

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Assembly Member Kevin McCarty, Chair****TUESDAY, APRIL 2, 2019  
9 AM, STATE CAPITOL, ROOM 447****CALIFORNIA STATE UNIVERSITY**

| <b>ITEMS TO BE HEARD</b> |  |             |
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**6610 CALIFORNIA STATE UNIVERSITY**

The Governor's Budget proposes about \$4.6 billion in General Fund support for California State University (CSU) in 2019-20. Overall revenue for CSU is estimated to be about \$11.4 billion. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget.

**California State University Funding by Source**

(Dollars in Millions, Except Funding Per Student)

|   | 2017-18<br>Actual | 2018-19<br>Revised | 2019-20<br>Proposed  | Change From 2018-19 |             |
|---|-------------------|--------------------|----------------------|---------------------|-------------|
|   |                   |                    |                      | Amount              | Percent     |
| <b>Core Funds</b>   |                   |                    |                      |                     |             |
| General Fund  |                   |                    |                      |                     |             |
| Ongoing <sup>a</sup>  | \$3,713           | \$3,959            | \$4,324 <sup>b</sup> | \$364               | 9.2%        |
| One time  | 47                | 163 <sup>b</sup>   | 264                  | 101                 | 61.7%       |
| Subtotals   | (\$3,760)         | (\$4,122)          | (\$4,588)            | (\$465)             | (11.3%)     |
| Tuition and Fees <sup>c</sup>   | \$3,275           | \$3,251            | \$3,290              | \$39                | 1.2%        |
| Other State Funds <sup>d</sup>  | 57                | 44                 | 44                   | -                   | -           |
| <b>Totals</b>   | <b>\$7,092</b>    | <b>\$7,417</b>     | <b>\$ 7,921</b>      | <b>\$504</b>        | <b>6.8%</b> |
| <b>Other Funds</b>  |                   |                    |                      |                     |             |
| Federal Funds   | \$1,458           | \$1,500            | \$ 1,500             | -                   | -           |
| Other CSU Funds <sup>e</sup>  | 2,426             | 1,965              | 1,965                | -                   | -           |
| <b>Totals</b>   | <b>\$3,884</b>    | <b>\$3,464</b>     | <b>\$ 3,464</b>      | <b>-</b>            | <b>-</b>    |
| <b>Grand Totals</b>   | <b>\$10,976</b>   | <b>\$10,881</b>    | <b>\$11,385</b>      | <b>\$504</b>        | <b>4.6%</b> |
| FTE Students <sup>f</sup>   | 410,060           | 407,867            | 415,133              | 7,266               | 1.8%        |
| <b>Total Core Funding<br/>Per Student</b>   | <b>\$17,296</b>   | <b>\$18,184</b>    | <b>\$19,081</b>      | <b>\$897</b>        | <b>4.9%</b> |
| <b>Core Ongoing<br/>Funding Per Student</b>   | <b>17,182</b>     | <b>17,784</b>      | <b>18,445</b>        | <b>661</b>          | <b>3.7</b>  |
| <sup>a</sup> Includes funding for pensions and retiree health benefits.   |                   |                    |                      |                     |             |
| <sup>b</sup> The 2018-19 budget also included \$7 million one-time General Fund to the Department of Social Services (DSS) for provision of legal services to undocumented students and immigrants at CSU campuses. The proposed 2019-20 budget would make this funding ongoing (still funded through DSS). |                   |                    |                      |                     |             |
| <sup>c</sup> Includes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2019-20, CSU plans to provide \$701 million in such aid.   |                   |                    |                      |                     |             |
| <sup>d</sup> Includes lottery funds and \$2 million ongoing from the State Transportation Fund for transportation research.   |                   |                    |                      |                     |             |
| <sup>e</sup> Includes revenue from housing fees, parking fees, extended education charges, and fees for other auxiliary enterprises.  |                   |                    |                      |                     |             |
| <sup>f</sup> 1 FTE represents 30 credit units for an undergraduate and 24 credit units for a graduate student. Includes resident and nonresident students.  |                   |                    |                      |                     |             |
| FTE = full-time equivalent.   |                   |                    |                      |                     |             |

## ITEMS TO BE HEARD

### ISSUE 1: ENROLLMENT

The Subcommittee will discuss recent enrollment trends at CSU and the Governor's Budget proposal to provide \$62 million ongoing General Fund to support 2% California undergraduate enrollment growth in the 2019-20 academic year.

#### PANEL

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- April Grommo, California State University Chancellor's Office

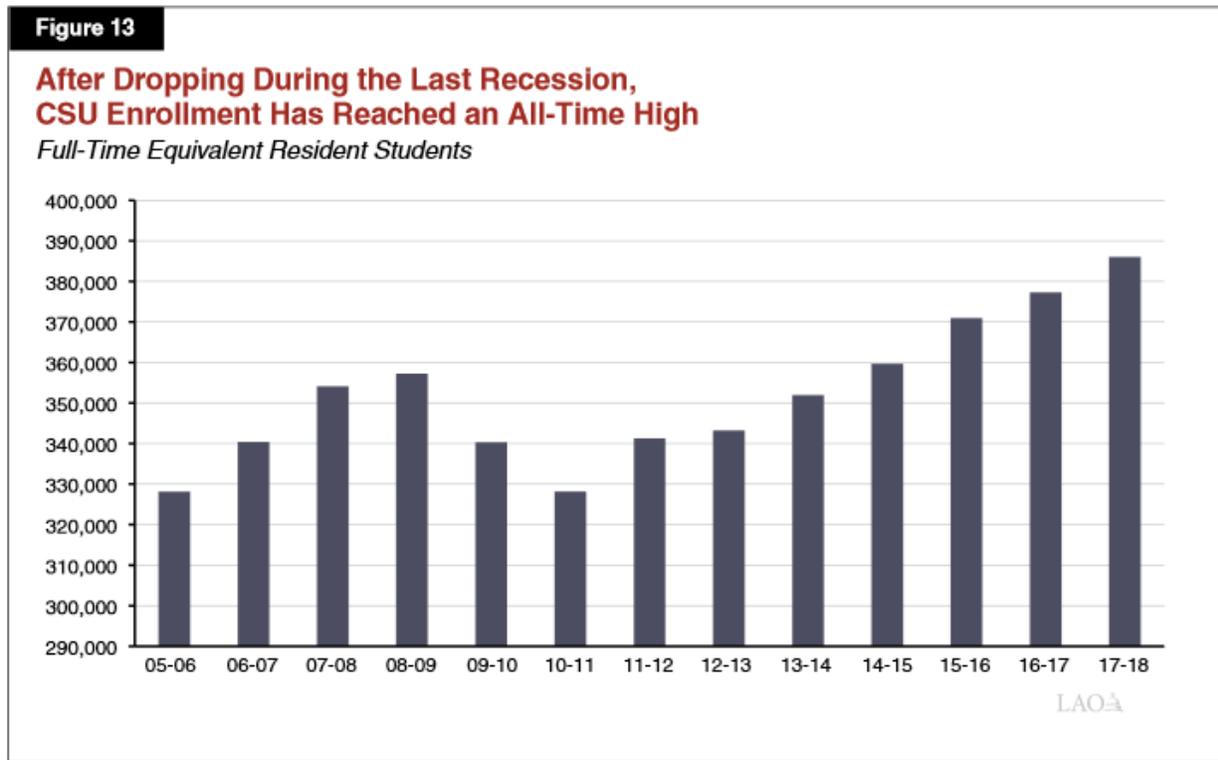
#### BACKGROUND

Under the state's 1960 Master Plan for Higher Education, community college students who complete their lower-division work with a minimum 2.0 grade point average (GPA) are eligible to attend CSU as upper-division undergraduate students. The Master Plan limits freshman admission to CSU to the top one-third of high school graduates. To draw from the top 33 percent, CSU has historically structured its admission policies to require high school students to (1) complete a specified set of college-preparatory coursework and (2) attain a certain mix of high school GPA and standardized aptitude test scores (historically SAT or ACT scores). Through periodic eligibility studies, CSU is able to determine if it is drawing its freshman admits from its Master Plan eligibility pool.

While CSU has minimum systemwide eligibility requirements for transfer and freshman applicants, some "impacted" campuses and programs (those with more student demand than available slots) adopt stricter admissions criteria. Currently, six campuses are fully impacted—having higher admissions criteria for all their programs. Most campuses have at least one impacted program, often nursing.

In most years, the Legislature provides funding in the annual budget act to support a specified level of enrollment growth at CSU. The total amount of funding provided each year is based on the number of additional students the Legislature wants CSU to enroll multiplied by a per-student funding rate (derived by a "marginal cost" formula). The formula takes into account the additional faculty, support services, and other resources that are required to serve each additional student. The per-student costs are shared by the state General Fund and student tuition revenue. In 2019-20, CSU's marginal cost is \$11,322 per FTE student, with a state share of \$8,499.

The chart below was compiled by the LAO and shows California undergraduate enrollment during the past 13 years.



Typically, the Legislature provides ongoing funding for enrollment growth. In a departure from traditional practice, the 2018-19 budget provided CSU with \$120 million one time for enrollment growth. Provisional language permits CSU to spend these funds over a four-year period to support a student cohort of 3,641 FTE students (1 percent over the 2017-18 level). For 2018-19, CSU has allocated \$21.9 million of the \$120 million to campuses (representing 2,677 FTE students). Campuses are using these funds for various purposes, including hiring temporary faculty to teach more course sections in spring 2019.

As noted in a previous hearing, CSU’s Fall 2019 enrollment numbers indicate a drop in enrollment versus Fall 2017. CSU notes the following reasons for this decline: the Governor’s budget last January provided no enrollment growth funding and less ongoing funding than CSU had expected, so the Chancellor’s Office directed campuses to keep Fall 2018 enrollment flat. In addition, one campus – East Bay – recorded a significant increase in graduation in 2018, due in part to an upcoming transition from a quarter system to a semester system. This graduation increase left the campus with about 1,100 fewer students than expected. Spring enrollment numbers, which will impact overall enrollment numbers for the 2018-19 academic year, will not be available until May.

| CSU California Undergraduate Enrollment | Fall 2017  | Fall 2018  | % Change |
|---|------------|------------|----------|
| FTEs                                    | 359,021.80 | 358,622.70 | -0.1%    |
| Headcount                               | 407,890    | 406,736    | -0.3%    |

### **Governor's 2019-20 Budget Proposal**

The Governor's Budget provides \$62 Million ongoing General Fund to support 2% enrollment growth. This amount would fund about 7,300 resident FTE students in 2019-20. The Administration has indicated its intention that this funding be for resident undergraduate students. In addition, CSU plans to use another share of the 2018-19 one-time funding to support enrollment in 2019-20.

### **LAO Recommendation**

The LAO notes while there are a few factors that indicate enrollment growth may not be needed for CSU, other factors indicate some level of enrollment growth is justified.

The number of high school graduates in the state is expected to decrease slightly in 2018-19, which could decrease demand for freshman slots in 2019-20. In addition, the state's most recent eligibility study found that CSU currently is drawing from well beyond its Master Plan target level. Specifically, the study found CSU is drawing from the top 41% of high school graduates rather than the top one-third.

However, the LAO also notes that CSU continues to report thousands of students who meet CSU eligibility requirements are being denied admittance. CSU indicates that about 19,000 freshman and 12,000 transfer applicants who met CSU's eligibility requirements for fall 2018 were not accepted at any CSU campus to which they applied.

In response to legislative direction, CSU is implementing a redirection policy. Beginning in 2019-20, CSU will notify all denied eligible applicants of the opportunity to enroll in a CSU campus with capacity. Applicants will be informed of the available campuses and asked to select their first and second choice. CSU is unable to predict the impact of this new policy on its enrollment (take) rates. If 10 percent of the approximately 30,000 denied eligible students end up enrolling at CSU, it would mean about 3,000 additional students (headcount), or 2,500 FTE students, would need to be accommodated. CSU intends to use the second year of one-time enrollment monies the Legislature provided in 2018-19 to fund these redirected students.

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| STAFF COMMENT |
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The Subcommittee could consider the following issues as it determines an appropriate enrollment target for 2019-20:

***Demand remains high; CSU is seeking more enrollment funding than the Governor's Budget provides.*** While CSU is admitting well beyond its Master Plan guidelines, this is for good reason: more and more California high school and community college students are doing what is asked of them to enroll at CSU. A-G completion continues to grow in high school, and the Associate's Degree for Transfer program at community colleges are beginning to produce more transfer candidates. Staff notes that total applications to CSU grew by 149% between Fall 2014 and Fall 2018, from 398,077 in Fall 2014 to 992,861 in Fall 2018.

In response to this continuing unmet need, the CSU Board of Trustees supported 5% enrollment growth in their 2019-20 budget request, or 18,207 full-time equivalent students. This would require \$154.7 million in ongoing General Fund, or about \$92.7 million more than the Governor's Budget provides.

While the Chancellor's Office has provided campuses with enrollment targets tied to the Administration's 2% enrollment growth, CSU has reported it could increase enrollment beyond that number if the state provided increased funding.

***Redirection policy could address the qualified/denied problem.*** Assembly concern over the continuing issue of qualified students being turned away from CSU led to the development of the redirection policy. Beginning in this admission cycle, students who are denied admittance to a CSU campus will have a 4- to 6-week period to determine if they wish to be admitted at another campus with capacity. CSU notes the following campuses will be offered to these students:

- Bakersfield
- Channel Islands
- Dominguez Hills
- Humboldt
- San Francisco
- Stanislaus

It is unclear how many students may accept redirection. UC's redirection policy sends students who are qualified for UC but denied admission to UC Merced, and less than 2% of students accept that offer. Given that CSU has several campuses to offer qualified/denied students, it seems possible that more CSU students will accept redirection. However, CSU students who are place-bound may not be interested in an

offer that will take them far from home. Staff notes that there is only one redirection campus – Dominguez Hills – that is located in the crowded Los Angeles region, where it seems likely that many qualified/denied students reside.

CSU and the state will have to monitor the implementation of this new process closely to ensure it is giving students real choices, and that CSU campuses are supported in admitting redirected students.

***FTES vs headcount.*** The state has traditionally set enrollment targets using full-time equivalent students (FTES), which at CSU is a significantly smaller number than headcount: about .84 FTES equals 1 student in headcount. Staff notes that the California Faculty Association has requested that the state instead fund headcount, which could allow more students to go to CSU. This is an interesting proposal, as it address a key Assembly priority to ensure more student access to CSU. However, there is no current marginal cost formula that could be used for headcount, and this strategy would lead the state to paying the same rate for part-time and full-time students. The Subcommittee may wish to further explore this issue at this hearing and other subsequent meetings.

**ISSUE 2: GRADUATION INITIATIVE**

The Subcommittee will discuss the CSU Graduation Initiative 2025, which seeks to increase graduation rates and eliminate achievement gaps systemwide and at each CSU campus by 2025. The Governor's Budget provides \$45 million ongoing General Fund to support Graduation Initiative activities.

**PANEL**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- James Minor, California State University Chancellor's Office

**BACKGROUND**

The LAO provides the following summary of the CSU Graduation Initiative. Charts were prepared by Subcommittee staff:

**CSU Is Seeking to Improve Graduation Rates.** Historically, CSU's six-year graduation rate for incoming freshmen has been below 50 percent and its four-year rate has been below 15 percent. To address its low graduation rates, CSU launched the Graduation Initiative in 2009. CSU has set a goal to increase six- and four-year graduation rates for first-time freshmen to 70 percent and 40 percent, respectively, by 2025. The Graduation Initiative also seeks to increase graduation rates for transfer students. In addition, CSU has a goal to eliminate achievement gaps among student groups.

| <b>Graduation Rates</b>             | <b>2015</b> | <b>2018</b> | <b>2025 Goal</b> |
|-------------------------------------|-------------|-------------|------------------|
| Freshmen 4-Year Graduation Rate     | 19%         | 25%         | 40%              |
| Freshmen 6-Year Graduation Rate     | 57%         | 61%         | 70%              |
| Transfer 2-Year Graduation Rate     | 31%         | 38%         | 45%              |
| Transfer 4-Year Graduation Rate     | 73%         | 77%         | 85%              |
| Achievement Gap by Ethnicity        | 11 Points   | 10.5 Points | 0 Points         |
| Achievement Gap by Pell Eligibility | 8 Points    | 9.5 Points  | 0 Points         |

**CSU Is Currently Designating \$198 Million Ongoing for the Graduation Initiative.**

Funding for this initiative has increased over the past few years, with a \$75 million General Fund augmentation in 2018-19. The Chancellor's Office allocates almost all Graduation Initiative funds directly to campuses, reserving a small portion of funds (about \$2 million) for systemwide coordination and technical assistance. While the Chancellor's Office gives campuses flexibility on how to spend their allocation, most campuses have used their funds to hire additional faculty, offer more course sections in high-demand areas, and provide more student support services. The Chancellor's

Office reported in January 2019 that campuses used \$75 million in 2017-18 to add more than 2,800 course sections, equating to about 80,000 new seats for students. In tandem with adding more course sections, the Chancellor's Office reports that the system has been able to increase the average unit load for students from 13.0 in Fall 2015 to 13.3 in Fall 2018—equating to about 8,500 FTE students. In addition, a number of campuses report using funds to provide targeted outreach and support services to student groups with historically low graduation rates, including former foster youth and African American males.

### Graduation Initiative Activities and Spending

| <b>2017-18 Activities</b>   | <b>Spending</b>     |
|---|---------------------|
| Faculty Hiring and Offering More Course Sections<br><i>CSU reports a new increase of 160 tenure-track faculty in 2017-18 and 2,800 new course sections</i>  | \$30 million        |
| Student Advising<br><i>CSU reports adding 101.5 new advisors</i>  | \$10 million        |
| Student and Academic Support Programs<br><i>Activities include additional tutoring and mentoring programs, providing financial support and incentives to complete programs, support and outreach for targeted student populations, and using technology and data to better support students</i> | \$35 million        |
| <b>Total</b>  | <b>\$75 million</b> |
| <b>2018-19 Planned Activities</b>   |                     |
| Academic Preparation and Enrollment Management<br><i>Support for first-year students taking 30 units. Includes faculty and advisor hiring, offering more courses and aligning course availability and student needs</i>   | \$53.9 million      |
| Student Engagement and Well-being<br><i>Strengthening cultural centers and other on-campus programs</i>   | \$6.6 million       |
| Financial Support<br><i>Financial literacy programs, non-traditional financial aid and on-campus employment opportunities</i>   | \$3.9 million       |
| Data-Driven Decision Making<br><i>Increasing use of data in all areas, evaluating activities' effectiveness, professional development</i>   | \$7.3 million       |
| Administrative Barriers<br><i>Removing/changing policies that hinder student success, such as registration processes, "drop-for-non-payment" practices</i>  | \$3.3 million       |
| <b>Total</b>  | <b>\$75 million</b> |

***CSU Is Revising Assessment and Remedial Policies for Incoming Freshmen.***

Historically, CSU has relied heavily on placement tests to assess students' college readiness. In recent years, the Legislature has expressed concern with this practice, citing national research that suggests such tests routinely place students in remedial math and English classes when they could have succeeded in college-level coursework. A growing amount of research is finding that a better way to assess college readiness is to use multiple measures (typically data from students' high school records) to place students. In an effort to improve student outcomes, the 2017-18 Budget Act included provisional language requiring the Trustees to adopt new assessment policies that include placing "significant weight" on incoming students' high school grades in math and English. In August 2017, the Chancellor issued an executive order that requires campuses to discontinue using CSU's math and English placement tests and instead rely on high school grades and other data (such as Smarter Balanced assessment results and SAT scores) to place students. In addition, the executive order limits the number of remedial (noncredit-bearing) units that academically underprepared students can be required to take and requires campuses to provide students with academic support (such as targeted tutoring). CSU reports that campuses are designating some Graduation Initiative funds for professional development so faculty can redesign math and English curriculum for underprepared students and evaluate results.

***CSU Is Also Seeking to Reduce Students' Excess Unit Taking.***

Standard requirements for graduation typically total 120 semester units (180 quarter units) for a bachelor's degree. Historically, CSU students have accumulated notably more units than required for graduation. CSU has identified a number of factors that likely have been contributing to excess unit accumulation, including insufficient access to the courses that students need to fulfill degree requirements and too few academic advisors. To help reduce excess unit taking, a number of campuses report that they are using data from students' education plans to better inform which courses to offer each term. In addition, campuses have hired additional academic advisors and acquired technology-enhanced advising tools (known as "eAdvising").

**Governor's 2019-20 Budget Proposal**

The Governor's Budget provides \$45 million ongoing General Fund to support the Graduation Initiative.

**LAO Recommendation**

The LAO notes that graduation rates are improving and the number of excess units is decreasing. The LAO states that CSU could do more to address excess units, such as reducing institutional aid in a way that would promote a more efficient path to a degree or not allowing students to re-take courses multiple times. The LAO suggests that if the Legislature approves Graduation Initiative funding, it should also link the funding to better outcomes and require CSU to address excess unit-taking.

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| <b>STAFF COMMENT</b> |
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The Subcommittee can consider the following issues as it determines the appropriate state funding level for Graduation Initiative activities:

***CSU campuses are focused on this issue.*** Staff notes that every CSU campus visited in recent years is heavily-invested in the Graduation Initiative, and progress is clearly being made. In the 2017-18 academic year, 105,431 undergraduate students earned their degree--a record high for the CSU with 6,660 additional students graduating compared to the previous year. Many positive, structural changes are emerging, as CSU has redesigned curriculum, added more faculty and advisors, and used technology to better track student outcomes and student needs.

For example, CSU reports that the number of freshmen passing college-level math jumped from about 950 in 2017 to 8,000 in 2018; a huge increase that is largely tied to the abandonment of remedial programs. This number shows that many more CSU students were capable of passing college-level courses if given the chance; and these students are now on track to finish their degree program in a much more timely manner.

Staff notes that the biggest upcoming hurdle will be closing achievement gaps between low-income and underrepresented students and their peers. This will require significant effort but is critical to the mission: CSU cannot declare victory on the Graduation Initiative until no student is left behind.

***CSU is seeking more funding than the Governor's Budget provides.*** The CSU Trustees voted in November to ask the state for \$75 million ongoing for 2019-20. The Trustees' Graduation Initiative plan is to spend \$75 million additional ongoing funding for five consecutive years. Staff notes that these increases over the next several years may be difficult for the state to sustain, while also funding operational cost increases and enrollment growth.

The Governor's Budget provides \$30 million less than the CSU request. CSU states that \$30 million could allow for 1,400 more course sections, if all of this funding went to increasing course sections.

The Subcommittee will have to determine the appropriate level of funding for this purpose, weighed against other legislative priorities for CSU and overall state revenue.

***The need for more tenure track faculty.*** Research indicates a connection between high rates of part-time or contingent faculty and lower student persistence or graduation rates. Thus one aspect of the Graduation Initiative has been to hire more tenure track faculty. Additionally, the Legislature has signaled its interest in this issue by setting aside specific funding for CSU to increase tenure track faculty in the 2016 Budget Act and 2018 Budget Act. CSU reports the following data:

- Since 2015, there has been a net increase of 700 tenure track faculty in the system. (There are about 10,500 tenure track faculty currently.)
- CSU loses about 600 tenure track faculty per year due to retirement or departure for other universities.
- About 44% of courses are taught by tenure track faculty; this percentage has remained about the same for the past three years.
- About one-third of tenure track faculty have been hired in the last five years.

While an overall increase in tenure track faculty is a positive; it remains disappointing that the percentage of courses taught by tenure track faculty has not changed in recent years, despite significant funding increases and legislative interest in growing the number of tenure track faculty. Staff notes that language in the 2018 Budget Act requires CSU to begin reporting in 2020 on this issue, and how recent state funding has been used. Staff also notes that the California Faculty Association has requested that \$35 million of the CSU General Fund appropriation in 2019-20 be set aside to increase the hiring of tenure track faculty.

**ISSUE 3: COMPENSATION AND OTHER OPERATIONAL COSTS**

The Subcommittee will discuss the Governor's Budget proposal to provide CSU with \$193 million in ongoing General Fund to support compensation and other cost increases.

**PANEL**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office

**BACKGROUND**

The LAO prepared the following background for this issue:

**Compensation Is the Largest Component of CSU's Core Budget.** Like other state agencies, salaries and benefits make up a significant share of CSU's core budget (about 75 percent). Compensation almost always represents CSU's largest cost pressure each year.

**Most CSU Employees Are Represented by a Union.** Currently, CSU has more than 50,000 permanent employees across 23 campuses and the Chancellor's Office. About 90 percent of these employees (primarily consisting of faculty and support staff) are represented, while the remaining 10 percent of employees (primarily consisting of managers and supervisors) are nonrepresented. Throughout the year, CSU also employs more than 15,000 student assistants and other temporary staff. These groups are not part of a bargaining unit.

**Board of Trustees, Not the Legislature, Approves CSU Collective Bargaining Agreements.** The California Department of Human Resources typically represents the Governor in labor negotiations between the state and its employees. The resulting bargaining agreements must be ratified by the Legislature before going into effect and the state directly funds the associated cost of the agreements. In the case of CSU, state law gives the Board of Trustees authority to negotiate collective bargaining agreements. The Chancellor's Office represents the Trustees during these negotiations and the resulting agreements must be ratified by the Trustees before going into effect. The Trustees are expected to manage the cost of these agreements within CSU's overall budget. The Trustees also have delegated authority to the Chancellor and campus presidents to set salary levels for nonrepresented employees and any associated salary increases must be funded within CSU's overall budget.

**CSU Participates in CalPERS, Is Directly Responsible for a Share of Its Pension Costs.** CalPERS administers pension benefits for CSU and most other state employees. Employer contributions to CalPERS are set by the CalPERS board. Historically, the state directly funded all of CSU's employer costs in the annual budget. Several years ago, the state modified its approach to covering CSU pension costs. Under the new approach, CSU is to take into account pension costs when it makes new staffing and salary decisions. Any new pension costs incurred beyond the 2013-14 payroll level are CSU's direct responsibility.

**No Clear Expectation on How CSU Is to Cover Its Share of Pension Costs.** In 2015-16 and 2016-17, the state provided sufficient unrestricted funding to CSU for it to cover its direct pension costs. In the last two fiscal years, CSU's unrestricted augmentation has not been sufficient to cover all of its bargaining agreements and direct pension costs. CSU indicates it covered its direct pension costs these past two years by redirecting funds from other activities.

**CalPERS Also Administers CSU's Health Plans.** Every year, CalPERS negotiates with health care providers to establish the premiums for the plans offered to state employees, including CSU employees. Like other state employers, CSU's contribution amount to employee health benefits is determined by identifying the four health plans with the highest enrollment of state employees and calculating a weighted average of the premiums for these plans. Statute sets a default contribution level whereby CSU pays 100 percent of the average premium cost for employees and 90 percent of the average additional premium costs for dependents (known as the "100/90" formula). Though the 100/90 formula is a default, statute permits CSU to collectively bargain a different formula for employees. (In practice, the 100/90 formula applies to nearly all CSU employees.) Each year when the average premium cost increases, CSU must cover the associated cost for its active employees. The state directly covers the associated cost for retired CSU employees.

**Some CSU Workers Subject to State's Minimum Wage Law.** Like other employers, CSU is subject to California's minimum wage law. According to the Chancellor's Office, only student assistants and other temporary staff earn the minimum wage at CSU. All other CSU employees (represented and non-represented) currently earn more than minimum wage. Senate Bill 3 (Leno, Chapter 4, Statutes of 2016) increases the statewide minimum wage over a period of several years, reaching \$15 per hour by January 2022.

**Virtually All Represented Employees Currently Under Contract Through 2019-20.** The CSU system has 13 represented employee groups. The largest group is the California Faculty Association (CFA), which represents more than 25,000 CSU faculty, librarians, counselors, and coaches. In November 2017, the Trustees ratified a contract

with CFA that provides a 3.5 percent general salary increase in November 2018, followed by a 2.5 percent increase in July 2019. In January 2017, the Trustees ratified an agreement with CSU's second largest group (CSU Employees Union), which represents more than 15,000 employees across four bargaining units. Under the agreement, represented employees receive a 3 percent salary increase retroactive to 2017-18 and 3 percent increases in both 2018-19 and 2019-20. Of the remaining eight bargaining units (which collectively represent less than one-quarter of CSU employees), seven have approved contracts in place through the end of 2019-20. CSU's approximately 300-member police association currently is the only bargaining unit with an open contract for 2019-20.

***Salary Costs for Represented and Non-represented Employees to Increase by \$148 Million in 2019-20.*** CSU's contract obligations for salary increases totaled \$122 million in 2018-19. The state effectively covered this cost by providing an unrestricted base augmentation of a like amount in the 2018-19 Budget Act. CSU estimates that these continuing bargaining agreements, coupled with a planned 3 percent salary increase for non-represented employees, will total \$148 million in additional costs in 2019-20.

***CSU Has Identified Four Other Operational Cost Pressures.*** In addition to new salary costs in 2019-20, CSU has identified three other ongoing compensation-related cost increases:

- \$26 million attributed to retirement costs above CSU's 2013-14 pensionable payroll level. (Of this amount, \$14 million is associated with 2019-20, \$5 million with 2018-19, and \$7 million with 2017-18. Though CSU redirected funds on a short-term basis to cover the prior-year amounts, it would like an ongoing increase to cover the costs moving forward.)
- \$7.3 million resulting from a 1.3 percent increase in CalPERS-negotiated employer health care premium costs
- \$6.8 million resulting from an increase in the state minimum wage from \$11 to \$12 per hour beginning January 2019.
- In addition to these operational costs, CSU is scheduled to open about 400,000 square feet of new facility space in 2019-20. Based on past analysis, CSU estimates the cost to fund the regular operation of these facilities (such as utilities, general upkeep, and basic repairs) is \$11.75 per square foot. Based on this amount, CSU estimates that it will incur \$4.7 million in costs associated with this new space in the budget year.

**Governor's 2019-20 Budget Proposal**

The Governor's Budget provides \$193 million in ongoing General Fund to cover operational cost increases. While budget bill language does not specify which costs, the Administration notes that its intent is to support compensation increases and mandatory cost increases as identified in the CSU Board of Trustees budget request. That request proposes \$147.8 million in compensation increases and other cost increases described above.

The Governor's Budget also provides CSU with \$44.2 million ongoing General Fund for increased pension costs and \$19.8 million ongoing General Fund for increased retiree health benefit costs. These funds are provided in separate budget items apart from the CSU operational budget.

**LAO Assessment**

The LAO states that recent collective bargaining agreements between the CSU and its employee groups have generally been more generous to workers than recent state contracts, particularly regarding pension and retiree health care. The LAO also notes that the policy change in 2013-14 limiting state support of new employees' pension costs may need to be revisited, as CSU continues to ask the state to cover these new costs in its budget request, and state goals for CSU generally require it to add new faculty, advisors and other staff. Finally, the LAO states that the Legislature could signal to CSU its expectations for future employee contracts, such as tying salary increases to inflation or encouraging the Chancellor's Office to conduct an analysis of salaries and benefits of peer institutions before negotiations begin.

**STAFF COMMENT**

The Subcommittee could consider the following issues as it determines an appropriate funding level for operational cost increases:

**Costs must be supported by either students or the state.** Unlike the University of California, which has revenue sources such as nonresident students, medical centers, and overhead costs supported by federal research dollars, CSU is largely funded by tuition and state General Fund. Thus cost increases must be borne by either students or the state. While recent employee contracts have been generous to CSU workers, staff notes that many bargaining units went several years without pay increases during the Great Recession.

**Non-represented salary increases are not mandatory.** CSU states that \$23 million of its proposed \$148 million in compensation increases is targeted for non-represented employees, which are comprised of administrators, supervisors and professional staff, such as information technology workers and human resource employees. A 2016 state audit of CSU noted that about 57% of these employees were administrators or

supervisors, while 43% were professional staff. CSU has a historic practice of providing salary increases for these employees that roughly equate to increases provided to represented employees, but these increases are not bargained or required, and the Subcommittee could consider weighing these costs with other state priorities, such as enrollment growth or the Graduation Initiative.

**ISSUE 4: CAPITAL OUTLAY AND DEFERRED MAINTENANCE**

The Subcommittee will discuss capital outlay projects proposed by CSU and the Governor's Budget proposal to provide \$247 million one-time General Fund to support deferred maintenance projects or to expand campus-based child care facility infrastructure to support student parents.

**PANEL**

- Randall Katz, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Vi San Juan, California State University Chancellor's Office

**BACKGROUND**

**Capital outlay process allows CSU to finance projects.** Beginning in 2014-15, the state authorized CSU to begin issuing its own university bonds for capital outlay. In a related action, the 2014-15 budget package transferred ongoing base funds into CSU's main General Fund appropriation in an amount equal to what the state was then paying on debt service – \$302 million. Moving forward, CSU is expected to pay off all debt—for both previous state bonds and new university bonds—from its main General Fund appropriation.

Under the process now in use, CSU must notify the Legislature and receive approval from the Administration on the projects it intends to pursue with its General Fund support. CSU submits its project proposals in December, and the Department of Finance submits a letter to the Joint Legislative Budget Committee in February indicating which projects have received preliminary approval. The Legislature can provide feedback before Finance provides final approval in April.

This process mirrors the process in place for the University of California (UC).

**CSU Has Identified Large Backlog of Deferred Maintenance.** CSU recently contracted with a third party to visit and assess the condition of its academic buildings and infrastructure. Based primarily on that comprehensive assessment, CSU has identified \$3.7 billion in building systems and components that have reached the end of their useful life and need to be replaced. The Chancellor's Office maintains a campus-by-campus list of deferred maintenance needs and their associated costs. Identified deferred maintenance costs vary widely by campus, from \$8 million at the Bakersfield campus to nearly \$368 million at San Jose State University (the oldest campus in the CSU system). Additionally, CSU estimates that it would need as a system to set aside \$337 million annually to prevent its maintenance backlog from growing.

**Past Deferred Maintenance Projects Have Been Funded Through Mix of Direct State Funding and CSU Bonds.** Over the past five years, the state has been providing one-time General Fund appropriations to a number of state agencies, including CSU, to address deferred maintenance. Through 2018-19, these statewide initiatives have provided CSU a total of \$145 million. In addition to these one-time funds, CSU uses university bonds to finance deferred maintenance projects. Whether funded with one-time General Fund or university bonds, CSU sometimes funds targeted deferred maintenance projects, such as replacing a heating, ventilation, and air conditioning system in a particular building. In other cases, particularly with the use of university bonds, CSU finances the renovation or replacement of an entire building that has many components beyond their useful life

### Capital Outlay and the Governor's 2019-20 Budget Proposal

CSU proposed 18 capital outlay projects, but the Department of Finance's February letter approves 12 projects. The chart below lists the projects.

| Campus           | Project  | 2019-20 State Cost<br>(in thousands) | Total Cost (in<br>thousands) |
|------------------|--|--------------------------------------|------------------------------|
| Sonoma           | Stevenson Hall renovation and addition                       | \$83,374                             | \$89,434                     |
| Dominguez Hills  | New Innovation and Instruction building                      | \$51,530                             | \$83,530                     |
| Maritime Academy | Mayo Hall renovation and addition                            | \$18,666                             | \$18,867                     |
| Channel Islands  | Gateway Hall renovation and new instruction building         | \$65,178                             | \$71,131                     |
| San Bernardino   | College of Arts and Letters building renovation and addition | \$97,863                             | \$111,000                    |
| Northridge       | New Sierra Annex building                                    | \$44,809                             | \$49,959                     |
| San Diego        | Dramatic Arts building renovation and new theater building   | \$33,212                             | \$36,902                     |
| Chico            | Butte Hall renovation  | \$80,195                             | \$89,846                     |
| Fullerton        | Visual Arts Complex renovation                               | \$49,985                             | \$65,680                     |
| San Francisco    | Science replacement building                                 | \$101,196                            | \$150,028                    |
| San Luis Obispo  | Science/Agriculture Teaching and Research Complex            |                                      | \$75,914                     |
| Systemwide       | Infrastructure improvements                                  | \$359,128                            | \$473,522                    |

The Governor's Budget also proposes \$247 million one-time General Fund for deferred maintenance or child care facilities. This amount is part of a larger package of proposed spending across numerous state agencies. The Chancellor's Office has indicated that campuses likely would use the bulk of these funds to address projects on CSU's 2019-20 systemwide infrastructure improvements list (effectively funding the remainder of CSU's proposed projects). Proposed provisional language also gives campuses the option to use these funds "to expand campus-based child care facility infrastructure to support student parents."

### **LAO Assessment**

The LAO notes that the San Diego project includes both the renovation of an existing theater, and the construction of a new, smaller theater. In assessing this proposal, the LAO states that the Legislature may wish to weigh whether the benefit of having two theaters on campus that are available for simultaneous arts performances outweighs the additional cost and the other possible projects that could be supported with \$17 million.

Regarding deferred maintenance, the LAO notes that the proposal is a prudent use of one-time funds. To promote transparency and legislative oversight of these funds, however, the LAO recommends the Legislature require (1) CSU to report at spring hearings on the specific projects it plans to undertake and (2) the Department of Finance to report no later than January 1, 2023 on the status of the various CSU projects that were funded. In addition, the LAO recommends the Legislature require CSU to submit by December 1, 2019 a long-term plan for eliminating its existing backlog of deferred maintenance. This plan should identify funding sources and propose a multiyear schedule of payments to retire the backlog. In addition, to prevent the backlog from growing or reemerging in future years, the LAO recommends the Legislature work with CSU to identify ways to improve existing maintenance practices. For example, CSU could commit to setting aside the necessary level of funds for its scheduled maintenance or the state could earmark a like amount of funds directly in the annual budget act for that purpose. The LAO made a similar recommendation regarding the Governor's Budget proposal for UC deferred maintenance.

The LAO had no recommendation on the proposal regarding child care facilities, as there was little information about the facilities available.

### **STAFF COMMENT**

Staff notes that it has been difficult for the Legislature to provide oversight over capital outlay throughout implementation of the new process, as there has been less discussion at the legislative level about specific campus needs throughout the system and therefore it is unclear whether these projects are the best projects to address state priorities. The LAO concern regarding the San Diego project seems valid.

Regarding deferred maintenance, staff concurs with the LAO recommendations. Based on discussion at the March 6 Subcommittee hearing, CSU has provided the Subcommittee with a list of \$327 million in deferred maintenance projects that would likely be priorities if funding is approved.

Regarding child care facilities, CSU reports that 18 campuses have child care centers, and several of these campuses have more than one center. There are 29 centers total. Seventeen of these centers are tied to academic programs; 12 are self-supported and not tied to any academic program. CSU has not made a determination if they will allot a certain percentage of new state funding to this purpose, but the Chancellor's Office notes that the overwhelming need for maintenance of academic buildings would likely mean that most of the funding would go toward those projects. If the Subcommittee wishes to prioritize increasing child care availability for CSU students, faculty and staff, and better support academic programs tied to these centers, it could consider whether legislative direction is needed to specify that a certain amount be spent on this activity.

**ISSUE 5: CAMPUS STUDY**

The Subcommittee will discuss the Governor's Budget proposal to provide \$2 million one-time General Fund to allow the Chancellor's Office to undertake a review of a potential new CSU campus in San Joaquin County.

**PANEL**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Vi San Juan, California State University Chancellor's Office

**BACKGROUND**

CSU operates 23 campuses and 8 centers, which are affiliated with a campus. The chart below shows student headcount for Fall 2018 at each campus.

| <b>Campus</b>        | <b>Undergraduate Enrollment</b> | <b>Total Enrollment</b> |
|----------------------|---------------------------------|-------------------------|
| Bakersfield          | 9,196                           | 10,493                  |
| Channel Islands      | 6,883                           | 7,095                   |
| Chico                | 16,420                          | 17,488                  |
| Dominguez Hills      | 13,737                          | 15,741                  |
| East Bay             | 12,316                          | 14,525                  |
| Fresno               | 22,033                          | 24,995                  |
| Fullerton            | 34,468                          | 39,774                  |
| Humboldt             | 7,195                           | 7,774                   |
| Long Beach           | 31,447                          | 36,846                  |
| Los Angeles          | 24,002                          | 27,685                  |
| Maritime Academy     | 998                             | 1,017                   |
| Monterey Bay         | 6,511                           | 7,079                   |
| Northridge           | 34,900                          | 38,716                  |
| Pomona               | 24,931                          | 26,443                  |
| Sacramento           | 28,317                          | 31,131                  |
| San Bernardino       | 17,854                          | 19,973                  |
| San Diego            | 30,392                          | 34,881                  |
| San Francisco        | 26,436                          | 29,586                  |
| San Jose             | 27,271                          | 32,828                  |
| San Luis Obispo      | 21,037                          | 21,812                  |
| San Marcos           | 13,964                          | 14,511                  |
| Sonoma               | 8,565                           | 9,201                   |
| Stanislaus           | 9,079                           | 10,214                  |
| <b>Campus Totals</b> | <b>427,952</b>                  | <b>479,808</b>          |

**Governor's 2019-20 Budget Proposal**

The Governor's Budget provides CSU with \$2 million one-time General Fund to study a potential new CSU campus in San Joaquin County, likely Stockton. The Administration states that a more detailed proposal will be released in May.

**LAO Assessment**

The LAO does not have a position on this specific proposal. A 2017 LAO report on enrollment and capacity at both UC and CSU projected modest enrollment growth during the next several years, significant capacity at both segments' existing campuses, and that a new campus was not warranted.

**STAFF COMMENT**

Staff notes that the Administration indicates a more detailed proposal is coming soon. The proposed study is intended to address both the question of whether a new campus in the Stockton area is warranted, and, if so, preliminary estimates on cost, location and other issues to consider regarding the construction of a new campus.

Among the issues the Subcommittee can consider regarding this proposal are:

- As discussed in the enrollment item on this agenda, demand for a CSU education remains far higher than available slots. CSU continues to turn away more than 30,000 qualified students per year. This Subcommittee has discussed frequently the need for increased college graduation for the state's economy. A new campus might help address this supply-demand issue and address legislative goals.
- However, it should also be noted that CSU reports nearly \$4 billion in deferred maintenance needs, indicating it is struggling to keep up maintenance of its existing campuses. Whether CSU – and the state – can support capital and operational costs of a new campus remain unclear.
- Stockton may not be the only logical location for a new campus. The 8 off-campus centers – which include a Stockton center affiliated with CSU, Stanislaus – might all be considered as potential candidates for a full campus. Issues such as local population, current higher education institutions in an area, and the number of high school students taking college-preparation courses could be reviewed to determine which area of the state is most in need of a new campus. The Subcommittee has received a letter from Assemblymember Eduardo Garcia and Assemblymember Chad Mayes asking for \$2 million in one-time funding to review a potential expansion of the Palm Desert center, which is affiliated with CSU, San Bernardino. Other requests may be pending.

**ISSUE 6: BASIC NEEDS**

The Subcommittee will discuss the Governor's Budget proposal to provide \$15 million one-time General Fund to support campus' efforts to address student hunger and housing needs.

**PANEL**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Denise Bevly, California State University Chancellor's Office

**BACKGROUND**

The 2017 Budget Act created the Hunger Free Campus program, which provided funding to all three public segments to encourage campus activities aimed at addressing student food insecurity issues. The budget provided UC and CSU with \$2.5 million one-time General Fund and the community colleges with \$2.5 million one-time Proposition 98 General Fund to support this program. Trailer bill language called on campuses to conduct the following activities to be eligible for funding:

- Designate an employee to help ensure that students have the information that they need to enroll in the CalFresh program;
- Operate an on-campus food pantry or regular food distributions on campus;
- For UC and CSU, create a meal sharing program that allows students to voluntarily donate unused meal plan credits to be distributed for use by students in need to access dining halls or to support an on-campus food pantry.

The 2018 Budget Act provided \$1.5 million one-time General Fund each to UC and CSU and \$10 million one-time Proposition 98 General Fund to community colleges to support campus-based activities related to student hunger and basic needs. The Budget Act also included language requiring each segment to provide a report to the Legislature on activities to address student basic needs.

CSU reports the following findings:

- Food pantries on CSU campuses were open, on average, from 10 am to 5 pm Monday through Friday. The unduplicated number of students served was 35,372.

- The unduplicated number of students, faculty, and staff who donated campus meals systemwide was 4,379.
- The unduplicated number of students who received a donated meal systemwide was 500.
- CSU Northridge is the only campus in the system that has restaurants and other food vendors that accept the CalFresh Restaurant Meals Program. CSU reports it is working closely with the California Department of Social Services (CDSS) to approve a template for additional campuses to use when applying to join this program.
- Humboldt, Long Beach, Northridge, Pomona, San Diego, and San Francisco campuses currently accept electronic benefit transfer (EBT) payments. In addition, 6 campuses are “in progress” to accept EBT campus, including Chico, Dominguez Hills, Fresno, Los Angeles, Stanislaus, and San Jose.
- The estimated unduplicated count of the number of students assisted with a CalFresh application systemwide was 3,412. The number of staff serving the campus with informed CalFresh referral and information or other anti-hunger services systemwide was 366.
- Half of CSU campuses do not have a designated basic needs center. For the campuses that do have a designated basic needs center, the hours of operation vary by campus and tend to be open Monday through Friday from 10 am to 2 pm.

### **Governor’s 2019-20 Budget Proposal**

The Governor’s budget provides CSU with \$15 million one-time General Fund to assist each campus’s existing efforts to address student hunger and housing needs.

### **LAO Assessment**

The LAO does not have a position on this specific proposal.

**STAFF COMMENT**

CSU reports that it would likely create a request-for-proposal process for this funding; requiring campuses to submit plans to address all or some of the following issues:

- Housing insecurity, such as plans to reserve dormitory rooms or create hotel voucher programs for students in need of temporary housing.
- Food insecurity, such as continuing or expanding efforts to enroll qualified students in the federal CalFresh program.
- Mental health services for students.
- General student wellness programs.

Staff also notes that there are numerous policy proposals this year seeking to address these issues. In addition to financial aid reform discussed in a previous hearing, which could lead to more financial support for the housing and food needs of low- and middle-income students, the Subcommittee has received advocacy for a proposal sponsored by John Burton Advocates for Youth to create rapid rehousing programs at the three segments, which would help housing-insecure students with rental assistance and intensive case management to ensure better housing stability.

Finally, staff is working with stakeholders to ensure that the state Cal Grant program is designed in a way to ensure as much student eligibility in the federal CalFresh program as possible. Participation in the CalFresh program appears to be relatively low, and there may be ways the state can alter statute to help more students qualify for CalFresh benefits.

**ISSUE 7: PROJECT REBOUND**

The Subcommittee will discuss the Governor's budget proposal to provide \$250,000 ongoing General Fund to support Project Rebound, a CSU program that provides support to formerly incarcerated CSU students.

**PANEL**

- Rebecca Kirk, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Brady Heiner, Project Rebound, California State University, Fullerton

**BACKGROUND**

The LAO provided the following background on Project Rebound:

***Program Provides Outreach and Support Services to Formerly Incarcerated CSU Students.*** The purpose of Project Rebound is to help program participants enroll, stay on track, graduate, and pursue a career after release from jail or prison. To that end, Project Rebound staff provide academic advising, personal counseling, mentoring, and other services to students. Project Rebound seeks to create a space for students with similar backgrounds to support each other.

***Program Operated on One CSU Campus for Many Years, Recently Expanded to Eight Other Campuses.*** The program was founded in the late 1960s at San Francisco State University. Until 2016, no other CSU campus offered the program. In 2016, the Opportunity Institute, a nonprofit organization based in Berkeley, provided a total of \$1.7 million (spread over three years) for Project Rebound to expand to other campuses. The Chancellor's Office provided \$600,000 in one-time matching funds for the grant. Currently, 9 of CSU's 23 campuses have a program. As of fall 2018, Project Rebound was serving a total of 295 students (headcount), the vast majority of whom were undergraduate students. According to the Chancellor's Office, most program participants are transfer students. Many formerly incarcerated students find their way to the program after enrolling at CSU. Other program participants first learn about the program through outreach activities that program staff undertake at community colleges, correctional facilities, and elsewhere.

***Project Rebound Is Staffed by a Mix of Full- and Part-Time Staff.*** Staffing size varies by campus, with generally between two and seven full- or part-time staff employed at each program. Several programs also employ part-time student assistants.

**Program Outcome Data Are Limited but Appears to Be Promising.** The Chancellor's Office does not centrally collect data on graduation rates of Project Rebound students, and eight of CSU's nine Project Rebound campuses have only been launched within the past three years. The Chancellor's Office, however, recently conducted a survey of Project Rebound campuses. These campuses reported having a total of 119 program participants graduate in either 2016-17 or 2017-18. Of that number, 104 students (87 percent) either found employment after graduating or enrolled in graduate school. According to the survey, none of the graduates have reoffended to date.

### Governor's 2019-20 Budget Proposal

The Governor's Budget provides CSU with \$250,000 ongoing General Fund to support Project Rebound.

### LAO Assessment

The LAO notes that while this program provides services that are likely needed by this targeted student population, CSU campuses serve many other nontraditional students with unique needs. The LAO states that state funding through the Graduation Initiative could also be used to support formerly incarcerated students, and that Project Rebound efforts could benefit more from leveraging larger existing pots of funding for student support than the very small Project Rebound augmentation proposed by the Governor.

Specifically, to improve outreach and support services for formerly incarcerated students across the CSU system, the Legislature could encourage CSU to place a high priority on using Graduation Initiative funding for this purpose. To better monitor outcomes for this student group, the Legislature also may want to begin requiring the Chancellor's Office to include this group in CSU's regular performance reports. Specifically, these reports could begin including the number of students participating in Project Rebound programs, their graduation and recidivism rates, and the amount of Graduation Initiative and other funding campuses are providing to support these students.

### STAFF COMMENT

CSU has provided the following fiscal information for this program, and notes that more than \$4.7 million has been raised through private philanthropy for support of the program.

| FY2018-19            |                  |                  |                   |                  |                  |                  |                  |                   |                   |                     |
|----------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------|
| Revenue Type         | Bakersfield      | Fresno           | Fullerton         | LA               | Pomona           | Sacramento       | San Bernardino   | San Diego         | San Francisco     | Total               |
| Donations (cash)     | \$ -             | \$ 5,000         | \$ 16,065         | \$ -             | \$ -             | \$ 11,000        | \$ -             | \$ 5,000          | \$ 25,000         | \$ 62,065           |
| Donations (in-kind)  | \$ -             | \$ -             | \$ 10,350         | \$ -             | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ 10,350           |
| Government Grants    | \$ -             | \$ -             | \$ 50,000         | \$ -             | \$ -             | \$ -             | \$ -             | \$ -              | \$ -              | \$ 50,000           |
| Philanthropic Grants | \$ 69,822        | \$ 69,822        | \$ 444,823        | \$ 60,000        | \$ 69,823        | \$ 69,822        | \$ 69,822        | \$ 185,000        | \$ 50,000         | \$ 1,088,934        |
| Campus Funding       | \$ 17,500        | \$ 7,200         | \$ 39,610         | \$ -             | \$ 15,000        | \$ 15,298        | \$ 17,456        | \$ 12,500         | \$ 396,753        | \$ 521,317          |
| <b>Total</b>         | <b>\$ 87,322</b> | <b>\$ 82,022</b> | <b>\$ 560,848</b> | <b>\$ 60,000</b> | <b>\$ 84,823</b> | <b>\$ 96,120</b> | <b>\$ 87,278</b> | <b>\$ 202,500</b> | <b>\$ 471,753</b> | <b>\$ 1,732,666</b> |

Staff notes that the Governor's proposal is in line with Assembly priorities regarding re-entry programs for the formerly incarcerated and general access to higher education for all Californians.

Staff also notes that the amount the Governor provides is insufficient to offset upcoming budget cuts this program faces, as two grants totaling \$2.3 million will expire at the end of the current fiscal year. The Executive Committee of Project Rebound has requested \$3.3 million in ongoing funding to continue the existing programs and help expand to other campuses. At least seven other campuses have expressed interested in launching this program.

The \$3.3 million request is outside of the amount of funding sought by the CSU Board of Trustees. The Subcommittee may wish to explore ways to provide more state funds for this program, or work with the Administration and CSU to determine how the system can increase support within existing funds.

**ISSUE 8: BUDGET REQUESTS FROM CSU STAKEHOLDERS**

The Subcommittee has received the following requests from CSU stakeholders for additional funding. These issues may be addressed in public comment.

- **One-time increase for classified staff.** The Service Employees International Union has requested \$100 million one-time General Fund to address the classified staff pay inversion. SEIU notes that CSU does not have salary steps for employees, creating an inversion in which some longtime support staff earn similar or lower salaries than newly hired employees. About 10,600 support staff earn less than newly hired staff in the same positions, according to SEIU research. This funding would allow salary adjustments for these longtime classified staff to equalize salaries.
- **Enrollment funding and headcount target.** The California Faculty Association requests more enrollment growth than the Governor's Budget provides. Funding to support 5% enrollment growth, or 18,207 FTES. This would require \$92.7 million more than the Governor's Budget provides for enrollment growth. As noted earlier in this agenda, CFA also requests that new enrollment targets use headcount, instead of full-time equivalent students, to ensure that more access is provided to California students.
- **Increase counselors.** The California Faculty Association requests funding to increase the number of counselor faculty on CSU campuses to meet the counselor-to-student ratio of 1:1,500, which is the ratio recommended by the International Association of Counseling Services, the accrediting body for college counseling centers. CFA notes that only 5 CSU campuses currently meet this standard. It is estimated that reaching this ratio would cost about \$20 million.
- **Increase tenure track faculty.** The California Faculty Association requests \$35 million from CSU funding be earmarked to increase the hiring of tenure track faculty. The proposal includes budget language that would require hiring above a baseline level; similar language was included in the 2018 Budget Act. The proposal would also require CSU to report to the Legislature on how the funding is allocated and campus hiring plans.
- **Create campus housing resources.** John Burton Advocates for Youth propose \$20 million ongoing funding to support housing resources for CSU, UC and the community colleges. Campuses could use the funding to partner with a local homeless service agency to implement a college-focused rapid rehousing program, establish a relationship with their local homeless Continuum of Care,

and ensure that homeless students are receiving all available financial aid. This request is also supported by the Cal State Student Association.

- ***Establish the Center to Close the Achievement Gap.*** Assemblymember Patrick O'Donnell is requesting \$5 million to create the Center to Close the Achievement Gap within the CSU system. The Center would focus on eliminating achievement gaps in public schools, including acting as a clearinghouse for evidence-based strategies and promising practices and partnering with the California Department of Education, State Board of Education, county offices of education, the UC and the California Collaborative for Educational Excellence.
- ***Child Care Center at CSU Channel Island.*** Assemblymember Jacqui Irwin is requesting \$5 million to develop a child care center at CSU Channel Islands. The center would provide badly-needed child care in the region, and provide training for early childhood teachers.
- ***Increased funding for the COAST program.*** Assemblymember Mark Stone and seven other Assemblymembers are requesting \$3 million for the CSU Council on Ocean Affairs, Science and Technology (COAST). COAST is a CSU-wide network to address ocean and coastal concerns, including research on marine protected areas, ocean acidification, aquaculture, sea level rise and other issues of statewide and national concern. Funding would support student travel and research awards, faculty incentive grants, rapid response grants, and staff support.
- ***Expand enrollment in speech and language pathology programs.*** Assemblymember Chris Holden has requested \$750,000 ongoing to expand enrollment in speech and language pathology programs. Assemblymember Holden notes a significant shortage of speech pathologists in California school districts, and long waiting lists for CSU graduate programs in this area. The funding would increase enrollment in these programs by 5%.
- ***Planning for San Jose State housing.*** Assemblymember Ash Kalra and Senator Jim Beall are requesting \$250,000 to support planning efforts at San Jose State University to convert a state office building into student housing.