

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

**TUESDAY, MARCH 1, 2022**  
**9 AM, STATE CAPITOL - ROOM 447**

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## INFORMATIONAL HEARING CALIFORNIA STUDENT AID COMMISSION AND CALIFORNIA STATE LIBRARY

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## 6980 CALIFORNIA STUDENT AID COMMISSION

The Governor's Budget proposes about \$3.9 billion in support for the California Student Aid Commission (CSAC) in 2022-23, with about \$3.5 billion from the state General Fund and about \$400 million from federal Temporary Assistance for Needy Families (TANF). The chart below was compiled by the LAO and indicates funding based on the Governor's Budget. Note the significant increase in support for CSAC programs between 2020-21 and the proposed 2022-23 budget.

### California Student Aid Commission Budget

(Dollars in Millions)

	2020-21 Actual	2021-22 Revised	2022-23 Proposed	Change From 2021-22	
				Amount	Percent
<b>Spending</b>					
Local assistance					
Cal Grants	\$2,256	\$2,612	\$2,799	\$188	7%
Middle Class Scholarships	114	117	632	515	440
Learning-Aligned Employment Program <sup>a</sup>	—	200	300	100	50
Golden State Teacher Grants <sup>a</sup>	8	112	98	-14	-13
Golden State Education and Training Grants <sup>a</sup>	—	500	—	-500	-100
Other programs <sup>b</sup>	28	34	29	-6	-17
Subtotals	\$2,406	\$3,576	\$3,858	\$283	8%
State operations	23	21	20	-1	-3%
<b>Totals</b>	<b>\$2,429</b>	<b>\$3,596</b>	<b>\$3,878</b>	<b>\$282</b>	<b>8%</b>
<b>Funding</b>					
General Fund	\$2,000	\$2,689	\$3,457	\$768	29%
Ongoing	(1,994)	(2,356)	(3,059)	(703)	(30)
One-time	(6)	(334)	(399)	(65)	(19)
Federal TANF	400	400	400	—	—
Federal American Rescue Plan	—	473	—	-473	-100
Other funds and reimbursements	28	34	21	-13	-39
<sup>a</sup> One-time funding. Funds for the Learning-Aligned Employment Program total \$500 million General Fund provided across 2021-22 and 2022-23. Funds for Golden State Teacher Grants total \$15 million federal funds provided across 2020-21 and 2021-22, as well as \$500 million General Fund provided from 2021-22 through 2025-26.					
<sup>b</sup> Includes Assumption Program of Loans for Education, California Military Department GI Bill Awards, Cash for College, Chafee Foster Youth Program, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, State Nursing Assumption Program of Loans for Education For Nursing Faculty, and Student Opportunity and Access Program.					
TANF = Temporary Assistance for Needy Families.					

**ISSUE 1: CAL GRANT EXPANSION AND REFORM**

The Subcommittee will review the Cal Grant expansion actions take in the 2021-22 Budget Act, hear updates and projections for Cal Grant in 2022-23, and discuss efforts to further reform the Cal Grant program.

**PANEL**

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

**BACKGROUND**

Cal Grant is the largest state financial aid program, with the Governor's Budget proposing nearly \$2.8 billion in ongoing state General Fund and federal funds for the program in 2022-23. The program remains complex: there are three types of Cal Grant awards - Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide:

- Cal Grant A covers full systemwide tuition and fees at public universities and a fixed amount of tuition at private universities.
- Cal Grant B, in most cases, provides the same amount of tuition coverage as Cal Grant A, while also providing an "access award" for nontuition expenses such as food and housing. Notably, Cal Grant B does not cover the first year of tuition at UC or CSU.
- Cal Grant C, which is only available to students enrolled in career technical education programs, provides lower award amounts for tuition and nontuition expenses.

The 2021-22 Budget Act included the largest Cal Grant expansion in more than two decades. Until then, only recent high school graduates and transfer students under age 28 qualified for a Cal Grant entitlement award, which left tens of thousands of low-income California college students (mostly at community colleges) out of the program, or competing for a scarce number of competitive Cal Grant awards.

The Budget Act expanded entitlement awards to California Community College (CCC) students regardless of their age and time out of high school. CCC students who receive an award under this new provision will remain eligible for the award after transferring to CSU or UC, but not after transferring to a private institution. The 2021-22 Budget Act also included various smaller Cal Grant augmentations, including a new supplemental access award for foster youth and an increase in the maximum tuition award for students attending private nonprofit institutions. At the three public segments, foster youth and students with dependent children now receive as much as \$6,000 in non-tuition support.

The chart below was prepared by the LAO and indicates the number of Cal Grant recipients by segment, program, award type and renewal or new status. These numbers are based on CSAC figures from Fall 2021.

### Cal Grant Recipients

	2020-21 Actual	2021-22 Revised	2022-23 Proposed	Change From 2021-22	
				Amount	Percent
<b>Total Recipients</b>	<b>373,557</b>	<b>464,660</b>	<b>502,433</b>	<b>37,773</b>	<b>8.1%</b>
<b>By Segment:</b>					
California Community Colleges	112,497	194,127	215,153	21,026	10.8%
California State University	147,811	150,907	160,021	9,114	6.0
University of California	79,229	85,450	92,681	7,231	8.5
Private nonprofit institutions	28,020	28,434	28,861	427	1.5
Private for-profit institutions	5,942	5,702	5,684	-18	-0.3
Other public institutions	59	41	32	-9	-22.0
<b>By Program:</b>					
High School Entitlement	271,621	264,715	265,439	724	0.3%
CCC Expanded Entitlement	—	122,799	170,694	47,895	39.0
Competitive	69,387	46,880	35,560	-11,320	-24.1
CCC Transfer Entitlement	24,325	23,807	25,105	1,298	5.5
Cal Grant C	8,226	6,458	5,634	-824	-12.8
<b>By Award Type:</b>					
Cal Grant B	243,016	329,608	363,071	33,463	10.2%
Cal Grant A	122,317	128,593	133,728	5,135	4.0
Cal Grant C	8,226	6,458	5,634	-824	-12.8
<b>By Renewal or New:</b>					
Renewal	232,148	226,878	277,790	50,912	22.4%
New	141,411	237,781	224,645	-13,136	-5.5
<b>Notes:</b>					
Data reflect California Student Aid Commission (CSAC) estimates. Some categories do not sum to totals because of rounding.					
The reduction in new awards in 2022-23 is related to implementation of the CCC Expanded Entitlement program. In 2021-22, the state created this program and gave new awards to qualifying students across across all educational levels. Beginning in 2022-23, new awards are needed only for new applicants, as other students receive renewal awards.					

## GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget adjusts 2021-22 Cal Grant spending estimates downward, or about \$44 million below the level enacted in the 2021-22 Budget Act. The revision reflects the most recent Cal Grant caseload estimates, which CSAC prepared in October 2021, and largely reflects two contrasting issues: plunging enrollment at community colleges and the increased number of eligible Cal Grant community college students. From the revised 2021-22 spending level, the Governor's Budget provides a \$188 million (7 percent) augmentation for Cal Grants in 2022-23 to align with projected cost increases. The most notable factor driving the cost increase in 2022-23 is the

continued implementation of the CCC entitlement expansion. The cost of the CCC entitlement awards are projected to increase significantly as the first cohort of recipients (from 2021-22) renews their awards. In addition, some of these recipients are expected to transfer to CSU or UC, where award amounts are larger. Another factor contributing to the Cal Grant cost increase in 2022-23 is higher tuition award amounts at UC, where the Board of Regents has adopted a plan to raise systemwide charges for new resident undergraduates from \$12,570 to \$13,104 in 2022-23. The increased tuition is estimated to add \$15 million to Cal Grant costs. As with its 2021-22 spending estimates, the administration is expected to update its 2022-23 spending projections at the May Revision to reflect more recent program data.

<b>STAFF COMMENT/POTENTIAL QUESTIONS</b>
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This Subcommittee has discussed Cal Grant expansion and reform issues for numerous years, and had previously identified the following issues:

- Barriers to the entitlement program, such as age and time-out-of-high-school requirements, were preventing Cal Grant access for hundreds of thousands of low-income California college students, particularly at community colleges.
- The program has failed to evolve to address the significant non-tuition costs that are higher than tuition at all three public segments.
- The program is overly complex, with three types of Cal Grant offering differing levels of support, and separate entitlement and competitive programs.
- Changes at the federal level enacted in December 2020 suggest state level changes are needed to conform to the federal financial aid program.

The budget action taken last year to eliminate the age and time-out-of-high-school barriers for community college students was a critical step and allows 100,000 or more students into the program. But legislation (AB 1456 – McCarty, Medina and Leyva) intended to build on the budget action and fully reform the Cal Grant program was vetoed by the Governor, who noted he agreed that a simplified program would benefit students and their families, but argued that major Cal Grant changes should be discussed during the budget process. So here we are!

CSAC has been asked to summarize ongoing Cal Grant reform efforts, including new legislation (AB 1746 – McCarty, Medina and Leyva) that builds on the budget action taken last year to implement the Cal Grant Equity Framework. The legislation is co-sponsored by CSAC, the UC Student Association, the Cal State Student Association, and the Student Senate for California Community Colleges and would enact the following changes:

- Consolidate Cal Grant Awards A, B, & C into Cal Grant 2 and Cal Grant 4 Programs. Cal Grant 2 would provide non-tuition support for all California Community College students with incomes or other circumstances that would

qualify for a federal Pell Grant award, and would increase annually based on inflation. Cal Grant 4 would provide a tuition award to students at eligible four-year institutions, and require that UC and CSU focus institutional aid programs on non-tuition costs for low-income students. Similar to the current program, Cal Grant 4 would cover tuition at UC and CSU even when these segments increase tuition.

- Remove the unnecessary GPA requirement for Cal Grant recipients, as community college students are often years removed from high school and are not subject to a GPA requirement to enroll in community college, and UC and CSU students face GPA requirements to be admitted.
- Align state and federal financial aid policies to create a more coordinated approach, including matching Cal Grant income eligibility to federal Pell Grant income eligibility.

Preliminary estimates from CSAC indicate the changes could allow as many as 150,000 more low-income students into the Cal Grant program, with increased students at each public segment and non-profit private institutions.

The Subcommittee could consider the following questions for presenters during this discussion:

- What are the latest numbers related to the Cal Grant expansion approved last year? How many students have been offered an award, and how many have been paid so far?
- What are preliminary costs for the actions envisioned in the Cal Grant Equity Framework?
- Demographically, what types of low-income students are currently left out of the Cal Grant program? How would reforms impact these students?
- How would the Cal Grant Equity Framework interact with changes to the federal financial aid system? What would happen if state changes were not made before the federal changes are implemented?
- How would the Cal Grant Equity Framework impact students with dependent children and former foster youth?
- What are the differences between last year's legislation and the current proposal?
- What does the Department of Finance view as critical issues with the current Cal Grant program, and does the Department agree or disagree with the principles of the proposed reforms?

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**Staff Recommendation: Hold open until after May Revision**

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**ISSUE 2: MIDDLE CLASS SCHOLARSHIP IMPLEMENTATION UPDATE**

The Subcommittee will discuss reforms made to the Middle Class Scholarship program in the 2021-22 Budget Act, and implementation of the new program in 2022-23.

**PANEL**

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

**BACKGROUND**

Created in 2014-15, the original Middle Class Scholarship program provides partial tuition coverage for CSU and UC students with household income and assets under a certain level (\$191,000 in 2021-22) but who did not qualify for Cal Grant. State law caps funding for the original program at \$117 million annually; students receive up to 40% off of tuition.

The 2021-22 Budget Act included an agreement to include a \$515 million augmentation beginning in 2022-23 to revamp the Middle Class Scholarship program. Whereas award amounts under the original program are based on tuition charges, award amounts under the revamped program will be based on the total cost of attendance (tuition plus living costs). Under the revamped program, CSAC will first take into account other available gift aid, a student contribution from part-time work earnings, and a parent contribution for dependent students with a household income of over \$100,000. It then will deduct these amounts from a student's total cost of attendance to determine whether the student has remaining costs. CSAC will determine what percentage of each student's remaining costs to cover each year based on the annual appropriation for the program. The revamped program is expected to serve significantly more students than the original program, primarily because students receiving tuition coverage through other programs, such as Cal Grant, will begin receiving nontuition coverage.

CSAC now estimates it would cost \$2.6 billion to cover 100 percent of each student's remaining costs after accounting for other available gift aid, a student work contribution, and any applicable parent contribution.

The chart on the following page was created by the LAO and illustrates the significant changes to the program scheduled to begin 2022-23.

## Middle Class Scholarship Program

### Key Information by Segment

	2020-21 Actual	2021-22 Revised	2022-23 Enacted	Change from 2021-22	
				Amount	Percent
<b>Recipients</b>					
CSU	43,772	47,025	245,901	198,876	423%
UC	11,649	12,825	114,211	101,386	791
Total	55,421	59,850	360,112	300,262	502%
<b>Spending (in millions)</b>					
CSU	\$77	\$79	\$426	\$347	439%
UC	37	38	206	168	442
Total	\$114	\$117	\$632	\$515	440%
<b>Average award</b>					
CSU	\$1,759	\$1,678	\$1,731	\$53	3.1%
UC	\$3,192	\$2,968	\$1,806	-1,162	-39.1
<b>Notes:</b>					
Data for 2020-21 reflect California Student Aid Commission (CSAC) estimates. Data for 2021-22 and 2022-23 reflect CSAC estimates adjusted by LAO to align with the spending level proposed in the Governor's budget.					
For 2020-21 and 2021-22, the maximum award amount is set at 40 percent of systemwide tuition and fees (\$2,298 at CSU and \$5,028 at UC). Award amounts are graduated downward as a student's household income increases. In 2021-22, award amounts are prorated to keep total program spending at the statutory limit of \$117 million.					
For 2022-23, award amounts will be based on the total cost of attendance minus the sum of other available gift aid, a student contribution from part-time work earnings, and a parent contribution for dependent students with a household income of over \$100,000. Award amounts will be prorated to keep total program spending at the proposed funding level of \$632 million.					
CSU = California State University. UC = University of California.					

## GOVERNOR'S 2022-23 BUDGET PROPOSAL

In accordance with the 2021-22 budget agreement, the Governor's Budget provides an augmentation of \$515 million ongoing General Fund for the revamped Middle Class Scholarship program. When combined with current funding for the original program, the augmentation brings total program funding to \$632 million in 2022-23. The LAO notes that this enough to cover an estimated 24 percent of total program costs (with each student's award adjusted accordingly.)

### STAFF COMMENT/POTENTIAL QUESTIONS

The revamped Middle Class Scholarship program seeks to address a major issue discussed frequently in this Subcommittee: the total cost of attendance, which includes tuition, housing, textbooks, food and transportation. With most UCs and some CSUs reporting a total cost of more than \$30,000 annually, college costs have become a significant challenge for middle- and low-income students. Thus the new program is a significant step toward addressing the Assembly goal of providing affordable higher education.



CSAC notes that it has created a working group with UC and CSU financial aid administrators to work through implementation issues before the program begins this Fall. Staff notes that the new program, similar to the previous program, has implementation challenges because it is a “last dollar” program, which means it fills in gaps after all other financial aid is calculated. This requires significant interaction between CSAC and campus financial aid offices as they determine a specific amount of funding for each student. Among the biggest issues is when students will know what their MCS grant will be; and whether that information can be provided before students make decisions on where they will attend college in late Spring.

Potential questions for the Subcommittee discussion include:

- When will CSAC be able to provide preliminary estimates to students as to what their MCS grant will be?
- How many Cal Grant recipients will receive an MCS grant? How will these two programs interact? If state funding is increased for the Cal Grant or MCS program, how would that impact the other program?
- What other issues are the CSAC/UC/CSU working group discussing?

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**Staff Recommendation: Hold open until after the May Revision.**

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**ISSUE 3: CSAC BUDGET PROPOSALS**

The Subcommittee will review the following Governor's Budget proposals for CSAC: five new positions and \$479,000 ongoing General Fund for CSAC; \$500,000 one-time General Fund to support the Cash for College program; and statutory changes to the Dreamer Service Incentive Grants program.

**PANEL**

- Gabriela Chavez, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Jake Brymner, California Student Aid Commission

**BACKGROUND**

**New Positions.** In 2021-22, CSAC has 137.5 authorized ongoing positions, as well as 2.2 temporary positions. These positions span seven divisions, the largest of which are program administration and services, information technology (IT), fiscal and administrative services, and the executive division. As of January, CSAC reports that 22.5 positions (16 percent) were vacant, with the IT division accounting for 40 percent of the vacancies. CSAC indicates the majority of its vacant positions have been unfilled for less than three months and it is actively recruiting to fill them.

Although the 2021-22 budget enacted major expansions to the Cal Grant and Middle Class Scholarship programs, the budget did not provide any additional funding or positions for CSAC to administer these programs. CSAC also has not yet received any funding or positions associated with the new financial aid application requirement for high school seniors, which is scheduled to take effect in 2022-23. CSAC has received authority to use one-time funds for administrative purposes for three programs" the Golden State Teacher Grant Program, the Golden State Education and Training Grant Program, and the Learning-Aligned Employment Program.

**Cash for College.** CSAC's Cash for College outreach program provides workshops to help students complete their FAFSA or CADAA forms. In 2021-22, the program is providing an estimated 900 workshops across the state. The state provides \$328,000 ongoing General Fund for the program. These funds are allocated to the seven regional coordinating organizations (typically nonprofit entities) that help administer the program, supporting the high schools and colleges that host the workshops

**Dreamer Service Incentive Grants.** The state created this program in the 2019-20 Budget Act to provide additional nontuition aid to undocumented students receiving a Cal Grant B award who complete a community service requirement. After the onset of the pandemic, the state redirected program funding in 2019-20 and 2020-21 toward emergency grants for undocumented students. As a result, CSAC is implementing the program for the first time in 2021-22. The program provides awards of up to \$1,500 per

semester to eligible students who complete 150 hours of service (or up to \$1,000 per quarter for completing 100 hours of service). The service requirement equates to about 10 hours per week. Part-time students receive prorated award amounts, although they are required to complete the same number of service hours as full-time students. Program participation for both full- and part-time students is limited to a total of eight semesters (or 12 quarters).

State law limits participation in the program to 2,500 students at any one time—the maximum number that could receive the full award amount without exceeding the ongoing funding level of \$7.5 million. In Fall 2021, only about 100 students participated in the program. Of these participants, about ten were part-time students. CSAC has identified several possible explanations for the low participation rate, including the availability of higher-paying work opportunities, the availability of emergency grants during the pandemic, and pandemic-related disruptions in service opportunities.

### **GOVERNOR'S 2020-21 BUDGET PROPOSAL**

The Governor's Budget proposes the following actions:

- \$479,000 ongoing General Fund and five positions for CSAC to implement the program expansions enacted last year. The five proposed positions consist of two program technicians for CSAC's call center; one associate governmental program analyst to support school districts with the new financial aid application requirement; one attorney to provide legal counsel related to the new and expanded programs; and one research data specialist to support the Cradle to Career data system and other programs. (This position would be funded by \$150,000 ongoing General Fund provided to CSAC in 2021-22 for the Cradle to Career data system.)
- \$500,000 one-time General Fund to augment the Cash for College program, bringing total program funding to \$828,000 in 2022-23. The administration indicates the proposed augmentation would be allocated to the seven existing regional coordinating organizations, as well as up to 15 new organizations in areas of the state that are not currently covered by the program and have low financial aid application rates. CSAC has identified various such areas across the state, including in the Far North, North Coast, Central Valley, and Central Coast regions.
- Trailer bill language that would increase the maximum Dreamer Service Incentive Grant award amount from \$1,500 to \$2,250 per semester (or from \$1,000 to \$1,500 per quarter). Under this proposal, full-time students would in effect earn \$15 per hour of service—equivalent to the state minimum wage for larger employers. Part-time students would continue to receive prorated awards. In addition, the proposed language would lower the limit on program participants from 2,500 students to 1,667 students at any one time to keep program costs

within the current funding level. The proposed trailer bill language would allow the Director of Finance to transfer any unspent funds for the DSIG program beginning in 2021-22 to UC and CSU to support the Dream Loan program. These funds would be allocated to UC and CSU based on each segment's share of Dream Loan recipients in the most recent year for which this data is available. Based on 2020-21 data, about two-thirds of the redirected funds would go to UC.

<b>LAO ASSESSMENT AND RECOMMENDATIONS</b>
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***Proposed Positions Are Linked to New Workload.*** Under the Governor's budget, CSAC's local assistance spending in 2022-23 is \$1.5 billion (60 percent) higher than the level two years earlier in 2020-21. Given the magnitude of the recent augmentations, together with the number of new programs and the added complexity of some of the programs, we think staffing increases at CSAC are warranted. Moreover, the administration and CSAC have provided information about CSAC's new workload justifying the specific positions proposed.

Beyond the five positions included in the Governor's budget, CSAC has requested 22 additional positions in 2022-23. These consist of 14 positions related to program administration and outreach, as well as 8 positions to expand support functions related to IT, government and external relations, budget, and human resources. Some of these positions could be warranted based on workload increases. The Legislature would need more information, including workload analyses, to assess how many and which additional positions to provide.

Given the workload increases associated with recent program expansions at CSAC, we recommend approving the five positions included in the Governor's budget. Beyond these five positions, the Legislature may wish to work with the administration and CSAC to determine if any additional staffing is needed to ensure that CSAC has the capacity to successfully implement the many new and expanded programs included in last year's budget

***Ongoing Demand for Cash for College Workshops Is Likely to Increase.*** As part of the financial aid application requirement enacted last year, districts are to direct students to relevant support services in completing their FAFSA or CADAA forms. Accordingly, student demand for Cash for College workshops is likely to increase as the new requirement takes effect in 2022-23. Given that the new requirement is ongoing, student demand for financial aid application support may remain heightened in future years. At this stage, however, there are many open questions about the implementation of the requirement—including what types of student support districts will provide, whether those activities will constitute a state-reimbursable mandate, which other entities will offer support, and what gaps in support will remain.

Given the anticipated increase in demand for Cash for College workshops, we recommend approving the Governor's proposal to provide additional one-time funding for this program in 2022-23—the first year of the financial aid application requirement. In the coming years, as more information becomes available on how districts are implementing this requirement, the Legislature likely will want to consider what ongoing funding level to provide for the Cash for College program. To inform future funding decisions, we recommend the Legislature add provisional language requiring CSAC to submit a report by November 1, 2023 on the Cash for College program's activities in 2022-23. This report would include: (1) the areas of the state covered by the Cash for College program, (2) the number of workshops hosted, (3) the number of students participating in those workshops, and (4) the number of FAFSA or CADAA forms completed

***Assessment Proposed Increase in Dreamer Service Incentive Grant Award Amounts Would Promote Participation.*** Given that one possible reason for low participation in the DSIG program is the availability of higher-paying work opportunities, the proposed trailer bill language could make the program more attractive to potential participants. Because the increased award amounts align with the state minimum wage of \$15 per hour, the program would be compensating students at an hourly rate more comparable to what they could earn elsewhere. Under the proposed trailer bill language, a student enrolled half-time and a student enrolled three-quarters time would receive the equivalent of \$7.50 per hour and \$11.25 per hour of service, respectively. Given that these rates are well below the state minimum wage, they are very likely to continue discouraging program participation among part-time students. Moreover, we see no strong rationale for compensating part-time students at a lower hourly rate for their service than full-time students

At both UC and CSU, current funding for the Dream Loan program is sufficient to meet student demand. Neither segment has needed to maintain a waitlist or turn students away from the program. Moreover, both segments tend to have unspent funds in the program. This is particularly the case at UC, which had an ending balance of \$12.8 million in its Dream Loan revolving fund in 2020-21—more than four times total program spending in that year.

<b>STAFF COMMENT</b>
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All three proposals address legitimate issues that warrant legislative attention.

Regarding the CSAC positions, staff concurs with the LAO assessment that major growth in the Cal Grant and MCS programs likely warrant additional ongoing staffing increases. The Subcommittee could direct staff and the LAO to further analyze CSAC staffing levels to determine whether five new positions is the right number.

Regarding the Cash for College program, it does seem likely that these programs will see a higher demand for services as FAFSA and Dream Act applications increase, and as Cal Grant and Pell Grant eligibility and funding changes are fully implemented. Staff would note that one goal of the proposal is to expand the program into underserved areas. This is a good idea, but it is unclear how one-time funding would allow for the creation of new programs; that seems likely to require ongoing funding.

Regarding the proposed changes to the Dreamer Service Incentive Grant program, staff concurs that the current limits on the amount students can earn are too low, particularly as the state minimum wage grows. Increased wages are needed to attract students to this program. Staff notes the LAO concern about shifting unspent funds to the Dream Loan programs at both universities. Is there a better way to support undocumented students, who do not have access to federal aid and loan programs?

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**Staff Recommendation: Hold open until after the May Revision.**

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**ISSUE 4: CAL FRESH FOR COLLEGE STUDENTS**

The Subcommittee will discuss efforts to improve college student access to the Cal Fresh program.

**PANEL**

- Jake Brymner, California Student Aid Commission

**BACKGROUND**

***Hundreds of thousands of California students are likely eligible for CalFresh but not enrolled.*** CalFresh, federally known as the Supplemental Nutrition Assistance Program (SNAP), provides eligible individuals and families with monthly food benefits via an Electronic Benefit Transfer (EBT) card that clients can use to purchase food.

Federal SNAP rules generally exclude college students from eligibility unless they are employed at least 20 hours per week or meet an exemption from the rule, such as being approved and anticipate participating in a work study program, attend school as part of an employment and training program or participate in a program to improve employability, or receive TANF funding, known as CalWORKS in California. The application process can be challenging for students, as it requires extensive documentation and extensive interaction with county human services offices.

The 2019-20 Budget Act required the California Department of Social Services (CDSS), in consultation with the UC, the CSU, and community colleges, to assess the effectiveness of CalFresh in addressing student food insecurity at the public postsecondary segments, and to submit a report to the Department of Finance and relevant policy and fiscal committees of the Legislature.

The report found that based on available data, which is limited, about 127,000 California college students received CalFresh benefits in the 2018-19 academic year. Significantly more students are likely eligible but not enrolled: a working group formed to study the issue concluded that the total number of students likely eligible for CalFresh statewide to be between 416,471 and 689,233.

***Federal changes in 2020 prompted state budget action.*** The COVID-19 relief bill passed by Congress in December 2020 made it much easier for college students to access the CalFresh program as long as the federal emergency related to COVID-19 is in place. The bill waived the work requirement for students if students meet one of two new criteria:

- The student is eligible for federal- or state-funded work study programs, regardless of whether they are actually in a program;

- The student has an Expected Family Contribution (EFC) of 0. EFC is a calculation derived from the Free Application for Federal Student Aid (FAFSA.) The FAFSA is used to determine eligibility for numerous financial aid programs, including the federal Pell Grant and state Cal Grant.

CSAC estimated there were about 300,000 California college students with a 0 EFC. The state Department of Social Services issued a letter to counties on Jan. 22 implementing these changes. The letter noted that a Temporary Work Study Verification Letter and Form is now available to students, and CSAC sent a letter to all students with a 0 EFC that can be used to prove eligibility.

To seize on this federal change, the Legislature and Administration agreed to an early budget action in Spring 2021 that did the following:

- Provided \$11.8 million one-time state General Fund and \$16.9 million one-time federal funds to Department of Social Services, which passed this money to counties to increase CalFresh college student enrollment. The county money was intended for training for county eligibility workers to better understand college student eligibility for CalFresh, and to pay for overtime or temporary workers to handle increased caseload.
- Provided \$6 M one-time General Fund and Proposition 98 General Fund to UC, CSU, and CCCs for CalFresh outreach and application assistance. Of this funding, \$3.1 million Proposition 98 General Fund went to CCCs; \$1.3 General Fund went to CSU; and \$650,000 General Fund went to UC. The campus funding supported outreach materials, CalFresh sign-up events, and other application assistance on campuses, including hiring student workers to help their peers sign up. Another \$1 million General Fund was provided to the Center for Healthy Communities at CSU Chico to support campus efforts. The center provides CalFresh support services for college campuses across the state.

Data limitations and numerous ongoing CalFresh efforts make it difficult to determine all of the outcomes of this funding, but reports provided by the segments to the Legislature in December and other data indicate positive impacts. UC, for example, reported more than 58,000 students received CalFresh education, outreach or application assistance between January and September 2021, and CSU reported about 43,000 students received similar services. CCC reported that more than 1,100 faculty and staff received training on assisting students applying for CalFresh. The Center for Healthy Communities noted that CalFresh applications grew from 6,654 at 40 campuses across the state in the quarter before the state funding to 12,051 in the quarter after the state funding, according to preliminary data. Approved applications doubled during this time frame, according to the center.



**CSAC report provides numerous recommendations to increase Cal Fresh access for students.** In Fall 2020, CSAC convened a workgroup of representatives from the Legislature, state agencies, students, researchers, county and local practitioners, and postsecondary institutions with the goal to identify the barriers students face when trying to access CalFresh benefits and develop policy recommendations that can help increase the number of California college students participating in CalFresh.

The workgroup identified the following primary barriers to students' CalFresh access:

- Limited awareness and navigation support
- Outdated modes of communication
- Complex and laborious processes
- Processing delays
- Gaps in benefits

The group also created numerous recommendations for federal and state action. Suggestions for the state include:

- Establish pilot regional hub for students to apply for and be approved for CalFresh benefits.
- Establish a new, state-funded Pilot Food Support Program for undocumented students who complete the California Dream Act Application (CADAA).
- Use FAFSA data to pre-populate the CalFresh application.
- Enhance Data Sharing Agreement with California Department of Education (CDE) to identify all K-12 students who were on Free or Reduced Price Meal program.
- Expand CDSS communications to County Offices directing them to accept client statements of verification in lieu of the Student Rule exemptions.
- Create a reporting and tracking accountability system to collect data on students estimated to be eligible for CalFresh benefits, students served and college CalFresh applications including timelines, acceptance, denial statistics and demographics.
- Allow all county office eligibility workers throughout the state to view, transfer and process all BenefitsCal/CalFresh application via CalSAWS information system, to allow students to be able to apply in their home county before moving.
- Develop a Statewide Student Portal within the MyBenefits/Cal System.

- Revise the funding allocation methodology for local counties to increase staffing capacity.
- Direct colleges and universities to require local campus food service vendors to accept EBT cards.

**STAFF COMMENT**

Staff notes that federal rules limiting student access to CalFresh are based on outdated notions that most college students have resources and shouldn't need food assistance. Student surveys indicate how wrong that assumption is: In September 2019 – before the COVID-19 pandemic - one in three California postsecondary students reported experiencing food insecurity in any given month, according to a CSAC survey. A subsequent survey taken early in the pandemic revealed that 7 in 10 students lost some or all their income because of the pandemic, income that was a key source for providing basic needs such as food.

While efforts are underway to make recent federal changes permanent and address other reforms, there are multiple ideas for improving state systems to better support students enrolling in CalFresh. Importantly, this issue crosses multiple systems, which does present challenges for students: while campuses can help support students as they apply, the applications are reviewed and processed by county human service agencies. The lack of data-sharing or other arrangements among campuses, county agencies, and the state is a barrier. For example, campuses have difficulty determining if student applications were successful because they do not have access to county information. Several of the CSAC working group recommendations deal with better coordination between the various entities that play a role in CalFresh for college students.

In addition to the CSAC working group recommendations, the Subcommittee could consider funding for more campus outreach efforts. The Center for Healthy Communities at CSU Chico, for example, has requested \$7.4 million ongoing General Fund to expand their work with campuses across all three segments that could lead to at least 3,000 more college Cal Fresh enrollees per year and creation of the Farmers' Market Campus Connection, which would build on an existing program to better connect campuses to Farmers Markets and California-grown fruits and vegetables. State funding for specific outreach activities through the center would allow them to draw down available federal funds as well.

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**Staff Recommendation: Hold open until after the May Revision.**

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## 6120 CALIFORNIA STATE LIBRARY

The Governor's Budget proposes about \$94.1 million in support for the California State Library in 2022-23, with about \$71.9 million from the state General Fund and about \$19.2 million from federal funds. The chart below was compiled by the LAO and indicates funding based on the Governor's Budget. Of the significant one-time General Fund investments in the 2021-22 State Library budget, the largest was \$439 million one-time General Fund to provide grants for local library infrastructure improvements.

### California State Library Budget

(Dollars in Millions)

	2020-21 Actual	2021-22 Revised	2022-23 Proposed	Change from 2021-22	
				Amount	Percent
<b>Local Assistance</b>					
Library Services and Technology Act	\$13.1	\$21.4	\$11.3	-\$10.2	-47.4%
Library Literacy and English Acquisition Program	7.3	22.3	7.3	-\$15.0	-67.2%
California Library Services Act	1.9	4.6	4.6	—	—
Statewide Library Broadband Services Program	2.9	46.1	4.0	-42.1	-91.4
One-time carryover from 2018-19	—	1.3	—	-1.3	-100.0
Lunch at the Library	0.8	0.8	5.5	4.7	585.8
Telephonic Reading for the Blind	0.6	0.6	0.6	—	—
California Newspaper Project	0.4	0.4	0.4	—	—
State Government Oral Histories Program	0.3	0.1	0.1	—	—
Other one-time initiatives	—	537.4	11.2	-526.2	—
<b>Subtotals</b>	<b>(\$27.3)</b>	<b>(\$635.1)</b>	<b>(\$44.9)</b>	<b>(\$590.1)</b>	<b>(-92.9%)</b>
<b>State Operations</b>					
State Library Services	\$21.1	\$27.9	\$40.2	\$12.3	44.1%
Library Development Services	2.9	5.4	5.3	-0.1	-1.8
Information Technology Services	2.5	3.5	3.7	0.2	5.0
<b>Subtotals</b>	<b>(\$26.5)</b>	<b>(\$36.7)</b>	<b>(\$49.1)</b>	<b>(\$12.4)</b>	<b>(33.7%)</b>
<b>Totals</b>	<b>\$53.752</b>	<b>\$671.8</b>	<b>\$94.1</b>	<b>-\$577.8</b>	<b>-86.0%</b>
<b>Funding</b>					
General Fund Ongoing	\$20.0	\$39.3	\$47.9	\$8.6	21.8%
General Fund One Time	11.5	599.8	24.0	-575.9	-96.0
Federal Trust Fund	19.2	29.7	19.2	-10.6	-35.5
Other <sup>a</sup>	3.0	3.0	3.0	0.1	2.8
<sup>a</sup> Includes California State Law Library Special Account, Central Service Cost Recovery Fund, and the Deaf and Disabled Telecommunications Program Administrative Committee Fund.					

**ISSUE 5: STATE LIBRARY BUDGET PROPOSALS**

The Subcommittee will review the following Governor's Budget proposals for the State Library: (1) one-time and ongoing support for digitization activities, (2) one-time funding for local library online job training programs, (3) an ongoing augmentation for the Lunch at the Library program, and (4) ongoing support for the State Library's building rental payments.

**PANEL**

- Jennifer Louie, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, California State Library

**BACKGROUND**

The State Library's main state-level functions are (1) serving as the central library for state government; (2) collecting, preserving, and publicizing state literature and historical items; and (3) providing specialized research services to the Legislature and the Governor. In addition, the State Library passes through state and federal funds to local libraries for specified purposes and provides related oversight and technical assistance. These local assistance programs fund literacy initiatives, internet services, and resource sharing, among other activities.

In California, local public libraries can be operated by counties, cities, special districts, or joint powers authorities. Usually the local government operator designates a central library to coordinate activities among all the library branches within a jurisdiction. Currently, 185 library jurisdictions with 1,130 sites (including central libraries and their branches) are operating in California. Local libraries provide a diverse set of services that are influenced by the characteristics of their communities. Most libraries, however, consider providing patrons with access to books, media, and other informational material as a core part of their mission. Around 95 percent of local library funding comes from local governments and the remaining 5 percent comes from state and federal sources.

**Digitization.** As part of its core mission of curating historical items in California, the State Library is undertaking efforts to digitize its collections. The purpose of digitization is to create a digital copy in addition to the physical copy, thereby improving online accessibility and further preserving the original materials. The State Library indicates that it has several digitization efforts underway, including some using state funding. For example, the 2019-20 Budget Act provided the State Library \$1 million ongoing General Fund for three concierge preservationists. These preservationists work with state agencies by request to digitize agencies' historical resources.

In April 2021, the State Library released a document describing the core principles guiding its digital preservation activities. The document directs each of the State Library's bureaus and sections (such as the California History Section or the Witkin State Law Library) to identify their top assets for digital preservation each year. Library resources are to be prioritized for digitization based on several factors, such as their rarity, cultural relevance, and physical condition.

**Online job training programs.** The State Library currently offers some library-based education and training programs. The California Library Literacy and English Acquisition Program supports volunteer-based literacy tutoring for adults and children at local libraries. The program currently receives \$7.3 million ongoing General Fund. The State Library also oversees the CAreer Pathways initiative, which provides local libraries subscriptions to various online education and training platforms available to their patrons. For example, library patrons can earn a high school diploma online through the Career Online High School program, and patrons who are 50 years old or older can participate in digital literacy and online enrichment courses under the GetSetUp program. CAreer Pathways received \$3 million one-time General Fund support in 2021-22 for the Career Online High School program. It received \$5.4 million one-time federal relief funding for the remaining online education and training programs.

According to the State Library, \$4.4 million of CAreer Pathway's one-time federal relief funds is supporting subscriptions to six online learning platforms (Bendable, Coursera, Learning Express, LinkedIn Learning, Northstar, and Skillshare). (The remaining \$785,700 in federal relief funds were spent on other platforms.) Similar to other CAreer Pathways programs, patrons can access these platforms by using a computer at their local library or on their own device using their local library's webpage. Virtually all libraries offer at least one online learning platform to their patrons, and more than half offer all six platforms. The platforms focus on many areas and offer several types of services and content. Coursera, for example, offers certificates in a variety of industries, including information technology, cybersecurity, and marketing. LearningExpress, by comparison, focuses on preparing participants for certain tests, including the California Basic Educational Skills Test, California Real Estate Salesperson Exam, and the California Police Officer Exam. Another platform, Skillshare, offers numerous self-paced courses ranging from the creative arts, design, entrepreneurship, and technology.

**Lunch at the Library.** Initiated in 2013 with federal funding, Lunch at the Library aims to increase the number of California local libraries serving as summer meal sites for the federal school lunch program. As the meals themselves are funded by the federal government, the Lunch at the Library program focuses on other services that support summer meal sites. Specifically, the program provides: (1) training and technical support to library staff to help them establish their libraries as summer meal sites; (2) library learning, enrichment, and youth development opportunities that wrap around the summer meal program; and (3) library resources at other community summer meal sites. Initially supported through a mix of one-time federal funds and private grants, then one-time state funding, the state began providing the program \$800,000 ongoing

General Fund in 2020-21. According to the State Library, the ongoing funds entirely support grants to local libraries.

According to the State Library, in 2021, 118 library sites within 39 library jurisdictions operated summer meal sites, providing a total of approximately 308,000 meals. In addition, 49 library jurisdictions provided library materials and services to nonlibrary sites operating as summer meal sites. (In total, 71 library jurisdictions participated, with some jurisdictions both operating their own summer meal sites and providing library materials to nonlibrary sites.) For context regarding the size of the Lunch at the Library program, prior to the pandemic in 2018-19, California had a total of 4,928 federally recognized summer meal sites serving 15 million meals (inclusive of local library summer meal sites). During the pandemic in 2019-20 (the most recent data available from the California Department of Education), summer meals notably increased, with 8,601 sites providing 273 million meals.

***Building rental payments.*** The State Library occupies two buildings owned by the Department of General Services (DGS). The first building, the Library and Courts I building, is a historic facility constructed in 1928. Space in the building is shared between the State Library and California's Court of Appeal, Third Appellate District. The second building, referred to as the Library and Courts II building, was constructed in 1990, with the construction financed by state lease revenue bonds. The State Library is the sole occupant of this building. The State Library pays DGS rent each year to occupy both buildings, which in turn supports DGS's operations and maintenance of the buildings.

The State Library's rent for the Library and Courts II building has notably increased in recent years. According to the State Library, the cost increase is due to two factors:

- Prior to the repayment of the building's lease revenue bond debt in May 2018, the State Public Works Board had jurisdiction over the building. The state directly paid rent on behalf of the State Library (effectively debt service payments) to the board. During this time, the State Library paid DGS for basic facility services (\$1 million in 2018-19). When the debt was repaid, jurisdiction over the building transferred to DGS, with the State Library now paying full DGS rental rates (over \$4 million in 2021-22).
- DGS charges buildings under its jurisdiction a fee for utility costs. According to the State Library, it was not aware of this charge until it received an invoice from DGS in May 2021 for the 2019-20 and 2020-21 fiscal years. The State Library indicates that it ultimately paid the charge in 2019-20 and received a one-time waiver from DGS for 2020-21. Moving forward, DGS expects the State Library to pay this charge (\$916,000 in 2021-22).

According to the State Library, it has a budgeted level of support to make rental payments. This amount has been adjusted by the state in certain years, most recently in the 2018-19 budget, but the state has not since adjusted the State Library's budget for the higher DGS building and central plant fees that began in 2019-20. Consequently, the State Library estimates its current budgeted rental amount—just under \$6 million in 2021-22—will fall short of actual rental costs. The Library has used one-time savings to cover the shortfall, but these savings are not available in 2022-23.

### **GOVERNOR'S 2020-21 BUDGET PROPOSAL**

The Governor's Budget proposes four changes to the State Library budget:

- \$14 million General Fund support and nine additional permanent State Library positions for enhanced digitization activities. The Department of Finance (DOF) indicates that \$11 million of the one-time funding would be available over five years (through 2026-27) and the remaining \$1.7 million in one-time funding supporting cataloging activities and equipment purchases would be available through the budget year.
- \$8.8 million General Fund over two years to continue library-based online job training and educational upskilling programs over two years. Though not specified in the proposed language, the State Library indicates the funds would continue supporting the six platforms listed above that were originally supported with one-time federal relief funds. The State Library indicates its intention to spread the funds evenly over the next two years (with \$4.4 million spent each year).
- \$5 million additional ongoing General Fund, bringing total ongoing support for the program to \$5.8 million, for the Lunch at the Library program. Of the \$5 million augmentation, \$4.7 million would be for local assistance. According to the State Library, the local assistance augmentation would increase the number of start-up grants to local libraries, as well as provide targeted grants to support libraries in high-need communities and to pilot new meal delivery and educational enrichment approaches. The remaining \$314,000 would support two permanent State Library positions to implement the expanded grant program and provide local libraries technical assistance. According to the State Library, the proposal would result in local libraries increasing the number of summer meals they serve by about 10 percent each year for the next five years, with the library summer meal count reaching approximately 500,000 by 2026.
- \$2.2 million ongoing General Fund to close the shortfall between actual rental costs and the State Library's base rental budget beginning in 2022-23. The amount is tied to the estimated funding shortfall in 2021-22.

## Governor's Budget Contains Four New Proposals

General Fund Changes in 2022-23 (In Thousands)

Change	Ongoing	One Time	Totals
<b>New Proposals</b>			
Digitization activities	\$1,338	\$12,692	\$14,030
Online job training programs	—	8,800	8,800
Lunch at the Library	5,000	—	5,000
Building rental payments	2,179	—	2,179
<b>Subtotals</b>	<b>(\$8,517)</b>	<b>(\$21,492)</b>	<b>(\$30,009)</b>
<b>Other Changes</b>			
Disaster preparedness for cultural resources <sup>a</sup>	—	\$2,387	\$2,387
Broadband cost increases	\$179	—	179
Other technical adjustments	-45	—	-45
<b>Subtotals</b>	<b>(\$134)</b>	<b>(\$2,387)</b>	<b>(\$2,521)</b>
<b>Totals</b>	<b>\$8,651</b>	<b>\$23,879</b>	<b>\$32,530</b>

<sup>a</sup>Represents second year of four-year funding plan initiated as part of the 2021-22 budget agreement.

### LAO ASSESSMENT AND RECOMMENDATIONS

**Digitization.** Preserving historical assets is a core function of the State Library. Digitizing assets furthers this mission by creating an additional copy of an asset were it ever to be damaged or destroyed and by making the asset more readily available to the public. Multifaceted Proposal Comes With Risks and Challenges. The proposal has many components spanning several units of the State Library. With so many proposed activities, the State Library faces the risk of not being able to implement them all fully within the time period allotted. Moreover, some parts of the proposal could meet with unexpected challenges. For example, the Concierge Services team could encounter much stronger or weaker interest from state agencies than assumed in the proposal. Typically, reporting language helps the Legislature hold the administration and the State Library accountable for accomplishing identified objectives and milestones. Reporting also would help the Legislature make funding decisions for future digitization initiatives at the State Library. The administration, however, has no reporting requirements associated with its digitization proposal, thus limiting accountability and weakening the ability of the Legislature to conduct oversight of the digitization efforts.

If the Legislature would like to support more digitization at the State Library, we recommend it require the State Library to report on its digitization activities as a



condition of receiving an associated augmentation. Specifically, we recommend the State Library be required to submit a first report by November 1, 2023 (around halfway through the initiative) and a second report by November 1, 2026 (toward the end of the initiative). We recommend the reports include the amount spent, specific activities undertaken, and the number of resources digitized each year. We recommend the reports also include an assessment as to the remaining number of State Library items to be digitized and the associated cost.

**Online job training.** Because the proposal would not be tied to specified enrollment or course-taking expectations, per-participant costs could be high relative to other state education programs. We converted the number of course hours to a “full-time equivalent (FTE)” basis, using the approach taken at the community colleges. (At community colleges, 525 contact hours is equivalent to one FTE student). The State Library’s reported course hours under the existing initiative—well over 20,000 hours—converts to around 40 FTE participants, with a resulting cost of over \$100,000 per FTE participant. Even were the State Library to quadruple course taking patterns in the initiative, generating around 160 FTE participants, costs would be \$27,500 per FTE participant. For comparison, the state is providing community colleges \$5,907 per FTE student for noncredit instruction. Without more certainty as to the number of patrons and course hours funded under this proposal, the Legislature could end up approving an initiative that is considerably less cost-effective than its existing workforce education programs.

The Legislature might be willing to fund a particularly high-cost program if it had been shown to provide underserved or historically disadvantaged populations with particularly good employment outcomes. The State Library, however, has not provided the Legislature with data on the number of participants, participant demographic characteristics, and participant outcomes of its programs. Moreover, the state already supports numerous ongoing and one-time workforce development initiatives designed to benefit underserved and historically disadvantaged students. The administration has not made a compelling case that the State Library’s proposed education and training programs would benefit a group not already intended to be served by other such programs, as well as have notably better employment outcomes.

Given the risks and uncertainties around program cost, participation, and outcomes, we recommend the Legislature reject the proposal. Even if this proposal were rejected, the State Library would continue implementing its current federally funded initiative. The State Library indicates that it plans to collect better data on that initiative. Were this forthcoming data to adequately address the concerns raised earlier and demonstrate the initiative’s added benefit to the state’s existing workforce programs, the Legislature could consider supporting the initiative in future years. (If the Governor’s proposal were approved for 2022-23, we recommend adding an evaluation to ensure the cost-effectiveness of the state funding could be determined.)

**Lunch at the Library.** According to Feeding America, a nonprofit organization that annually analyzes federal census data, 17 percent of Californians under the age of 18

reported being food insecure in 2021. While these data do not indicate what time of year children experience food insecurity, food insecurity might increase during the summer months when students are less likely to be attending school. As we have noted in previous years, the proposal's strategy to boosting summer meal participation—adding more library sites—is very narrow. Even under the State Library's plan to increase local library summer meals by 10 percent each year for five years, the initiative would only account for a small proportion of summer meals across the state. Moreover, the administration has not clearly explained why expanding meals at local libraries would be more cost-effective than expanding at other potential sites, including more school and community-based sites. Furthermore, the statewide educational impact of providing library materials at meal sites likely is negligible compared to the billions of dollars the state provides K-12 schools for ongoing education, including the billions of dollars in new funding the state is providing for the Expanded Learning Opportunities Program (ELOP). The state in the 2021-22 budget established ELOP, which expands learning opportunities for students in Transitional Kindergarten through grade 6. Among other provisions, the program requires participating school districts to provide 30 days of learning opportunities during the summer. The state provided \$1.8 billion Proposition 98 General Fund for ELOP in 2021-22 and the Governor proposes providing \$4.4 billion for ELOP in 2022-23, with the goal of reaching \$5 billion ongoing by 2025-26. This program likely will boost student attendance during the summer, potentially providing students better, more cost-effective access to free summer meals and summer educational enrichment programs.

Despite providing the program a more than five-fold funding increase, the Governor does not propose establishing parameters guiding how the funds are to be spent. The proposal also does not establish a reporting requirement providing data on the use of the funds, program outcomes, or the cost-effectiveness of the additional library meal sites relative to schools and other community-based sites. Moreover, the program has no existing language in these areas despite receiving ongoing funding.

Given the proposal's uncertain impact on summer food insecurity and the notable expansion in summer attendance underway at schools, we recommend the Legislature modify the proposal by making it limited term. For example, the Legislature could provide the program \$5 million one-time General Fund over three years. At the end of this period, the Legislature would have better information on the Lunch at the Library's impact, as well as ELOP's impact, on summer meal participation. The Legislature could then better assess whether an ongoing augmentation for the Lunch at the Library program is warranted.

To assist legislative oversight over the proposed augmentation and inform future budget decisions in this area, we recommend establishing parameters over the grants. Helpful parameters would include designating amounts for each grant purpose (such as start-up grants and grants to pilot new meal delivery approaches), prioritization criteria (such as prioritizing grants to libraries in counties with high rates of food insecurity), and performance milestones (such as achieving a 10 percent annual increase in the number

of library sites and summer meals). Additionally, we recommend requiring the State Library to collect and report certain data each November 1 over the initiative's funding period. At a minimum, we recommend the report include the number of library jurisdictions and sites providing summer meals, the number of summer meals provided at library sites, the number of nonlibrary meal sites receiving library materials and enrichment programs, grant allocations by library jurisdiction/site and function, and learning outcomes of students participating in library educational enrichment services at summer meal sites. We recommend the report also include an evaluation component that would seek to assess the cost-effectiveness of the additional library summer meal sites relative to schools and other community-based sites.

**Building rental payments.** The state typically does not adjust agencies' budgets for rent increases. Rather, agencies must manage any rental fluctuations within their budgets. When rent increases, agencies typically must redirect spending from other budget areas (for example, by holding certain positions vacant for an extended period of time). When costs are lower than expected, agencies can spend the surplus funds on one-time purposes. Though not typical, the state has provided certain agencies adjustments for rental payments, particularly for large ongoing changes in costs. For example, the 2021-22 budget provided a combined \$6.4 million ongoing augmentation for several natural resource state agencies for higher rental costs. Rather than rental costs growing gradually over many years, the State Library's rent increased notably due to a change in jurisdiction over the Library and Courts II building. Moreover, the State Library's other savings during the pandemic will not be available in the upcoming budget year to help manage the higher costs. Given these circumstances, we think providing an adjustment for rental costs is reasonable.

Given factors described above, we recommend the Legislature approve the Governor's proposed \$2.2 million for higher ongoing State Library rental costs

<b>STAFF COMMENT</b>
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Staff concurs with the LAO and has no concerns with the proposed increase for building rental payments.

For the other three proposals, the Governor's Budget proposes additional funding for programs and activities that the Legislature has previously supported. All three proposals address significant statewide issues, ranging from unemployment to food insecurity. The LAO raises reasonable concerns with these proposals, as numerous other state programs seek to address these issues. Libraries, however, may provide a more accessible space for some programs that Californians might not utilize elsewhere. The Subcommittee will have to weigh these proposals against other spending priorities once revenues are fully known in May. Staff agrees with the LAO that some reporting might help inform the Legislature about program effectiveness.

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**Staff Recommendation: Hold open until after the May Revision.**

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