

under Education Code section 69508.5 to apply for various forms of state-funded financial aid, as well as institutional aid.

FAFSA application cycle was delayed for a second year in a row. Historically, the FAFSA application cycle has opened October 1 of each year, with a March 2 deadline, to receive aid for the following academic year. This cycle has been disrupted the past two years due to changes made to both the FAFSA form and how the federal government determines student need, which caused delays and technical difficulties. FAFSA did not open for students for the 2024-25 academic year until Dec. 31, 2023, and students experienced numerous challenges in filling out and submitting the form. For the current cycle, FAFSA did not open until Dec. 1, 2024.

FAFSA and CADAA applications appear to be down this year. In addition to the delayed opening, the Trump Administration’s changes to federal immigration enforcement policies and practices may be driving a decline in the number of California students applying for financial aid through either the FAFSA or CADAA. Another issue possibly impacting financial aid applications are the January Southern California fires.

The numbers below, provided by CSAC, indicate the number of California students who have submitted either a FAFSA or CADAA as of Feb. 3, 2025, as compared to the same point in the application cycle in the previous two years. (Because the opening date has been different in all three of these years, these numbers show applications by the same number of days remaining in the financial aid cycle.)

| | 2023-24 | 2024-25 | 2025-26 | Difference, 24-25 to 25-26 | % Difference, 24-25 to 25-26 |
|--------------|---------|-----------|---------|-------------------------------|---------------------------------|
| FAFSA | 953,554 | 1,042,129 | 786,861 | -255,268 | -24.5% |
| CADAA | 13,025 | 17,504 | 7,860 | -9,644 | -55.1% |

The Legislature has long supported programs to increase financial aid applications, but eligible students are still missing out. State funding has supported efforts to ensure students know about financial aid, and have some support in filling out complicated forms. CSAC operates the Cash for College programs, which seeks to improve FAFSA/CADDA completion. Recent legislation (AB 469, Reyes) requires high schools to ensure that all seniors are supported in applying for financial aid, and the 2024 Budget Act provided the community colleges with \$20 million one-time Proposition 98 to increase support for financial aid offices at community colleges.

Data indicates, however, that there are likely eligible students who are not receiving financial aid. A 2024 report by The Institute for College Access and Success (TICAS) and the Student Senate for California Community Colleges found that only 51% of community college students in California applied for federal financial aid, compared with 75% of students attending public four-year universities. The study noted that 54% of students attending the state’s community colleges did not receive any grant aid in 2019-20. Research has shown that there are several barriers that

impact students applying for and receiving aid, including ineffective communication from their college's financial aid office, lack of awareness regarding their aid eligibility and available supports, and the complexity of the application process.

Staff Comments

CSAC indicates that the technical issues that plagued the 2024-25 FAFSA cycle appear to have been resolved. But both CSAC and the segments indicate widespread concern from students about sharing data with the federal government, and state government, amid changes in federal immigration policies and practices. This is a real issue for many California students. CSAC notes that there were about 99,000 California students who applied for financial aid in 2024-25 who reported at least one family member without a Social Security Number (SSN), and about 12 percent of California high school students have at least one parent without a SSN. It seems likely that some students, even if they are a United States citizen, have a SSN and are eligible for federal aid, may not complete the FAFSA this year.

CSAC has issued memos and guidance outlining its privacy practices, noting that information it receives is never shared with the federal government or used for immigration enforcement. It has also encouraged students who are unwilling to complete a FAFSA, even if they may be eligible for federal aid, to use the CADAA to become eligible for state and institutional aid. Higher education segments have also sought to support students who are questioning whether to apply for aid.

Deadline for 2025-26 applications has been moved. Using regulatory authority and a process developed by recent legislation (AB 2500, Fong), CSAC recently announced that it was moving the deadline for state financial aid deadline to April 2. The Commission had previously extended the deadline to April 2 for students attending colleges or universities in Los Angeles and Ventura counties.

More discussion needed as to how to increase applications. Even before changes in federal policies and procedures this year that may limit applications for aid, there was a need to ensure as many students apply and receive aid as are eligible. CSAC notes that it has made efforts to partner with the Community College Chancellor's Office to allow for real-time outreach to community college service areas where applications appear to be lagging. There are further discussions about data-sharing partnerships that would allow CSAC and colleges to identify students applying for college and give them real-time information about financial aid programs.

CSAC has begun to publish the number of students at each community college who are applying for aid on its website.

Suggested Questions:

1. Has CSAC observed any change in the rate of FAFSA and CADAA applications in the past month?
2. What are the segments doing to support students as they determine which aid to apply for? What advice is being given to students who are wary of sharing information with the federal government?
3. What are CSAC and the segments doing to address students' concerns about data privacy?
4. What are strategies to help ensure that all eligible students, particularly at community colleges, are applying for financial aid?
5. Should the Legislature consider an action such as AB 469, which requires high schools to support seniors in filling out the FAFSA/CADAA, for community colleges?

Staff Recommendation: Hold Open

Issue 2: Cal Grant Update and Institutional Aid

The Subcommittee will hear an update on the Cal Grant program, and discuss institutional aid programs at California's public universities and colleges, and ideas for strengthening financial aid.

Panel

- Amanpreet Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- Aprí Medina, University of California, Office of the President
- Noelia Gonzalez, California State University
- Gina Browne, California Community Colleges, Chancellor's Office

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 CADAA. 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 non-tuition 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. The LAO charts on the next two pages indicate Cal Grant recipients and spending by segment, by program, and by award type.

As the charts indicate, most Cal Grants go to students attending public colleges and universities. While community college students are the largest group of recipients, they receive the smallest amount of aid. Conversely, UC students are the smallest group of recipients of the three public segments, but receive the highest amount of aid. This is largely due to the coverage Cal Grant provides: most Cal Grants cover the total amount of tuition at UC and CSU, while community college students typically receive non-tuition aid. Because UC tuition is much higher than CSU, UC students receive the highest amount of Cal Grant support.

Cal Grant Recipients

| | 2023-24 Actual | 2024-25 Revised | 2025-26 Proposed | Change From 2024-25 | |
|---------------------------------|-------------------|--------------------|---------------------|---------------------|-------------|
| | | | | Amount | Percent |
| Total Recipients | 401,147 | 412,611 | 417,789 | 5,178 | 1.3% |
| By Segment: | | | | | |
| California Community Colleges | 153,575 | 159,787 | 163,652 | 3,865 | 2.4% |
| California State University | 136,253 | 136,575 | 136,561 | -14 | — |
| University of California | 80,464 | 81,018 | 80,842 | -176 | -0.2 |
| Private nonprofit institutions | 25,257 | 25,751 | 26,323 | 572 | 2.2 |
| Private for-profit institutions | 5,440 | 9,155 | 10,140 | 984 | 10.8 |
| Other public institutions | 159 | 324 | 271 | -53 | -16.3 |
| By Program: | | | | | |
| High School Entitlement | 238,344 | 235,111 | 238,896 | 3,785 | 1.6% |
| CCC Expanded Entitlement | 121,072 | 132,849 | 132,378 | -471 | -0.4 |
| Competitive | 24,011 | 20,182 | 18,949 | -1,234 | -6.1 |
| Transfer Entitlement | 15,829 | 16,184 | 17,050 | 866 | 5.4 |
| Cal Grant C | 1,890 | 8,284 | 10,516 | 2,232 | 26.9 |
| By Award Type: | | | | | |
| Cal Grant B | 274,826 | 277,681 | 278,007 | 326 | 0.1% |
| Cal Grant A | 124,430 | 126,645 | 129,265 | 2,620 | 2.1 |
| Cal Grant C | 1,890 | 8,284 | 10,516 | 2,232 | 26.9 |
| By Renewal or New: | | | | | |
| Renewal | 223,268 | 234,400 | 234,295 | -105 | —% |
| New | 177,879 | 178,211 | 183,494 | 5,283 | 3.0 |

Data reflect California Student Aid Commission (CSAC) estimates.

Cal Grant Spending

(Dollars in Millions)

| | 2023-24 Actual | 2024-25 Revised | 2025-26 Proposed | Change From 2024-25 | |
|---------------------------------|-------------------|--------------------|---------------------|---------------------|----------------|
| | | | | Amount | Percent |
| Total Spending | \$2,295 | \$2,453 | \$2,562 | \$109 | 4.5% |
| By Segment: | | | | | |
| University of California | \$1,028 | \$1,091 | \$1,170 | \$80 | 7.3% |
| California State University | 747 | 817 | 841 | 24 | 2.9 |
| California Community Colleges | 265 | 274 | 277 | 3 | 1.3 |
| Private nonprofit institutions | 227 | 233 | 236 | 2 | 0.9 |
| Private for-profit institutions | 28 | 37 | 37 | — ^a | 0.8 |
| Other public institutions | 0.7 | 1 | 0.7 | — ^a | -33.6 |
| By Program: | | | | | |
| High School Entitlement | \$1,663 | \$1,762 | \$1,874 | \$112 | 6.4% |
| CCC Expanded Entitlement | 334 | 374 | 339 | -35 | -9.3 |
| Competitive | 164 | 159 | 161 | 2 | 1.0 |
| Transfer Entitlement | 130 | 139 | 166 | 27 | 19.5 |
| Cal Grant C | 4 | 19 | 22 | 3 | 16.5 |
| By Award Type: | | | | | |
| Cal Grant B | \$1,057 | \$1,116 | \$1,112 | -\$4 | — ^a |
| Cal Grant A | 1,233 | 1,318 | 1,428 | 110 | 8.3% |
| Cal Grant C | 4 | 19 | 22 | 3 | 16.5 |
| By Renewal or New: | | | | | |
| Renewal | \$1,534 | \$1,692 | \$1,759 | \$67 | 4.0% |
| New | 760 | 761 | 803 | 42 | 5.5 |

Data reflect California Student Aid Commission (CSAC) estimates.

^a Less than \$500,000 or 0.5 percent.

Colleges and universities typically provide financial aid packages to students that can combine federal, state and institutional aid. Low-income students often receive multiple forms of financial aid, with campuses offering students a package that may involve federal and state aid, in addition to aid the institution offers. Both UC and CSU, for example, use some portion of tuition revenue to support financial aid programs. According to information provided to the Subcommittee in the fall, UC spent more than \$880 million on UC Grants for

undergraduate students in 2023-24, while CSU's State University Grant (SUG) is providing about \$700 million to 147,527 students in 2024-25. Each segment uses their institutional aid in different ways to support students.

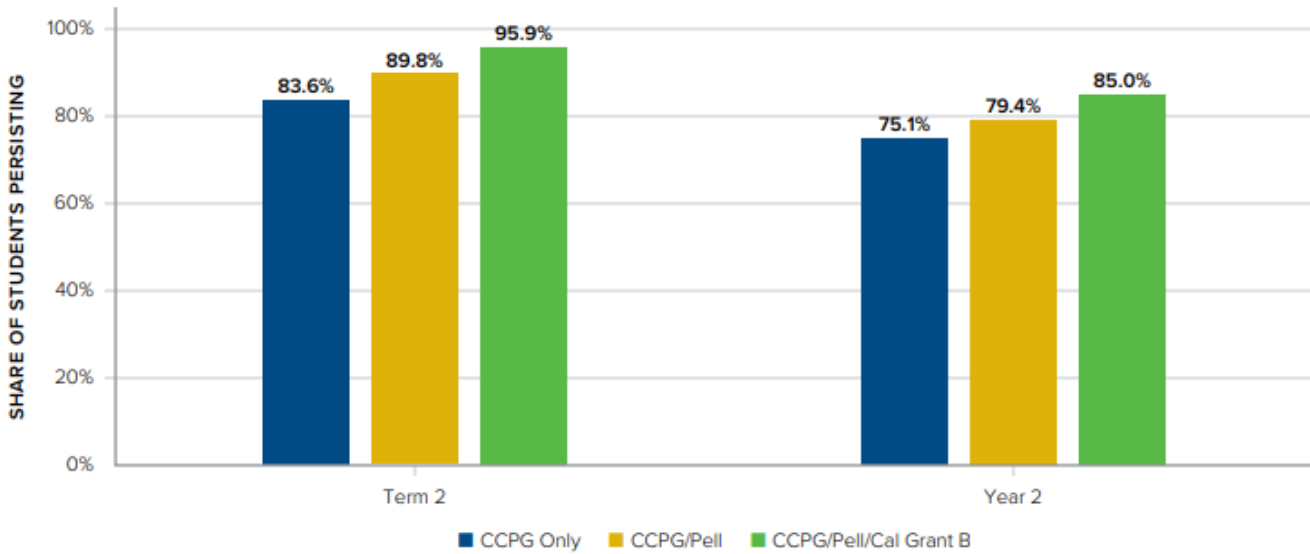
Community colleges also have aid programs, although the programs are funded with Proposition 98 General Fund. Community colleges waive tuition for students who are determined to have need through the California College Promise Grant (CCPG). More than 750,000 students received the CCPG in 2023-24, saving about \$654 million in tuition. (This loss in revenue to campuses is backfilled by state funding.) In addition, the Student Success Completion Grant provides non-tuition support for Cal Grant recipients who are taking more than 12 units per semester. The program provides \$1,298 per semester for students taking 12-15 units, and \$4,000 per semester for students taking 15 or more units. The program served more than 128,000 students in 2023-24 and is budgeted to provide \$412.6 million to students in 2024-25. Another program, called the California College Promise, waives tuition for all full-time students, regardless of need.

Some data indicates financial aid, including Cal Grants, increases student persistence and speedier completion, but more research is needed. Research has shown that more financial aid improves college access, persistence, and completion. A report by the UC Davis Wheelhouse Center for Community College Leadership and Research found that community college students who received a CCPG and a Pell Grant were six percentage points more likely to persist to the second term than students receiving just a tuition waiver. Students receiving a tuition waiver, Pell Grant and Cal Grant were 12 percentage points more likely to persist than those receiving just a tuition waiver alone. These differences continue into the second year, according to the report. The report also found that more aid increased the number of units students take, which accelerates the students' time to degree. The charts on the next page show persistence and unit accumulation rates for students with differing financial aid packages, based on the Wheelhouse study.

The report did note that other factors beyond the amount of aid could play a role in improved outcomes. For example, aid receipt may be related to a student's ability to navigate institutional bureaucracy, which may in turn be associated with unit completion and persistence.

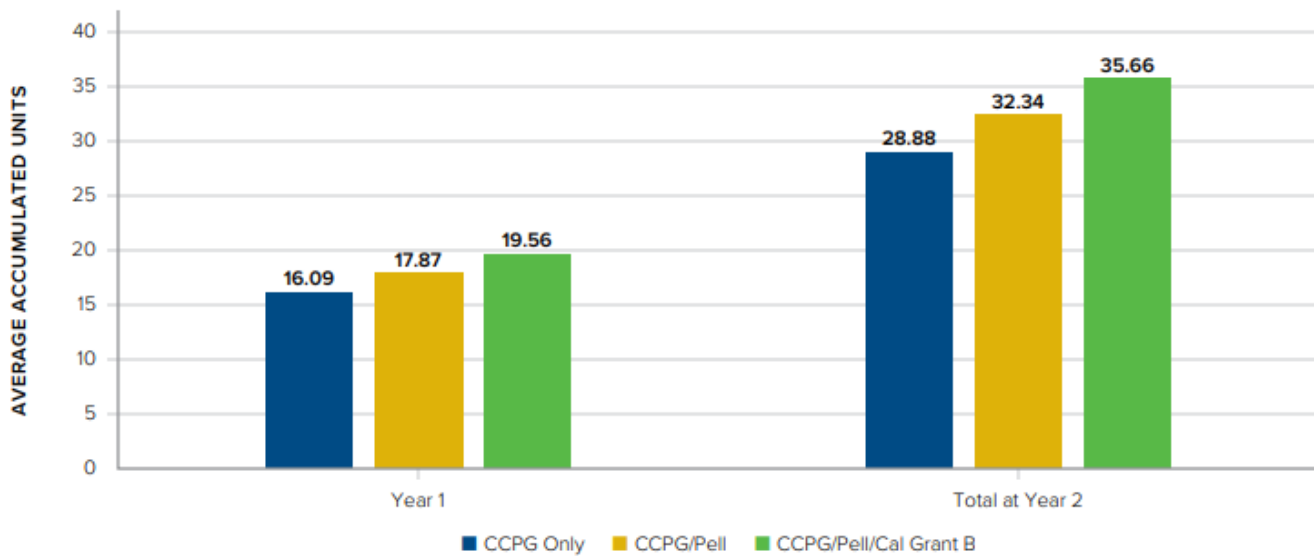
The report also concluded that more specific research was needed. Staff is unaware of any recent study of the outcomes associated directly with the Cal Grant program.

Students receiving Pell Grants and Cal Grant B are more likely to persist.



Notes: The sample is comprised of students who recently graduated high school, submitted a FAFSA, were eligible for Cal Grant B, and enrolled in at least six units in their first term in the 2017–18 academic year.

Students receiving Pell Grants and Cal Grant B have higher unit accumulation.



Notes: The sample is comprised of students who recently graduated high school, submitted a FAFSA, were eligible for Cal Grant B, and enrolled in at least six units in their first term in the 2017–18 academic year. Year 2 represents cumulative units earned by the end of the second year.

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 those used in the federal Pell Grant program. The chart below was created by California Competes and indicates differences between the current program and the reform. Under the 2022 Budget Act, the Administration and Legislature were to determine in 2024 whether to fund the new program.

| Feature | Current Cal Grant Program | Cal Grant Reform |
|---------------------------------|---|--|
| Program Structure | <p>Three main award types:</p> <ul style="list-style-type: none"> • Cal Grant A (tuition assistance for four-year universities) • Cal Grant B (tuition and living expenses for four-year universities and community colleges) • Cal Grant C (tuition and training fees for vocational programs) | <p>Two streamlined award types:</p> <ul style="list-style-type: none"> • Cal Grant 2 (living expenses for students attending California Community Colleges) • Cal Grant 4 (tuition assistance for students enrolled in four-year universities) |
| Eligibility Requirements | <p>Age:</p> <ul style="list-style-type: none"> • Entitlement awards are limited to recent high school graduates, transfer students under age 28, and community college students. <p>GPA:</p> <ul style="list-style-type: none"> • Minimum GPA ranges from 2.0 to 3.0, depending on award type. <p>Income:</p> <ul style="list-style-type: none"> • Program-specific income ceilings vary by award type. | <p>Age:</p> <ul style="list-style-type: none"> • No restrictions related to age or time out of high school. <p>GPA:</p> <ul style="list-style-type: none"> • No GPA requirement for community college students; minimum GPA of 2.0 for university students. <p>Income:</p> <ul style="list-style-type: none"> • Income ceilings largely aligned with the federal Pell Grant program (generally lower than current ceilings). |
| Award Amounts | <p>Tuition:</p> <ul style="list-style-type: none"> • Generally, full tuition coverage at public universities and a fixed amount of tuition coverage at private universities.^{a,b} <p>Nontuition:</p> <ul style="list-style-type: none"> • Awards of \$1,648 for Cal Grant B recipients at all segments.^c | <p>Tuition:</p> <ul style="list-style-type: none"> • Full tuition coverage at public universities and a fixed amount of tuition coverage at private universities.^a <p>Nontuition:</p> <ul style="list-style-type: none"> • Awards of \$1,648 at community colleges, with the amount adjusted annually for inflation. Generally, no non-tuition awards for university students.^b |

Cal Grant Reform remains unfunded. Facing a budget deficit, the 2024 Budget Act did not include new funding to implement Cal Grant Reform. Thus, the new program remains in statute but not funded.

Governor's 2025-26 Budget

The Governor's Budget funds estimated Cal Grant caseload but does not propose any policy changes.

The Governor's Budget assumes slight increases in caseload for 2025-26, about a 1 percent increase, or about 5,000 more recipients, and a cost increase of about \$109 million ongoing General Fund, or about 5 percent. Cal Grant caseload and cost estimates are typically adjusted in the May Revise, once more information is available on current year participation and budget year applications.

Staff Comments

This item is intended to allow for discussion around the Cal Grant program, how the segments use federal, state and institutional aid to support students, and ideas for improvement. While the Cal Grant is among the largest state-funded financial aid programs in the country, and California's public universities spend more than \$1.5 billion from tuition revenue to offset costs for low- and middle-income students, the high cost of living in California continues to threaten access and affordability.

Staff notes the following issues to consider:

The Cal Grant Equity Framework will modernize and simplify the program, and better serve low-income Californians of all ages seeking a college degree. Increased costs, however, continue to make it difficult to implement. CSAC cost projections based on preliminary 2024-25 Cal Grant participation indicate the reform would require an additional \$156 million ongoing, in addition to some one-time costs. The reform would likely add an additional 145,000 students to the Cal Grant program, mostly community college students. While there has been widespread support for the reform in the Assembly, the state's budget condition has prevented its implementation, and may make it challenging to fully implement over the next few years.

Subcommittee could focus on smaller reforms or financial aid actions. Staff is aware of numerous ideas to improve financial aid support for students, with varying cost pressures. Some are components of Cal Grant Reform. Among them are:

- ***Change the Cal Grant program at the community college level to allow more students to qualify.*** Currently, Cal Grant B requires a verified 2.0 grade point average (GPA) to qualify. Older or returning students enrolling in community college often have difficulty accessing their high school transcripts to establish their last GPA, because of the amount of time that has passed or poor recordkeeping. (Cal Grant Reform would

remove the GPA requirement for community college students.) Current rules require students to establish a new GPA by completing at least 16 college level units before becoming eligible for aid. TICAS and other groups suggest reducing this unit requirement, to allow more students to access Cal Grant sooner in their college-going. CSAC estimates reducing the units required to become Cal Grant eligible from 16 to 9 could increase Cal Grant costs by \$120 million ongoing General Fund, although this type of action could be phased in to spread out the costs.

- ***Increase the Access Award.*** Non-tuition support for Cal Grant is set in the Budget Act each year, and does not grow unless the Legislature changes the per-student amount and overall funding. The award has remained at \$1,648 for several years, despite inflation and significant increases in the cost of housing. Cal Grant Reform would increase non-tuition support for community college students by annually increasing the award based on inflation. TICAS notes that if the award had grown with inflation since it was created in 2000-01, it would be more than \$3,000. CSAC and the LAO could help determine the cost of increasing the award by whatever amount the Legislature determines it could support.
- ***Reform the Community College Student Success Completion Grant.*** The Student Success Completion Grant was designed to encourage full-time attendance at community college, by requiring Cal Grant students to take at least 12 units per semester to qualify. (Cal Grant is available for part-time students.) However, about three-fourths of community college students attend school part-time, and the aid provided in this program is generally not enough to encourage students to work less and take more units. In 2022-23, the Community College Chancellor's Office reported that \$99.5 million from the program went unused, because there were not enough eligible students. This period correlated to COVID-19-era enrollment declines, and usage has increased since then. However, the Chancellor's Office has recommended lowering the unit requirement to provide support to more students. The program currently serves more than 120,000 students annually, and Chancellor's Office projections show that lowering the unit requirement to nine units would add nearly 46,000 more students. Lowering the unit requirement to six units would add nearly 82,000 more students. The Chancellor's Office and the LAO could work on per-student funding and costs associated with widening the eligibility pool for this program.
- ***Increase Cal Grant support for private non-profits.*** Students attending private non-profit colleges and universities who qualify for Cal Grant receive a flat sum of \$9,358 to support college costs. The Association of Independent California Colleges and Universities (AICCU) is advocating for increasing this amount to \$9,708, which could cost about \$9 million ongoing General Fund. In addition, the Expanded Entitlement program was created in 2021 as the first step in Cal Grant Reform, as it removed age and time-

out-of-high-school requirements for community college students applying for Cal Grant. The action now provides a Cal Grant to more than 132,000 students who previously were not eligible for the program. This new program allows community college students to take remaining Cal Grant eligibility with them when they transfer to a UC or CSU, but not a private non-profit college in California. AICCU is also advocating to change the program to allow students to bring Cal Grant coverage with them if they transfer to a private non-profit college. Like Cal Grant Reform, this action was approved in the 2022 Budget Act but subject to the same decision-making process in 2024, and was unfunded. AICCU estimates the state cost would be about \$13 million.

- ***Encourage and support more research on student outcomes associated with the Cal Grant program.*** Staff is unaware of a focused study on Cal Grant recipients' educational outcomes. The Subcommittee could consider ways to encourage or support more research in this area. For example, currently higher education segments are required under Education Code Section 69433.2 to provide outcomes data related to Cal Grant recipients to CSAC, but only in aggregated form. The section could be changed to require reporting of disaggregated student-level data, which would allow for more nuanced research on Cal Grant's impact on student outcomes.

Suggested Questions:

1. How could lower application rates for students impact Cal Grant costs and caseload?
2. What are the segments' goals for student affordability? Are their plans to improve/increase financial aid for students in the next several years?
3. Do the segments conduct research on student outcomes associated with financial aid?
4. What would the pros and cons be of expanding the Community College Student Success Grant to include part-time students?
5. Are there other low-cost ideas for increasing financial aid for California college students?

Staff Recommendation: Hold Open and Direct Staff to Develop Possible Financial Aid Actions and Costs to Consider

Issue 3: Middle Class Scholarship Update and Proposal

The Subcommittee will discuss a current year issue with the Middle Class Scholarship program and the Governor's Budget proposal to reduce funding for the program in 2025-26.

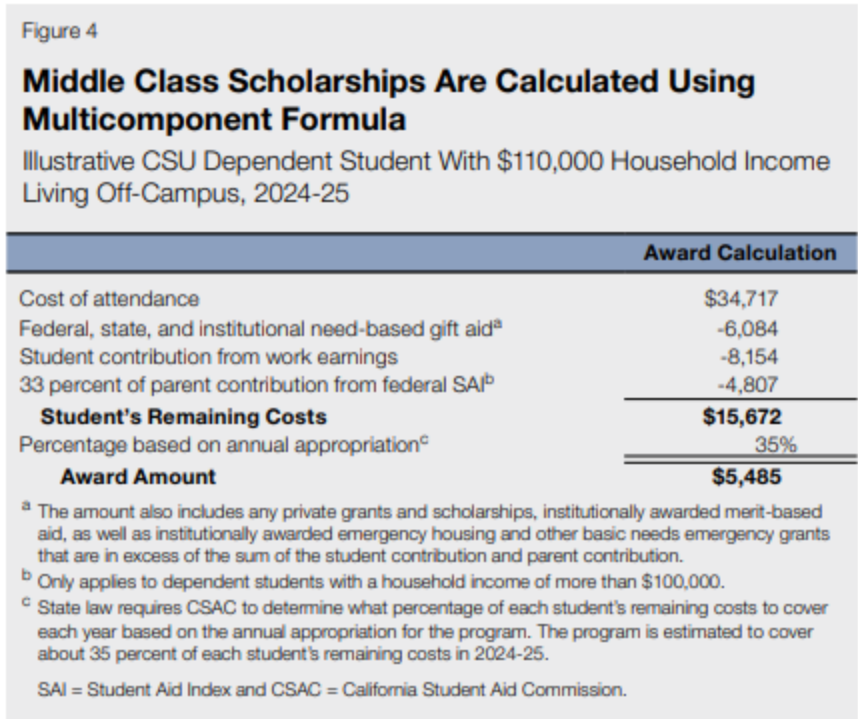
Panel

- Amanpreet Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- Shawn Brick, University of California Office of the President
- Noelia Gonzalez, California State University Chancellor's Office

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 the LAO chart on the next page 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 \$234,000 for dependent students in 2025-26.) 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. According to LAO research, more than half of students who received Middle Class Scholarship awards had a household income of \$50,000 or less, and about 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.

The program is serving more than 300,000 students this year.

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.)

2024 Budget Act provided \$925 million for the program. The 2024 Budget Act used a mix of one-time and ongoing General Fund to cover about 35% of students' remaining total cost of attendance after other aid. Of the \$925 million provided, \$289 million was one-time. The Budget Act also included intent language to reduce funding for the program by \$110 million ongoing General Fund in 2025-26 to help address the state budget deficit.

CSAC reports a significant program deficit in the current year. CSAC has informed the Legislature that many more students were eligible for the program this year than were estimated, and that the program may be short \$103 million to provide students the funding levels they were expecting. CSAC notes the following timeline and issues:

- The MCS deadline was extended to July 1, 2024.
- UC and CSU provided preliminary estimates to CSAC in Summer 2024 that indicated about 250,000 students might be eligible for MCS in 2024-25.
- Given that financial aid deadlines were pushed back, CSAC assumed the number of eligible might increase and decided to estimate that about 312,000 students might be eligible.
- Using that participation level and with the amount provided in the 2024 Budget Act for the program, CSAC determined that students could receive up to 35 percent of their total cost of attendance. This amount was communicated to students in the summer and fall.
- CSAC continued to receive data from UC and CSU campuses throughout the fall indicating more and more students were eligible.
- By late fall, about 350,000 students were eligible for the program.

Given the amount of money provided, CSAC now estimates that it would have to cut student awards by an average of about \$330.

Governor's 2025-26 Budget

The Governor's Budget removes the \$289 million in one-time funding and reduces ongoing funding by \$109 million, leaving the program with \$527 million ongoing General Fund for 2025-26. The LAO estimates this amount will cover about 18% of students' unmet financial need.

The chart on the next page indicates MCS recipients, spending and average awards by segment. Under the Governor's Budget, average awards for CSU students would go from \$3,085 this year to \$1,650 in 2025-26, and average awards for UC students would go from \$2,638 to \$1,411, according to LAO calculations.

The chart does not reflect the higher student eligibility numbers recently reported by CSAC.

Middle Class Scholarship Program

Key Information by Segment

| | 2023-24 Actual | 2024-25 Revised | 2025-26 Proposed | Change From 2024-25 | |
|---------------------------------------|-------------------|--------------------|--------------------------|---------------------|-------------|
| | | | | Amount | Percent |
| Recipients | | | | | |
| CSU | 193,959 | 226,600 | 237,930 | 11,330 | 5% |
| UC | 83,524 | 85,490 | 89,765 | 4,275 | 5 |
| CCC ^a | 56 | 57 | 60 | 3 | 5 |
| Total | 277,539 | 312,147 | 327,754 | 15,607 | 5% |
| Spending (Dollars in Millions) | | | | | |
| CSU | \$584 | \$699 | \$393 | -\$306 | -44% |
| UC | 219 | 226 | 127 | -99 | -44 |
| CCC ^a | — ^b | — ^b | — ^b | — ^b | -44 |
| Total | \$803 | \$925 | \$519^c | -\$405 | -44% |
| Average Award | | | | | |
| CSU | \$3,010 | \$3,085 | \$1,650 | -\$1,435 | -47% |
| UC | 2,623 | 2,638 | 1,411 | -1,227 | -47 |
| CCC ^a | 3,778 | 3,673 | 1,964 | -1,708 | -47 |

Data reflect California Student Aid Commission (CSAC) estimates as of January 2025. On February 3, 2025, CSAC indicated the number of recipients in 2024-25 was higher than originally projected (356,000), resulting in a decrease in average award that year of \$330.

^a In addition to undergraduate students at UC and CSU, CCC students in bachelor's degree programs are eligible for the program.

^b Less than \$500,000.

^c Though the budget includes \$527 million for the program, CSAC anticipates spending \$519 million. (Certain implementation processes make reaching the exact appropriation level difficult.)

Staff Comments

The Subcommittee may wish to discuss both the current year problem and the Governor's Budget proposal.

Students face a mid-year cut without more funding. Based on available funding and a now apparently erroneous number of participants, students were informed in the fall regarding how

much MCS funding they would receive for the 2024-25 academic year. Students receive payments each semester or quarter, and both UC and CSU have frozen payments momentarily to determine how to proceed. Choices for the Legislature and Administration are difficult: students will either receive less funding than they were planning for, or the state will have to increase support for the program. Based on discussions between CSAC, the segments, the Administration and Legislature, the likely resolution may involve UC using internal funds to “front” money to its students, with the assumption the state will pay it back in 2025-26. This strategy will allow CSU to pay all of its students with available state funding. The Administration will likely propose a solution along these lines in the May Revise. It is possible that savings from the Cal Grant program, which appears likely to have less participation than expected due to issues described earlier in this agenda, could be used to offset higher MCS costs.

Staff notes that the complexity of this program has made it difficult to implement, as CSAC must make a calculation in the summer that uses preliminary participation data and the amount of funding provided in the Budget Act to determine maximum award amounts. The process can lead to problems such as the current situation, and can lead to students receiving delayed information about how much MCS funding they will receive, and delays in when campuses make payments to students. The Subcommittee may wish to discuss whether there are technical changes that can be made to ease the administration of the program without impacting student eligibility or the amounts students receive.

Governor’s Budget will dramatically reduce funding for 2025-26. MCS students will see significantly less support next year when compared to this year, as the program will be cut nearly in half. This reduction also comes as some students may go without federal financial aid in 2025-26 if they are concerned about sharing family information with the federal government. Fluctuations in financial aid are particularly troubling, as it can make it difficult for students to plan to cover costs for the time they are in college. The Legislature likely faces numerous difficult decisions like this one this year as it addresses the state’s budget problem.

Suggested Questions:

1. Are there any updates regarding the current-year problem? Why did this happen?
2. What are the likely impacts on students of adopting the Governor’s MCS proposal for 2025-26?
3. How can the program be improved to ensure that projected award amounts, student notifications and student payments can be more accurate and timely?

Staff Recommendation: Hold Open.

Issue 4: California College of the Arts Proposal

The Subcommittee will discuss the Governor's Budget proposal to provide \$20 million one-time General Fund to support the California College of the Arts.

Panel

- Amanpreet Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission
- David Howse, President, California College of the Arts

Background

The final 2024 Budget Act included \$2.5 million one-time General Fund to support the California College of the Arts, a private non-profit college based in San Francisco. The appropriation was included in the CSAC budget item and included budget bill language requiring the college to report to the Department of Finance by November 2026 regarding how the college used the funds to support or maintain programming or services for students attending the college. The college reports that it used the funding to support scholarships to aid enrollment growth.

The following information was provided by the college or pulled from the National Center for Education Statistics, the college's website or the college's most recently-available federal tax filings:

- The college offers bachelor's degrees and master's degrees in mostly art-related subjects ranging from ceramics to photography to comics and game arts.
- Tuition is \$60,864, with total cost of attendance ranging from \$89,338 to \$95,112, depending on living arrangements.
- Students are eligible for federal and state financial aid, and the college also offers institutional aid. About 85% of students receive some type of aid.
- Enrollment declined by 42 percent between Fall 2019 and Fall 2024.
- Declining revenue and higher expenses have led to an operating deficit, as the budget chart provided by the college indicates.
- For students who began at the college in Fall 2017, 59 percent graduated within six years.

- The college is accredited by the WASC Senior College and University Commission, and is a member of the Association of Independent California Colleges and Universities (AICCU.)

| CCA Budget | FY23 | FY24 | FY25 | % Change, 24 to 25 |
|---------------------------------|-------------|-------------|-------------|--------------------|
| Tuition/Fees | 83.1 | 82.8 | 81.9 | -1% |
| Institutional Aid | -24.6 | -29.1 | -27.6 | -5% |
| Philanthropy | 1.2 | 0.9 | 4.6 | 80% |
| Auxiliary Enterprises | 3.2 | 8.7 | 7.3 | -19% |
| Other Income | 10.6 | 8.8 | 2.7 | -226% |
| Total Revenue | 73.5 | 72.1 | 68.9 | -5% |
| Salaries/Benefits | 50.8 | 47.7 | 48.2 | 1% |
| Contracts/Professional Services | 6.4 | 6.6 | 7 | 6% |
| Technology | 2.2 | 2.5 | 2.5 | 0% |
| Leases/Rents | 3.1 | 3.2 | 3.2 | 0% |
| Other Expenses | 11 | 12.1 | 12.2 | 1% |
| Total Expenses | 73.5 | 72.1 | 73.1 | 1% |

| CCA Enrollment | Fall 19 | Fall 20 | Fall 21 | Fall 22 | Fall 23 | Fall 24 | % Change, 19 to 24 |
|---------------------------------|---------|---------|---------|---------|---------|---------|--------------------|
| Full-Time Equivalent Enrollment | 1819 | 1544 | 1577 | 1463 | 1348 | 1280 | -42% |

College has been struggling. An August 2024 article in the *San Francisco Chronicle* quoted the college as reporting a \$20 million deficit due in part to a dramatic drop in enrollment. The enrollment decline comes as the college spent \$123 million on a new building in San Francisco, which is part of a consolidation effort that led to the closure of a campus in Oakland.

College appears to have secured significant donations. Recent media accounts indicate the college has secured \$45 million in private donations. A Feb. 21 article in the *San Francisco Chronicle* stated that about half the donations came from the Jen-Hsun and Lori Huang Foundation, the multibillion dollar foundation run by the CEO of computer chip maker Nvidia. The article noted the donations “will likely help the organization stave off financial ruin after a recent round of layoffs and the prospect of insolvency.”

Governor’s 2025-26 Budget

The Governor’s Budget provides \$20 million one-time General Fund to the college, with the appropriation again included in the CSAC budget. Budget bill language continues to require a report on how the college spent state funds due by November 2026.

The college states it would use the funding for the following activities:

- Cover core operational costs that will allow the college to remain open in a fiscally sustainable manner.
- Implement programs that combine art degrees with and teaching credential programs, to make the programs more attractive to students and provide a benefit to the state.
- Develop accelerated 3-year MFA programs that offer a discounted degree path, which can also be combined with a teaching credential.
- Expand outreach to Northern California students and community college transfer students.
- Develop summer residency art programs which offer accelerated short-term training to non-traditional students, such as those who are already working and cannot commit to a multiple-year program.
- Develop skills-based certificate programs, such as for photography, to supplement a student's existing career work or past education.

Staff Comments

This is an unusual proposal, and leads to the question of whether state dollars, in a year in which public higher education is facing significant reductions, should be spent on a small private college. Staff notes the following concerns:

Direct appropriations to private colleges are rare. Private colleges and universities do not typically receive operational funding from the state. Private colleges and universities do receive some state funding from programs like Cal Grant, which directly supports students, or programs like the Song-Brown Healthcare Workforce Training Programs, which help subsidize medical students at both public and private universities. Staff is aware of two recent direct appropriations to private colleges: \$50 million one-time General Fund was provided to the Charles R. Drew University of Medicine and Science in 2021 to support the construction of a new building that is allowing the university to develop and expand a medical school, and \$5 million one-time General Fund was provided in 2022 to support an effort by the California Indian Nations College to pursue accreditation.

Both of those appropriations were for specific purposes that have an obvious statewide interest.

College says there is a statewide interest in this proposal. The college argues that it offers degrees that are less commonly available at a CSU or UC. These include undergraduate fine arts fields such as animation, ceramics, game arts, film, jewelry and metal arts, sculpture, etc. The college also hosts graduate-level MFA program options in film, fine arts, and visual arts.

These programs do not necessarily overlap with similar programs at local CSUs and UCs, and the college views itself as providing a unique student experience that is distinct from other public options. The college is currently working on developing course offerings that appeal to the modern student which include short-term summer programs, certification programs, and art degrees that can be stacked with a teaching credential.

Recent donations seem to more than cover the college's deficit. With media accounts suggesting the college is facing a \$20 million deficit but has received \$45 million in donations, it is unclear whether a state subsidy is needed. The donations were announced after the Governor's Budget was released in January.

The Legislature faces difficult General Fund choices this year. Given the state's precarious budget situation, the Legislature is faced with difficult decisions this year about how to spend very limited General Fund. This proposed funding, while one-time, could be used for numerous issues in higher education that have been often-discussed in this Subcommittee. Staff notes, for example, that California students may face a decline in federal financial aid this year as some are reluctant to provide family information to the federal government. This funding could be provided as emergency aid, or one-time augmentations to programs such as basic needs centers. Public universities and colleges have significant deferred maintenance backlogs and capital outlay needs, which is a good use of one-time funding. Other funding requests may better serve statewide interests: for example, the Cal-Bridge program, which addresses faculty diversity issues by supporting undergraduate and graduate students at community colleges, CSUs and UCs who are seeking a STEM PhD, is seeking one-time funding this year to continue the program and support about 200 more future faculty.

The funding also could be used in other areas of the state budget. Staff also notes that there are numerous private colleges and universities that enroll thousands more California students than this college who could also use state funding.

Suggested Questions:

1. Why was this appropriation proposed? What is the statewide interest in supporting a small, private arts college?
2. How would the college use this funding?

3. Given the recent news of a significant amount of private donations, is this state funding needed?
4. How is the college addressing its significant enrollment decline?

Staff Recommendation: Reject this Proposal.

Issue 5: CSAC Operations Proposals

The Subcommittee will discuss proposed reductions to CSAC administration as part of the 2024 Budget Act statewide operational and position cuts, and two budget change proposals to increase administrative support and create a new position.

Panel

- Amanpreet Singh, Department of Finance
- Natalie Gonzalez, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

Background

CSAC’s administrative budget is about \$23 million. CSAC’s budget is about \$3.6 billion in the current year, with about \$23 million used for state operations and administration. (Most of the Commission’s funding, as described in this agenda, goes to Cal Grants and Middle Class Scholarships for students.) CSAC currently has position authority for 153.5 positions, and reports a 1 percent vacancy rate.

The number of authorized positions has grown in recent years as financial aid spending has grown, with the Legislature authorizing new positions or providing funding for administrative costs as part of new programs. For example, the Golden State Teachers Grant program, funded with one-time General Fund, allowed CSAC to a small percentage of appropriated funds to administer the program.

The Legislature directly increased CSAC positions in the 2023 Budget Act, which supported two new cybersecurity positions and one new human resources position.

| CSAC Operations (dollars in thousands) | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Authorized Expenditures | \$25,496 | \$21,653 | \$21,312 | \$21,241 | \$23,860 | \$22,683 |
| Actual Expenditures | \$23,586 | \$21,595 | \$20,984 | \$21,010 | \$23,678 | \$22,600 |
| Authorized Positions | 126.5 | 137.5 | 137.5 | 145.5 | 153.5 | 153.5 |
| Filled Positions | 112.5 | 117 | 117 | 126 | 146 | 145 |

In addition to personnel, CSAC operational spending includes expenses such as subscriptions to various software used for services such as outreach and data collection, statewide travel, training, lease agreements for two facilities, consulting contracts, and other information technology systems. CSAC estimates that it will spend about \$3.8 million on these types of

expenditures in 2024-25, referred to as Operating Expenses and Equipment (OE&E), but costs will rise in 2025-26 to \$4.8 million due to inflation, market conditions and other factors. Cost increases are occurring at the same time that some administrative funding associated with specific programs – the Golden State Teacher Grant Program and the Learning Aligned Employment Program - is set to expire. The chart indicates past, current and forecasted OE&E costs.

OE&E Baseline Expenditures by Expense Category

| Baseline Expenditures - Actuals | | | | Baseline Expenditure Forecast | | | |
|--|------------------------|------------------------|------------------------|---------------------------------|------------------------|------------------------|------------------------|
| Expense Category | 21/22 | 22/23 | 23/24 | Expense Category | 24/25 | 25/26 | 26/27 |
| 5301 - General Expense | \$ 112,170.55 | \$ 154,379.20 | \$ 237,803.06 | 5301 - General Expense | \$ 249,693.21 | \$ 262,177.87 | \$ 275,286.77 |
| 5302 - Printing | \$ 32,332.96 | \$ 56,986.50 | \$ 39,192.00 | 5302 - Printing | \$ 44,979.01 | \$ 47,227.96 | \$ 49,589.36 |
| 5304 - Communications | \$ 282,675.91 | \$ 282,314.88 | \$ 231,253.00 | 5304 - Communications | \$ 278,685.33 | \$ 292,619.59 | \$ 307,250.57 |
| 5306 - Postage | \$ 133,475.83 | \$ 167,109.43 | \$ 67,094.00 | 5306 - Postage | \$ 34,154.00 | \$ 35,861.70 | \$ 37,654.79 |
| 5320 - Travel | \$ 14,240.59 | \$ 122,438.97 | \$ 129,237.00 | 5320 - Travel | \$ 93,070.80 | \$ 97,724.34 | \$ 102,610.55 |
| 5322 - Training | \$ 16,552.00 | \$ 28,860.03 | \$ 29,348.00 | 5322 - Training | \$ 30,815.40 | \$ 32,356.17 | \$ 33,973.98 |
| 5324 - Facilities Operation | \$ 479,032.55 | \$ 591,099.24 | \$ 643,860.00 | 5324 - Facilities Operation | \$ 679,803.00 | \$ 720,608.56 | \$ 736,247.16 |
| 5340 - Consulting and Professional Service | \$ 38,276.37 | \$ 39,965.00 | \$ 393,756.00 | 5340 - Consulting and Professor | \$ 438,900.00 | \$ 1,228,756.00 | \$ 1,270,756.00 |
| 5342 - Departmental Services | \$ 33,513.00 | \$ 26,227.00 | \$ 32,110.00 | 5342 - Departmental Services | \$ 32,147.50 | \$ 33,754.88 | \$ 35,442.62 |
| 5344 - Consolidated Data Centers | \$ 342,615.03 | \$ 424,864.44 | \$ 537,158.00 | 5344 - Consolidated Data Centri | \$ 559,168.00 | \$ 587,126.40 | \$ 616,482.72 |
| 5346 - Information Technology | \$ 853,344.83 | \$ 971,386.42 | \$ 1,110,424.93 | 5346 - Information Technology | \$ 1,165,946.18 | \$ 1,224,243.49 | \$ 1,285,455.66 |
| 5362 - Capital Asset Purchases | \$ 273,351.27 | \$ 242,388.09 | \$ 215,134.45 | 5362 - Capital Asset Purchases | \$ 225,891.17 | \$ 237,185.73 | \$ 249,045.02 |
| 5368 - Non-Capital Asset Purchases | \$ 38,495.47 | \$ 6,704.99 | \$ 7,155.93 | 5368 - Non-Capital Asset Purchc | \$ 7,276.98 | \$ 7,640.83 | \$ 8,022.87 |
| 5390 - Other Items of Expense | \$ 5,605.79 | \$ 6,399.85 | \$ 6,807.00 | 5390 - Other Items of Expense | \$ 7,147.35 | \$ 7,790.61 | \$ 8,491.77 |
| TOTAL | \$ 2,655,682.15 | \$ 3,121,124.04 | \$ 3,680,333.37 | TOTAL | \$ 3,847,677.93 | \$ 4,815,074.13 | \$ 5,016,309.83 |

CSAC handles significant amount of personal data. In its role as the administrator of state financial aid programs, CSAC is responsible for storing personal data for tens of millions of Californians. CSAC’s Information Technology Services Division oversees IT programs and data protection and storage, with 38 positions. The Information Security Office within the division has three positions.

The 2023 Budget Act approved a budget change proposal for the Commission that provided \$1.4 million General Fund, with \$469,000 ongoing, to support two new cybersecurity positions and enhanced security software and security contracts.

CSAC administration part of the 2024 Budget Act statewide operations reductions. The 2024 Budget Act included provisions intended to eliminate vacant positions in state agencies and departments and reduce operational funding by up to 7.95 percent. As part of these efforts, CSAC expects that funding for 4 positions, all in IT, will be swept and 0.7 positions will be eliminated, for a savings of \$112,000. In addition, the operational budget will be reduced by \$133,000 ongoing General Fund and \$17,000 from special funds, or 0.67 percent of CSAC’s operational budget.

CSAC also reports that it has implemented several cost-cutting strategies, including a hiring freeze, limiting travel, delaying IT refreshes, reducing consulting contracts and canceling all non-critical one-time expenditures.

Governor's 2025-26 Budget

The Governor's Budget includes two augmentations to the CSAC operational budget. The proposals are:

1. An increase of \$1.4 million one-time General Fund in 2025-26, and \$3 million ongoing General Fund to support increased OE&E costs. CSAC notes that as costs are increasing, it is losing one-time funding associated with several programs, most notably the Golden State Teacher Grant Program and the Learning Aligned Employment Program. The amounts proposed will allow CSAC to continue current program service levels.
2. An increase of \$230,000 ongoing General Fund to create a new Chief Information Security Officer position, which would oversee the Information Security Office. CSAC notes that the Administration's Cal-Secure Cybersecurity Maturation Roadmap notes the importance of effective and stable cybersecurity leadership, and adding a higher-level position is a next phase of a CSAC data security improvement project that began two years ago when the Legislature authorized two, lower-level cybersecurity positions.

In addition, the May Revise may include final information on state operational cuts and position eliminations to CSAC.

Staff Comments

As proposed, the Administration will make a slight reduction to CSAC's operational budget in 2024-25, defund four IT positions and eliminate one other positions, while adding one IT position and increasing funding by more than \$3 million ongoing General Fund by 2026-27.

Staff notes that instead of cutting CSAC operations by up to 7.95 percent as allowed in the 2024 Budget Act, DOF is proposing a cut of less than 1 percent. In addition, CSAC had very few vacancies and thus is only losing funding for a handful of positions. CSAC – with DOF's concurrence – argues that it expends virtually all operational funding it is allowed each year, "demonstrating the department's efficient and strategic use of allocated funds." CSAC also notes that further decreases to administrative support could erode services to students and families, and its higher education partners.

Cybersecurity is clearly a critical issue, and as financial aid programs have grown in recent years, there appear to be more efforts to defraud financial aid system. The problem has been particularly acute at community colleges, where a January 2024 estimate by the Chancellor's Office suggested that up to 25 percent of applications were fraudulent. Staff does note the incongruence of de-funding some IT positions while adding a new IT position, although the defunded positions were not within the cybersecurity office.

The BCPs are relatively minor cost increases, but the Legislature will have to weigh all augmentations this year against proposed cuts to determine the best way to maintain or even improve state government services while also addressing a very tight General Fund.

Suggested Questions:

1. How did the Department of Finance determine the proposed operational cut and position reduction at CSAC? How will the reductions impact CSAC services?
2. What services or programs would be impacted if the OE&E proposal is not approved?
3. In what ways will cybersecurity be improved at CSAC with the proposed new position?

Staff Recommendation: Hold Open.

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.