

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

TUESDAY, MARCH 29, 2022
9 AM, STATE CAPITOL - ROOM 444

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub2@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.

The hearing room will be open for attendance of this hearing. Any member of the public attending a hearing is strongly encouraged to wear a mask at all times while in the building. The public may also participate in this hearing by telephone.

*To provide public comment, please call toll-free:
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INFORMATIONAL HEARING CALIFORNIA STATE UNIVERSITY CALIFORNIA DEPARTMENT OF EDUCATION COMMISSION ON TEACHER CREDENTIALING

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6610 CALIFORNIA STATE UNIVERSITY

The Governor's Budget proposes about \$12.1 billion in total funds for the California State University (CSU) in 2022-23, with about \$5.3 billion from the state General Fund and about \$3.2 billion in student tuition and fees. The chart below was compiled by the LAO and indicates 22-23 funding based on the Governor's Budget.

California State University Funding by Source

(Dollars in Millions Except Funding Per Student)

	2020-21 Actual	2021-22 Revised	2022-23 Proposed	Change from 2021-22	
				Amount	Percent
Core Funds					
General Fund					
Ongoing ^a	\$4,026	\$4,597	\$5,064	\$467	10%
One time	15	981	234	-\$747	-76
Subtotals	(\$4,041)	(\$5,579)	(\$5,299)	(-\$280)	(-5%)
Tuition and fees ^b	\$3,277	\$3,163	\$3,163	—	—
Lottery	65	73	73	— ^c	— ^c
Subtotals	(\$7,383)	(\$8,815)	(\$8,534)	(-\$280)	(-3%)
Other Funds					
Federal funds	\$1,677	\$1,721	\$1,721	—	—
Other CSU funds ^d	2,127	1,840	1,840	— ^c	1%
Other state funds ^e	2	2	3	1	25
Subtotals	(\$3,806)	(\$3,562)	(\$3,563)	(\$1)	— ^c
Totals	\$11,189	\$12,377	\$12,097	-\$280	-2%
FTE students	412,223	397,811	407,245	9,434	2.4%
Ongoing core funding per student	\$17,874	\$19,691	\$20,381	\$690	3.5%

^a Includes funding for pensions and retiree health benefits.

^b Includes funds used for financial aid.

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

^d Includes housing fees, parking fees, extended education charges, and fees for other noncore programs.

^e Consists of State Transportation Fund monies designated for transportation research and workforce development. The amount shown in 2022-23 includes \$500,000 in reappropriations.

FTE = full-time equivalent.

ISSUE 1: ENROLLMENT

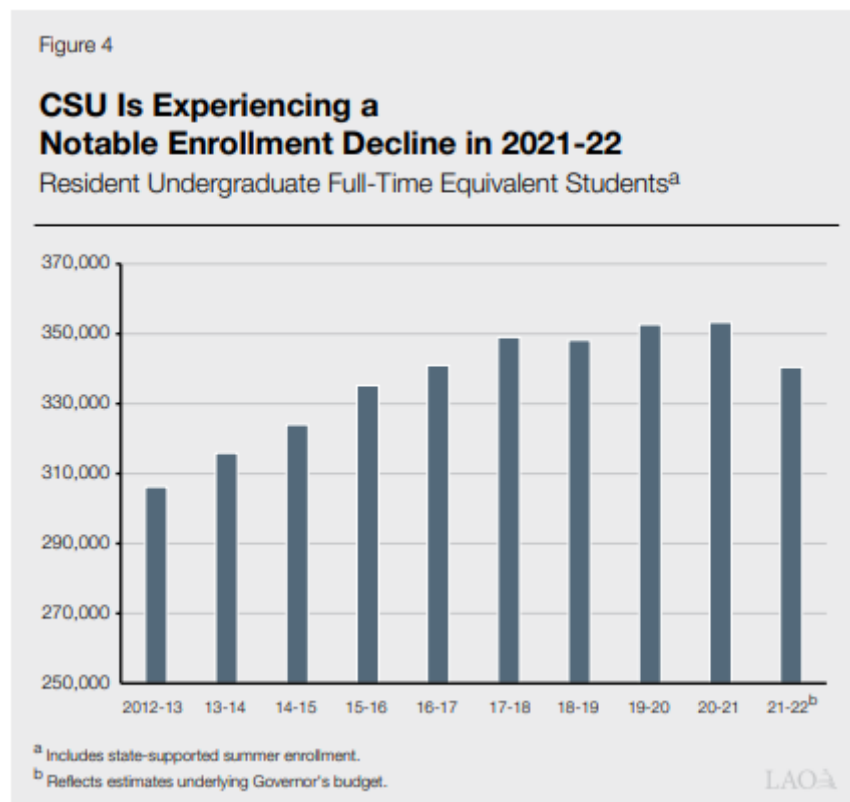
The Subcommittee will discuss CSU enrollment issues, including the Governor's Budget proposal to provide \$81 million ongoing General Fund to enroll 9,434 more California undergraduates in 2022-23.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Nathan Evans, California State University Chancellor's Office

BACKGROUND

After nearly a decade of steady enrollment growth, CSU is reporting reduced enrollment this year. CSU's California undergraduate enrollment has grown in most years during the past decade, hitting a peak of more than 350,000 full-time equivalent students in 2020-21. Estimated Fall enrollment data, however, shows a decline of about 13,000 students when compared to the previous Fall, or nearly 4%. The LAO chart below depicts Fall resident undergraduate enrollment during the past decade.



Undergraduate enrollment declines for Fall 2021 were reported by 22 of the 23 CSU campuses; only CSU Los Angeles increased enrollment (the campus grew by about 200 students.) Multiple campuses (Bakersfield, Channel Islands, Chico, East Bay, Humboldt, Sonoma and Stanislaus) reported Fall-to-Fall enrollment declines of more than 10%.

State Typically Sets an Enrollment Target and Provides Associated Funding. In most years, the state sets a systemwide resident enrollment growth target at CSU and provides an associated General Fund augmentation. Augmentations have been determined using an agreed-upon per-student funding rate derived from the “marginal cost” formula. This formula estimates the cost to enroll each additional student and shares the cost between anticipated tuition revenue and state General Fund. Whereas the state historically has set CSU enrollment targets for the budget year, two recent budgets have set a target for the year following the budget year. By the time the state budget is enacted in June, campuses have already made the bulk of their admission decisions for the fall term and have little time to plan for additional growth. Moreover, the state largely has lost its ability to influence CSU admission decisions for that year. Setting an outyear target allows the state to send an early signal about enrollment expectations before campuses begin planning and making admission decisions for the following year.

Last Year’s Budget Set Resident Undergraduate Enrollment Target for 2022-23. In the midst of the pandemic, the Legislature opted not to set enrollment growth targets in the 2020-21 Budget Act. Such an approach gave CSU flexibility to manage funding reductions and uncertain enrollment demand that year. When state revenues recovered the following year, the state resumed setting enrollment growth targets. Specifically, the state set an expectation in the 2021-22 Budget Act that CSU grow resident undergraduate enrollment in 2022-23 by 9,434 full-time equivalent (FTE) students, relative to the number enrolled in 2021-22.

The chart on the next page indicates how CSU is planning for this growth. Enrollment targets were distributed based on recent enrollment levels and current demand. Some campuses received significant increases, while others receiving small increases or no increases.

Campus	FTES Increase Target for 22-23	Campus	FTES Increase Target for 22-23
Bakersfield	300	Monterey Bay	250
Channel Islands		Northridge	700
Chico		Pomona	425
Dominguez Hills	250	Sacramento	600
East Bay		San Bernardino	600
Fresno	800	San Diego	1,100
Fullerton	1,100	San Francisco	
Humboldt		San Jose	575
Long Beach	1,100	San Luis Obispo	700
Los Angeles	400	San Marcos	234
Maritime		Sonoma	
Monterey Bay	250	Stanislaus	300
		Campus Total	9,434

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget provides \$81 million for CSU to grow resident undergraduate enrollment by 9,434 FTE resident undergraduate students in 2022-23 over the 2021-22 level. The amount assumes that the General Fund share of the marginal cost per student is \$8,586 (the estimated 2021-22 rate—the rate available at the time of budget enactment).

In addition, the Governor has announced a compact that includes a multiyear plan for CSU to grow resident undergraduate enrollment by around 1 percent each year from 2023-24 through 2026-27. Though proposed as part of the compact, the Governor does not specify the 1 percent growth expectation for 2023-24 in the budget bill. According to the administration, this annual growth would represent more than 14,000 additional FTE students across the four-year period. Under the Governor's compact, CSU would not receive additional funds for enrollment growth over the period, but instead it would need to accommodate the higher costs from within its base increases.

LAO ANALYSIS AND RECOMMENDATION

Recent Enrollment Decline Is Cause for Revisiting 2022-23 Expectation. The notable enrollment decline in 2021-22 affects CSU's 2022-23 enrollment level in an important way. Even after adding the proposed 9,434 FTE students, the projected resident undergraduate enrollment level in 2022-23 is 3,358 FTE students lower than the actual enrollment level two years earlier in 2020-21. Under the Governor's budget, the state would in effect be providing more funding for CSU even though it would enroll fewer students. We think this likely runs counter to the Legislature's intent to expand access and fund greater enrollment.

Legislature Could Still Influence 2023-24 Enrollment. As CSU already is in the midst of making admission decisions for 2022-23, the Legislature has limited ability at this point to influence CSU's 2022-23 enrollment level. The Legislature could, however, send an early signal to campuses about its enrollment expectations for 2023-24

The LAO notes that the Legislature could consider high school graduation rates, Fall 2022 application rates, community college enrollment and the smaller Fall 2021 class size when considering a 2023 enrollment target. The LAO also notes an additional consideration: because some CSU campuses and programs are "impacted" (meaning they have more student demand than available slots), some applicants meeting CSU's minimum systemwide eligibility requirements are not accepted at any campus to which they apply. Since fall 2019, CSU has been redirecting these applicants to nonimpacted campuses. In fall 2020 (the most recent data publicly available), CSU redirected 14,848 eligible applicants, of whom only 728 (5 percent) went on to enroll at a CSU campus. Providing more enrollment funding to CSU could potentially increase the number of students who can enroll at their campus of choice.

Legislature Could Reconsider 2022-23 Funding. When the Legislature set the 2022-23 enrollment target last June, it likely did not anticipate the notable enrollment decline in 2021-22. If CSU were to grow 9,434 additional students in 2022-23 from the depressed current-year level, it still would be serving about 3,000 fewer students than it did in 2020-21. In light of the updated enrollment data, the Legislature may wish to reconsider providing CSU any enrollment growth funding in 2022-23.

Recommend Setting Enrollment Target for 2023-24. We recommend the Legislature set a target enrollment level for 2023-24 in the 2022-23 Budget Act. Given the concerns about unrestricted base increases that will be discussed in the next issue, we recommend providing enrollment growth funding to cover the associated cost rather than having CSU accommodate the cost from within its base funding. We estimate that every 1 percent growth in resident undergraduate enrollment in 2023-24 would add about 3,500 FTE students, at a General Fund cost of around \$35 million. We recommend scheduling any funds for growth in 2023-24 to be appropriated in the 2023-24 budget, as this approach allows the state more easily to align funding with updated enrollment estimates for that year.

STAFF COMMENT

Despite recent decline, still signs that there is unmet demand for many CSU campuses. There are some indications that CSU's recent enrollment drop is not a long-term trend. The system has reported a 3% increase in applications for Fall 2022 when compared to Fall 2021, with a significant increase in freshman applicants (about 12%), offset by a decrease in community college transfer applications. CSU campuses also are making an effort to add back enrollment this Spring. Finally, the Subcommittee has long been interested in ensuring that more qualified CSU students gain admittance

to their campus of choice, and staff notes that there were still about 15,000 applicants who met minimum CSU qualifications in Fall 2020 but were redirected to a campus other than the one to which they applied.

On the other hand: the smaller 2021-22 class and continuing community college enrollment declines may have multi-year impacts on overall CSU enrollment.

Legislature may wish to consider year-to-year enrollment issue. Staff concurs with the LAO's assessment that the current Governor's Budget proposal requires more discussion. Under the proposal, CSU would receive extra funding to increase enrollment, but enrollment would still be lower than it was three years ago. The last enrollment funding provided to CSU by the state was in the 2019-20 budget, when the system received \$85 million to support 10,000 more students. Under the Governor's Budget proposal, the state would have provided \$166 million in ongoing funding to support 19,434 more students between 2019-20 and 2022-23, but CSU would enroll nearly 3,000 fewer resident undergraduates in 2022-23 when compared to 19-20.

Staff notes that CSU is requesting the full amount provided in the Governor's Budget, and intends to meet the enrollment target as it is specified in the Budget Act. Further, CSU argues that it has historically enrolled thousands of California students above and beyond state enrollment targets and funding, and even with the enrollment decline in 2021-22, it will still be enrolling more California students than state funding has supported. Staff notes that the "unfunded student" argument has not been part of this Subcommittee's enrollment discussions in recent years. Enrollment growth has typically been considered additional students based on current or very recent enrollment levels, not historical targets.

The Subcommittee could consider the following questions:

- What is the most current information on CSU enrollment? What does CSU project to be final 2021-22 numbers? Will campuses be successful in adding enrollment this Spring?
- Is the Department of Finance comfortable with providing CSU enrollment growth funding despite enrollment levels projected at less than they were two years ago?
- What are the long-term trends for CSU enrollment? Which campuses are poised to increase enrollment in the next few years? Can CSU grow beyond the 1% target announced as part of the compact with the Governor?

Staff Recommendation: Hold open until after the May Revision.

ISSUE 2: BASE BUDGET

The Subcommittee will review the Governor's Budget proposal to provide a 5% base increase (\$211.1 million ongoing General Fund) for CSU core operations.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Nathan Evans, California State University Chancellor's Office

BACKGROUND

CSU Has Several Core Operating Costs. Like most state agencies, CSU spends the majority of its ongoing core funds (about 75 percent in 2020-21) on employee compensation, including salaries, employee health benefits, and pensions. Beyond employee compensation, CSU spends its core funds on other annual costs, such as paying debt service on its systemwide bonds, supporting student financial aid programs, and covering other operating expenses and equipment (OE&E). Each year, campuses typically face pressure to increase employee salaries at least at the pace of inflation, with certain other operating costs (such as health care, pension, and utility costs) also tending to rise over time. Though operational spending grows in most years, CSU has pursued certain actions to contain this growth. For example, CSU has pursued certain procurement practices and energy efficiency projects with the aim of slowing associated cost increases.

The 2022-23 budget plan approved by the CSU Trustees reports several significant cost increases over the current year, including \$223.3 million in increased salary and benefits costs and \$40.5 million in other cost increases, such as energy and facilities maintenance. Additionally, the Trustees' budget includes about \$2 billion in reserves.

State Has Primarily Supported CSU Operations Through Unrestricted Base Increases. The state and CSU have two main means to cover CSU's operational cost increases: (1) state General Fund augmentations and (2) additional revenue from tuition increases. Since 2013-14, the state has provided CSU with base General Fund increases in all years but one. (In 2020-21, the state reduced General Fund support for CSU to address a projected shortfall in revenues due to the pandemic. The funds were restored the following year.) In most years, the base increases have appeared to be set arbitrarily, without a direct link to CSU's specific operating cost increases. In addition to these base increases, the state has provided General Fund each year to cover changes in certain CSU pension and retiree health costs. Over the same time period, CSU has increased tuition only once, raising systemwide charges by 4.9 percent for undergraduate and teacher credential students and 6.5 percent for graduate students

in 2017-18.

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget proposes a \$211 million (5 percent) unrestricted General Fund increase for CSU in 2022-23. (As part of his multiyear compact, the Governor proposes to provide 5 percent base increases annually through 2026-27, with future increases linked with CSU meeting certain expectations.) In addition to the 5 percent base increase, the Governor's budget would provide a combined \$162 million for CSU pension and retiree health cost increases.

The Governor's Budget also signals that future budgets will provide CSU with 5% increases annually, which are intended to cover cost increases, 1% enrollment undergraduate enrollment growth, and other activities related to the compact announced in January.

LAO ANALYSIS AND RECOMMENDATION

Analysis

Base Increases Are Poor Approach to Budgeting for Operating Costs. As we have said in many previous publications, base increases are a poor approach for two reasons. First, they lack transparency. The Governor does not identify how CSU is to use its base increase. Moreover, CSU itself does not adopt a corresponding spending plan until after final budget enactment in June. Second, given the purpose of the funding is unspecified, the amount of proposed augmentations are arbitrary, lacking clear justification based on documented cost increases.

Some Compensation Costs Are Set to Increase in 2022-23. Each year, CSU faces cost increases related to employee benefits. While the state covers the cost of certain retirement-related benefits for CSU employees, CSU covers the cost of other benefits, including employee health, from its base funding. For 2022-23, CSU estimates the cost of providing employee health benefits will increase by \$14 million due to rising premiums. In addition, CSU faces costs due to salary increases. CSU recently negotiated a tentative agreement with its largest employee group, the California Faculty Association (CFA), which accounts for about half of its salary pool. The tentative agreement links faculty salary increases in 2022-23 to the base increase the state provides CSU. If the state provides a base increase between \$200 million and \$300 million, CFA would receive a 3 percent general salary increase. Were the state to provide a base increase of \$300 million or higher, CFA would receive a 4 percent general salary increase. At the Governor's proposed base increase of \$211 million, CSU anticipates that the associated CFA salary provisions cost \$86 million. (All cost estimates we cite for increases in the salary pool also include the cost of employer contributions for certain salary-driven benefits—namely pensions, social security, and Medicare.)

CSU Is Likely to Face Additional Cost Pressures Related to Salary Increases. As of this writing, most of CSU's nonfaculty employees either have open contracts for 2022-23 or are non-represented. CSU estimates the cost of every 1 percent increase in its salary pool for these other employees is approximately \$23 million. When deciding how much funding to provide for salary increases in 2022-23, the Legislature may wish to consider findings from an upcoming study to evaluate CSU's existing staff salary structure and consider alternative salary models. The state funded this study in the 2021-22 Budget Act, and the CSU Chancellor's Office is to report the findings to the Legislature and Department of Finance by April 30, 2022. Additionally, the Legislature may wish to consider the effects of inflation, which is anticipated to be at its highest level in several decades, likely generating pressure for larger-than-typical salary increases.

CSU Has Identified Three Other Operating Cost Pressures. These costs consist of a statutory increase in the minimum wage (primarily affecting CSU's student workers), inflation on OE&E, and the ongoing maintenance of new facilities. Campuses have somewhat limited flexibility to affect these costs. In 2022-23, CSU estimates that costs in these areas will increase by a total of \$40 million.

Recommendation

Build Base Increase Around Identified Operating Cost Increases. We recommend the Legislature decide the level of base increase to provide CSU by considering the operating cost increases it wants to support in 2022-23. This could include employee health benefits (\$14 million), salary increases for employee groups with previously negotiated agreements (\$86 million at the Governor's proposed base funding level), increases in the salary pool for other employee groups (around \$23 million for each 1 percent increase), and various other operating costs identified by CSU (\$40 million). For illustration, at the Governor's proposed augmentation level (\$211 million), the Legislature could cover benefit cost increases, the previously negotiated salary increases, an approximately 3 percent increase in the salary pool for all other employee groups, and certain other operating costs identified by CSU.

STAFF COMMENT/POTENTIAL QUESTIONS
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Staff concurs with the LAO's concern that base increases lack transparency and limit legislative oversight. However, base increases have been a regular part of recent budget acts, and act as a general cost-of-living adjustment for campuses. The base increase model may be more problematic in the out years of the CSU compact, when the Administration will propose a 5% base increase that is intended to support undergraduate and graduate student enrollment increases, numerous activities outlined in the compact, and cover cost increases. (As noted earlier, this year's proposal includes specified enrollment funding based on the agreement in the 2021 Budget Act.)

Should unspecified base increases continue, the Subcommittee could consider more detailed reporting requirements that could provide information on how the segment uses increased funding.

CSU requesting significantly more than Governor proposes. Based on the budget approved by CSU Trustees, CSU is asking for \$381 million more in ongoing funding, on top of the funding provided in the Governor's Budget. This extra funding would cover Graduation Initiative 2025 activities in 2022-23 and beyond, and further address compensation issues. As the LAO noted, the segment's recent contract with faculty provides a 3% salary increase for faculty if CSU receives at least \$200 million in base support from the state, but would increase to 4% if CSU receives more than \$300 million. In addition, the April report regarding non-faculty staff salaries will likely suggest more funding is needed to address years-old compensation issues that can disadvantage experienced workers.

The Subcommittee could consider the following questions for the Department of Finance and CSU:

- Aside from procurement reform, are there any other reforms CSU can implement to cut costs?
- How will CSU use this 5% increase? What types of cost increases will be covered by this 5%? What activities or spending would CSU not pursue if there was no increase above the Governor's Budget?
- How did the Administration land on 5% increases as the appropriate number? Does the Administration have a vision for how CSU will use this funding in the future – for example, how much will go toward enrollment growth, versus other cost increases or compact activities?

Staff Recommendation: Hold open until after the May Revision.

ISSUE 3: DEFERRED MAINTENANCE

The Subcommittee will discuss the Governor's Budget proposal to provide \$100 million one-time General Fund to support deferred maintenance and energy efficiency projects.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Elvyra San Juan, California State University Chancellor's Office

BACKGROUND

Like most state agencies, CSU campuses are responsible for funding the maintenance and operations of their buildings from their support budgets. When campuses do not set aside enough funding from their support budgets to maintain their facilities, they begin accumulating backlogs. These backlogs can build up over time, especially during recessions when campuses sometimes defer maintenance projects as a way to help them cope with state funding reductions.

CSU reports more than \$5.8 billion in deferred maintenance. In January, CSU provided a report to the Legislature on its deferred maintenance and capital renewal needs. CSU reports having a total ten-year capital renewal need of \$2.8 billion, on top of an existing \$5.8 billion maintenance backlog. As the LAO chart below shows, CSU estimates it would need to spend an average of \$284 million annually over the next ten years to address its capital renewal needs and prevent its backlog from growing, as well as an additional \$584 million annually to eliminate its existing backlog. The combined amount is \$686 million more than the best available estimate of CSU's current annual spending on these types of projects (\$182 million).

Figure 6

CSU Reports Considerable Maintenance and Capital Renewal Needs
(In Millions)

Total Costs	
Projected ten-year renewal need	\$2,842
Existing maintenance backlog ^a	5,838
Total	\$8,679
Average Annual Cost^b	
Capital renewal costs	\$284
Existing maintenance backlog	584
Total	\$868
Existing Annual Spending^c	\$182
Gap in Annual Spending	\$686

^a Does not reflect projects that have been funded but not yet completed.
^b Reflects estimates of amounts CSU would need to spend each year for ten years to prevent its backlog from growing while also eliminating the existing backlog.
^c Reflects average annual operating expenditures on major repairs and renovations from 2017-18 through 2019-20.

State has provided significant deferred maintenance funding. The state has sought to help CSU address its deferred maintenance backlog during the past several years. The chart below was prepared by the LAO and shows recent funding for deferred maintenance projects.

Figure 7

State Has Provided Funding to Address Deferred Maintenance at CSU

One-Time Funds (In Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
General Fund	\$25	\$35	—	\$35	\$239 ^{a,b}	—	\$325 ^c

^a The 2020-21 budget package allowed CSU to repurpose unspent 2019-20 deferred maintenance funds for other operational purposes.

^b Amount was provided for deferred maintenance or campus-based child care facilities.

^c Amount was provided for deferred maintenance or energy efficiency projects.

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget proposes \$100 million one-time General Fund to CSU to support deferred maintenance and energy efficiency projects. Budget bill language would direct the administration to report to the Legislature on the specific projects selected within 30 days after the funds are released to CSU.

LAO ANALYSIS AND RECOMMENDATION

Analysis

Proposal Reflects a Prudent Use of One-Time Funding. Providing funds for deferred maintenance projects would address an existing need that is growing. Addressing this need can help avoid more expensive facilities projects, including emergency repairs, in the long run. Funding energy efficiency projects also could be beneficial, as these projects are intended to reduce campuses' utility costs over time.

One-Time Funding Does Not Address Underlying Cause of Backlog. Deferred maintenance backlogs tend to emerge when campuses do not consistently maintain their facilities and infrastructure on an ongoing basis. Based on its estimates, CSU would need to increase its ongoing spending on maintenance and capital renewal by more than \$100 million just to keep the backlog from growing. (This reflects the gap between CSU's average annual capital renewal costs of \$284 million and its existing annual spending of \$182 million.) Although one-time funding can help reduce the backlog in the short term, it does not address the underlying ongoing problem of underfunding in this area.

Recommendations

Consider Governor's Proposal as a Starting Point. To address CSU's maintenance backlog, we recommend the Legislature provide at least the \$100 million proposed by the Governor. As it deliberates on the Governor's other one-time proposals and receives updated revenue information in May, the Legislature could consider providing CSU with more one-time funding for this purpose. (Though we focus on CSU in this budget brief, other state agencies also have deferred maintenance backlogs. The Legislature could consider providing one-time funding to address these backlogs too, particularly as the Governor has not proposed funding to most other agencies for this purpose in 2022-23.)

Consider Developing Strategy to Address Ongoing Maintenance and Capital Renewal Needs. In addition to providing one-time funding for deferred maintenance, we encourage the Legislature to begin developing a long-term strategy around university maintenance and capital renewal needs. Potential issues to consider include timing, fund sources, ongoing versus one-time funds, and reporting. Given the magnitude of the ongoing maintenance and capital renewal needs at the universities, developing such a strategy would likely require significant planning beyond the 2022-23 budget cycle.

STAFF COMMENT/POTENTIAL QUESTIONS
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As noted above, campuses and other public agencies typically develop deferred maintenance backlogs during recessions, when funding is limited or cut, and decisions are made to forego maintenance to focus on core activities. Staff notes that aside from the 2020-21 cut in state funding, which was restored last year, CSU has received significant increases in state support for the last decade. Enrollment growth has also occurred in most years, which brings in new tuition revenue.

Thus, it is frustrating to see continual growth in the deferred maintenance backlog. Staff concurs with the LAO recommendation that a long-term plan to eliminate this backlog and ensure that CSU can properly maintain its buildings is needed.

The Subcommittee could consider the following questions:

- Why hasn't CSU been able to reduce its backlog during the past several years, when state support has generally been increasing?
- Are there any CSU campuses that have decreased deferred maintenance backlogs in recent years? Do any campuses have a plan to eliminate their backlog?
- What kind of agreement could the state and CSU develop to resolve this problem?

- Is facilities maintenance included as a component of enrollment growth funding?
Are CSU campuses using some amount of ongoing state General Fund operational funding for maintenance?

Staff Recommendation: Hold open until after the May Revision.

ISSUE 4: CLIMATE CHANGE PROPOSALS/CAPITAL OUTLAY

The Subcommittee will discuss the Governor's Budget proposals to provide \$83 million one-time General Fund to construct the CSU Bakersfield Energy Innovation Center and \$50 million one-time General Fund to upgrade equipment and facilities at CSU's four university farms.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Elvyra San Juan, California State University Chancellor's Office
- Ryan Storm, California State University Chancellor's Office

BACKGROUND

CSU Has a Multiyear Capital Outlay Plan. Under state law, CSU submits a capital outlay plan annually to the Legislature by November 30. The plan includes a list of projects proposed for each campus over the next five years, as well as the associated costs. The most recent plan identifies \$16.4 billion in academic facility projects (and \$7 billion in self-supported projects) proposed for 2022-23 through 2026-27. For 2022-23, the plan identifies 23 priority academic facility projects costing a total of \$3.1 billion. CSU primarily finances its academic facility projects through university bonds, paying the associated debt service from its General Fund support appropriation. At times (including most recently in the 2021-22 Budget Act), the state has also provided one-time General Fund to support specific CSU capital outlay projects on a pay-as-you-go basis.

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget proposes the following:

- \$83 million one-time General Fund to construct the Energy Innovation Center at CSU Bakersfield. A Capital Outlay Budget Change Proposal for this project indicates it will construct a new building to support the growth for the School of Natural Sciences, Mathematics and Engineering. The building would provide classrooms, research labs, faculty offices, instructional support space for computer science, engineering, and physics, and a 240-seat auditorium.
- \$50 million one-time General Fund to acquire equipment and construct or modernize facilities at four CSU-operated farms. Four campuses (Chico, Fresno, Pomona, and San Luis Obispo) operate university farms to support instruction and research in their agriculture programs. Provisional language indicates the

funds are “to support program efforts to address climate-smart agriculture and other climate-related issues.”

Both proposals are part of a larger climate-change plan in the Governor’s Budget, which includes funding proposals in housing, transportation, healthcare and for the University of California.

LAO ASSESSMENT AND RECOMMENDATIONS

Climate-Related Research Space Is a Small Element of Proposed CSU Bakersfield Building. Although the building would include space for research on climate-related issues, research is only a small portion of the project proposal. Based on project data from CSU, research space accounts for only about 10 percent of the assignable space within the proposed building. The largest component of the building is instructional space, primarily consisting of teaching labs for the engineering, physics, and computer science programs. Other building components include a 240-seat auditorium, faculty offices, and student study space. That is, the bulk of the proposed funding would likely go to typical academic facility costs, without a direct nexus to climate innovation. In addition, 13 percent of the assignable space within the proposed building is for the campus’s extended education programs—a self-supported enterprise that typically would be expected to fund its own facility projects.

Climate Benefits of University Farms Proposal Are Likely Minor. Similar to the CSU Bakersfield proposal, the university farms proposal primarily would support capital improvements for certain academic programs—in this case, agriculture programs at four CSU campuses. CSU has submitted a list of 14 projects that the four campuses would pursue with the proposed funds. The list includes some projects with climate-related objectives, such as replacing older farm vehicles with electric vehicles and upgrading irrigation systems to conserve water. However, the climate-related objectives are less clear for other proposed projects, such as adding space to a meat lab, replacing a beekeeping lab, and modernizing horticulture facilities. On the whole, it is uncertain whether the climate benefits of the proposed university farm projects would exceed the climate benefits of other capital projects that CSU routinely undertakes—including the energy efficiency projects discussed in the previous section.

Other CSU Capital Outlay Priorities Outrank Governor’s Proposals. CSU’s 2022-23 capital outlay priority list does not include any projects at the university farms, suggesting other capital needs are likely of greater urgency systemwide. Although the CSU Bakersfield building does appear on CSU’s priority list, it ranks 11th out of the 23 projects. The ten projects ranked above it include infrastructure improvements across the 23 campuses, as well as four projects to address seismic deficiencies at specific campuses. We think it is reasonable to prioritize these projects over the Bakersfield project, given that they address issues relating to life safety and the continuation of existing campus operations. If the Legislature wishes to add space for engineering

programs as the Governor is proposing, CSU's top ten priorities also include two other such projects—at the San Marcos and Sacramento campuses. We think these latter two projects have stronger justification than the Bakersfield project, as the San Marcos and Sacramento campuses utilize their existing teaching lab and classroom space at notably higher rates than the Bakersfield campus. Moreover, the engineering program at the San Marcos campus is impacted (meaning it cannot accommodate existing enrollment demand).

Consider Proposals a Lower Spending Priority. We do not see a strong rationale for prioritizing either the CSU Bakersfield Energy Innovation Center or the university farm equipment and facility improvements. Based on our assessment, neither proposal is likely to have major climate benefits, and neither reflects the highest capital outlay priorities at CSU. The Legislature could consider redirecting the proposed funds to other capital purposes. (Because both of the Governor's proposals are excludable from the state appropriations limit, the Legislature very likely would need to use the associated funds for excludable purposes.) This could include capital improvements at CSU, such as addressing its maintenance backlog or funding higher-priority academic facility projects. Alternately, it could include capital purposes elsewhere in the budget that have a clearer focus on climate change research and development, such as the Governor's proposed industrial decarbonization program at the California Energy Commission.

STAFF COMMENT

While both proposals have merit and would benefit CSU and CSU students, staff concurs with the LAO that the nexus between these proposals and efforts to address climate change is thin. The Subcommittee could consider these projects or other CSU capital projects.

For example, the Subcommittee has received a request for \$46 million in one-time General Fund to build a new facility for the Human Identification Laboratory at the Chico campus, which is a forensic anthropology laboratory that works statewide in the recovery of missing persons, analyzing, and identifying their remains, and presenting vital information to resolve criminal cases.

In addition, the chart on the following page is CSU's capital outlay priorities for 2022-23. CSU has requested approval to use its own borrowing authority to support six projects on the list; but all projects on this list could benefit from state funding. In addition, trailer bill language in the 2021 Budget Act created the Higher Education Capacity Expansion Grant Program, intended to provide one-time grants for capacity expansion projects to support increased California resident enrollment at all three public higher education segments. While the program was established, it was not funded.

2022-2023 Capital Outlay Program

Cost Estimates are at Engineering News Record California Construction Cost Index 8287 and Equipment Price Index 4281

ACADEMIC PROJECTS LIST

(Dollars in 000s)

Priority Order	Category	Campus	Project Title	FTE	Phase	Campus Reserves/ Other	SRB-AP ¹	Total Budget	Cumulative Total Budget	Cumulative SRB-AP Budget
1	IA/IB	Statewide	Infrastructure Improvements ²	N/A	PWC	27,581	954,780	982,361	982,361	954,780
2	IA	Chico	Utilities Infrastructure ³	N/A	PWC	6,742	91,245	97,987	1,080,348	1,046,025
3	IA	East Bay	Library Seismic (West Wing Relocations)	N/A	PWCE	2,860	25,749	28,609	1,108,957	1,071,774
4	II	San Marcos	Integrated Sciences & Engineering Building	1,024	PWCE	2,258	55,916	58,174	1,167,131	1,127,690
5	IB	Long Beach	Peterson Hall 1 Replacement Bldg. (Seismic) ⁴	-2,131	WCE	10,000	142,669	152,669	1,319,800	1,270,359
6	IB	Dominguez Hills	Natural Sciences & Math Bldg Reno. (Seismic)	198	WCE	0	82,142	82,142	1,401,942	1,352,501
7	IB	Fullerton	Science Laboratory Replacement (Seismic)	1,719	PWCE	7,864	93,474	101,338	1,503,280	1,445,975
8	IB	Sacramento	Engineering Replacement Building	80	PWCE	14,589	85,138	99,727	1,603,007	1,531,113
9	II	Stanislaus	Classroom II	1,917	PWCE	3,688	93,473	97,161	1,700,168	1,624,586
10	IB	Sonoma	Ives Hall Renovation	0	PWC	0	47,225	47,225	1,747,394	1,671,812
11	II	Bakersfield	Energy & Engineering Innovation Building	336	PWCE	4,660	78,515	83,175	1,830,569	1,750,327
12	IB	San Diego	Life Science North Replacement	N/A	PWCE	0	162,063	162,063	1,992,632	1,912,390
13	IB/II	Pomona	Library Renovation & Addition, Phase II	234	PWCE	0	73,517	73,517	2,066,149	1,985,907
14	IB	Northridge	Sierra Hall Renovation	0	PWCE	3,461	134,978	138,439	2,204,588	2,120,885
15	IB/II	San Francisco	Multidisciplinary Academic Building 1	2,485	PWCE	17,658	158,920	176,578	2,381,166	2,279,805
16	II	Monterey Bay	Academic/Science Building IV	322	PWCE	12,000	92,000	104,000	2,485,166	2,371,805
17	II	Fresno	Concert Hall	0	PWCE	18,107	41,893	60,000	2,545,166	2,413,698
18	II	San Bernardino	Interdisciplinary Science Laboratory	103	PWCE	10,000	140,000	150,000	2,695,166	2,553,698
19	II	Los Angeles	Classroom Replacement	5,907	PWCE	0	106,903	106,903	2,802,069	2,660,601
20	II	Maritime Academy	Academic Building A/Learning Commons, Part 1	36	PWCE	1,823	91,893	93,716	2,895,785	2,752,494
21	II	San Bernardino	Palm Desert Student Services Building	445	PWCE	5,200	73,800	79,000	2,974,785	2,826,294
22	II	Northridge	Equity Innovation Hub	0	PWCE	30,000	19,998	49,998	3,024,783	2,846,292
23	II	Dominguez Hills	Child Care & Child Development Center	N/A	PWCE	0	37,236	37,236	3,062,020	2,883,529
Total Academic Projects				12,675		\$ 178,491	\$ 2,883,529	\$ 3,062,020	\$ 3,062,020	\$ 2,883,529

P = Preliminary Plans W = Working Drawings C = Construction E = Equipment

Categories:

- I Existing Facilities/Infrastructure
 - A. Critical Infrastructure Deficiencies
 - B. Modernization/Renovation
- II Growth/New Facilities

Notes:

¹ SRB-AP: Systemwide Revenue Bonds - Academic Program² The Infrastructure Improvements Program addresses smaller scale utility, building systems renewal, ADA, seismic strengthening, and minor upgrades. Projects are listed separately on the following page. [The list does not include State Deferred Maintenance or Cap & Trade funding requests.]³ Projects in *red italics* have previously received approval by the Board of Trustees and Department of Finance, and are included only relative to the project funding total.⁴ Projects in *italics* have been approved by the Board of Trustees and are included only relative to the project funding total.**Staff Recommendation: Hold open until after the May Revision.**

ISSUE 5: FOSTER YOUTH SUPPORT

The Subcommittee will review the Governor's Budget proposal to provide \$12 million ongoing General Fund for current and former foster youth support programs.

PANEL

- Jennifer Louie, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Nathan Evans, California State University Chancellor's Office
- Ryan Storm, California State University Chancellor's Office

BACKGROUND

Notable Disparities Exist for Foster Youth. National data indicate foster youth enrolling in higher education are less likely to complete a bachelor's degree than their peers. The available data indicate foster youth in California also tend to have lower graduation rates. Though CSU does not track the graduation rates of its foster youth students, UC reports that foster youth who entered UC as freshmen in fall 2012 or fall 2013 had a six-year graduation rate of 68 percent, compared to 84 percent for their non-foster youth peers. Similarly, foster youth who entered UC as transfer students from fall 2012 through fall 2015 had a four-year graduation rate of 80 percent, compared to 88 percent for their peers. In addition to academic differences, research shows that foster youth students face other disparities. Based on a 2018 CSU study, 63 percent of foster youth attending CSU reported experiencing food insecurity, compared to 42 percent of all CSU students. In addition, 25 percent of foster youth reported being homeless at least once in the past 12 months, compared to 11 percent of all students.

Nearly All CSU Campuses Currently Have Foster Youth Programs. Of CSU's 23 campuses, 21 currently have a foster youth program, and an additional campus is actively developing one. (The remaining campus, Maritime, enrolls fewer than 1,000 total students.) These foster youth programs go by various names, including Guardian Scholars, Renaissance Scholars, and Promoting Achievement Through Hope. The specific services provided by these programs vary by campus but commonly include academic and career advising, financial assistance, workshops, and social events. (In addition, all CSU campuses are required under state law to support current and former foster youth in several other ways, including by providing tuition waivers, priority registration for courses, and priority for on-campus housing.) CSU indicates that about 1,300 current and former foster youth, out of an estimated 2,700 current and former foster youth enrolled across the system, currently are participating in campus foster youth programs.

CSU's Programs Rely Partly on External, Partly on State Support. Comprehensive spending data on foster youth support services across all CSU campuses is not available. However, CSU reports that 12 campuses are spending a combined \$3.4 million annually on their foster youth programs. More than half of this funding comes from external sources such as grants and donations, with the remainder coming primarily from the state (through base funding and certain student support programs).

Other Programs Also Provide Financial Assistance to Foster Youth. The California Student Aid Commission administers the Chafee Educational and Training Vouchers Program, a federal program that provides grants of up to \$5,000 annually to students who were in foster care between the ages of 16 and 18. The Governor's budget includes \$17 million (primarily in federal funds) for the Chafee program in 2022-23 to provide awards to about 3,500 students across all higher education segments. In addition, foster youth receive support through Cal Grants, the state's main financial aid program. State law provides foster youth with expanded eligibility for Cal Grants, including by setting a higher age limit, a later application deadline, and a longer award duration. The Cal Grant program typically covers tuition for financially needy students at CSU. The 2021-22 budget also increased the Cal Grant access award (which is intended to cover nontuition expenses such as food and housing) to \$6,000 for current and former foster youth, compared to \$1,648 for most other low-income students.

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget proposes \$12 million ongoing General Fund to CSU for current and former foster youth support programs.

Under the proposed trailer bill language, the Chancellor's Office would develop a formula to allocate the funds to campuses offering foster youth programs. (The proposed funding level assumes each campus would receive a base allocation of the following actions: between \$75,000 and \$150,000 depending on its program size, in addition to \$4,250 per participant. The administration estimates the program would serve a total of approximately 2,200 participants.) Campuses could use their funds for a broad range of foster youth services, including outreach, service coordination, academic advising, career guidance, health and mental health service referrals, and financial assistance. (These are largely the same services that state law directs participating community colleges to provide under the NextUp foster youth program, reflecting the administration's intent to align foster youth support services across segments. The Governor has a similar proposal for UC.) The trailer bill language indicates that services provided under the proposal are intended to supplement and not supplant existing foster youth services provided by the campus, county, or state. The language also requires CSU to submit a report on foster youth services and outcomes every two years beginning March 31, 2024.

**LAO ASSESSMENT AND
RECOMMENDATIONS**

Additional Support for Foster Youth Could Be Warranted. Providing additional support targeted for foster youth could help address their academic disparities as well as their higher rates of food and housing insecurity. It also would align with the Legislature's broader interest in addressing equity gaps at CSU.

Proposed Program Structure and Reporting Requirements Have Merit. Because the proposed trailer bill language offers campuses flexibility to determine how the funds are used, campuses could integrate the funds with their existing foster youth programs. Given that these programs currently rely heavily on external funding, ongoing state funding could allow for greater stability in services from year to year, as well as greater capacity to expand services and potentially support more students. In addition, the proposed reporting requirement would enable the Legislature to monitor program outcomes. Specifically, the recurring report would provide information on the foster youth services provided by CSU campuses; detail on the use of the proposed state funds and any other funds for foster youth services; and enrollment, retention, and completion rates for foster youth by campus.

Consider Proposal Among Ongoing Spending Priorities. Given the proposal addresses a documented problem, aligns well with existing foster youth programs, and contains provisions for legislative oversight, the Legislature has clear reasons to adopt the Governor's proposed augmentation. The Legislature, however, may wish to weigh this proposal against its other ongoing spending priorities for CSU. The Legislature, for example, could consider using the \$12 million to bolster core ongoing operations at CSU, as helping CSU recruit and retain staff can promote overall program quality. (In the "Base Increase" section of this brief, we highlight the salary pressures CSU is facing, particularly in light of high inflation.) Another option would be to use the \$12 million for other existing student support programs at CSU, including the Graduation Initiative, which is intended to improve student outcomes and close equity gaps across all student groups.

STAFF COMMENT

As noted above, the Legislature has sought to bolster support for foster youth in higher education programs over the last several years. In addition to financial aid, the state provides funding to community colleges for a program called NextUp, which supports current and former foster youth on 45 campuses with services, including: consultation and eligibility verification; service coordination and referral; counseling; book and supply grants; tutoring; independent living and financial literacy skills support; career guidance; transfer counseling; child care and transportation assistance; and referrals to health services, mental health services, housing assistance and other related services. A 2020 report on this program showed that across multiple student success metrics, foster

youth participating in the program outperformed foster youth not in the program. Replicating these kinds of services at CSU could similarly boost outcomes for these students at CSU campuses.

Staff notes that further discussion about the trailer bill language regarding this proposal is needed. The Subcommittee has received a letter of support for the overall proposal from John Burton Advocates for Youth, the Cal State Student Association, the UC Student Association, and California Youth Connection, but the groups suggest that the language should be more proscriptive and require campuses to have a designated staff director or coordinator with experience relevant to working with foster youth and former foster youth, dedicated campus office and meeting space, and other specific services; the language currently states these actions should be taken “if feasible.”

Staff Recommendation: Hold open until after the May Revision.

ISSUE 6: GRADUATION INITIATIVE

The Subcommittee will review CSU's progress on Graduation Initiative 2025.

PANEL

- Nathan Evans, California State University Chancellor's Office
- Ryan Storm, California State University Chancellor's Office

BACKGROUND

Initiative has improved overall graduations rates, but equity gaps remain unchanged. Graduation Initiative 2025, the second iteration of CSU's Graduation Initiative, has specific campus and system-wide goals for improving graduation rates. The chart below, from the *CSU 2022-23 Operating Budget* document, shows systemwide data from 2016-2021. CSU reports the following positive outcomes:

- The number of students who annually earn a baccalaureate degree has increased by nearly 25,000.
- The systemwide four-year graduation rate increased two percentage points to 33 percent from the previous year and 14 percentage points since 2015.
- The systemwide six-year graduation rate increased one percentage point to 63 percent, continuing to exceed the national average for public four-year universities.
- The CSU is on track overall to meet its systemwide graduation rate goals by 2025.

TABLE 4: CSU SYSTEMWIDE GRADUATION INITIATIVE PROGRESS

			2016	2017	2018	2019	2020	2021	2025 GOAL
GRADUATION RATES	First-Time Students	4-Year	21%	23%	25%	27%	31%	33%	40%
		6-Year	59%	59%	61%	62%	62%	63%	70%
	Transfer Students	2-Year	33%	35%	38%	40%	44%	44%	45%
		4-Year	74%	75%	77%	77%	79%	80%	85%
EQUITY GAPS (in percentage points)	Underserved Students of Color		12.0	12.2	10.5	11.1	10.5	12.4	0.0
	Pell Grant Recipients		10.0	10.6	9.5	10.2	9.2	10.2	0.0

However, as the chart indicates, there has been little progress toward the goal of eliminating the differences in graduation rates between students of color and all students, and the differences in graduation rates between low-income students and all students. To address this, the CSU announced an action plan with five priorities:

- Advance systemwide campus campaigns to re-engage and re-enroll underserved students;
- Expand credit earning opportunities with summer and intercession sessions funding;
- Ensure equitable access to digital degree planners/roadmaps;
- Eliminate administrative barriers to graduation; and
- Promote equitable learning practices and reduce DFW (D, F, Withdrawal) rates

State, CSU have spent significantly on this program. Ongoing spending on the Graduation Initiative 2025 has grown to about \$300 million since 2017-18, with another \$57.1 million in one-time funds. (These figures include both state General Fund and student tuition.) Funding has supported hiring more faculty and increased advising, counseling and financial aid for students, in addition to numerous other activities.

CSU hopes to dedicate \$75 million toward further Graduation Initiative activities in 2022-23.

GOVERNOR'S 2022-23 BUDGET PROPOSAL

The Governor's Budget does propose specific funding for the Graduation Initiative.

STAFF COMMENT/POTENTIAL QUESTIONS

Staff notes that 2021 progress came despite the COVID-19 pandemic; CSU administrators, faculty, staff and students should be celebrated for this! The lack of improvement in closing equity gaps in graduation rates remains troubling, however. The Subcommittee may wish to ask the following questions of CSU:

- How has the pandemic impacted progress toward graduation for CSU students, and how have campuses sustained GI 2025 programs during this period?
- What specific activities or programs will CSU utilize to address its equity gaps in graduation rates?
- Have any campuses eliminated equity gaps? If so, what types of practices/activities contributed to this progress?

- Are all campuses on target to meet their overall graduation rate goals, or is there wide variance among the campuses?
- How will CSU's recent enrollment decline impact graduation rates, and Graduation Initiative goals?

**6100 CALIFORNIA DEPARTMENT OF EDUCATION
6360 COMMISSION ON TEACHER CREDENTIALING****ISSUE 7: CRADLE TO CAREER DATA SYSTEM**

This issue will cover updates and proposals regarding interagency needs for the Cradle to Career Data System.

PANEL

The following individuals will present on this issue:

- Alex Shoap, DOF
- Amy Li, LAO
- MaryAnn Bates, Cradle to Career
- Cindy Kazanis, CDE

BACKGROUND**Cradle 2 Career Data System**

California's education system is made up of numerous segments and other entities. Specifically, the system includes early education programs, elementary and secondary schools, county offices of education, community colleges, and universities in both the public and private sectors. Currently, each of these entities collects and maintains data on its students, but the data generally are not linked across the segments of education (such as from high school to community college). Not linking data limits the ability of policymakers, educators, researchers, parents, and others to get answers to many basic questions about student progression from preschool through K-12 education, through higher education, and into the workforce.

As part of the 2019-20 budget package, Chapter 51 of 2019 (SB 75, Committee on Budget and Fiscal Review) provided \$10 million one-time non-Proposition 98 General Fund to the OPR for initial work related to developing an integrated data system. The budget package included intent language that the data system be built to "advance academic and governmental research on improving policies from birth through career" as well as "create direct support tools for teachers, parents, advisors, and students."

California College Guidance Initiative. CCGI offers access to college planning, financial aid, and career exploration tools to students from grades six to 12 through its online platform [CaliforniaColleges.edu](https://californiacolleges.edu). CCGI also partners with school districts to streamline the college application process through verified electronic transcripts. Partner districts can upload verified academic transcript data onto the platform and into students' accounts. When students from these partner districts apply to a California Community College (CCC) or California State University (CSU), certain high school data

is shared. The college or university, in turn, can use the data to inform decisions about admissions and course placement. As of 2021-22, 95 school districts participate in CCGI.

CCGI Is Funded Through Mix of Proposition 98, Fee Revenue, and Philanthropy.

In 2018-19, the state provided CCGI \$3.5 million ongoing Proposition 98 for operational costs. The state currently funds CCGI as part of the California Department of Education's budget, with Riverside County Office of Education (COE) and the nonprofit Foundation for California Community Colleges acting as intermediaries. CCGI generates some additional funding by collecting fees from participating districts and charter schools—\$2 per middle school student and \$2.75 per high school student. Fee revenue for 2021-22 was slightly less than \$700,000. CCGI also receives funding from private philanthropy and institutional partners. For example, CCC and CSU cover participation fees for 77 districts in the Central Valley and Inland Empire.

Recent Work Group Recommended Statewide Expansion of CCGI Under Integrated “Cradle to Career” Data System. As part of the 2019-20 budget package, SB 75 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2019 provided \$10 million one-time non-Proposition 98 General Fund to begin initial planning and development of a statewide integrated education data system. This initial work included convening a cross-agency work group to recommend a data system consistent with legislative intent. Specifically, the budget package included intent language that the data system “create direct support tools for teachers, parents, advisors, and students” and have the ability to “transfer high school pupil educational records to postsecondary educational institutions.” The final work group report released in June 2021 included a recommendation to expand CCGI to school districts throughout the state to fulfill certain components of legislative intent.

Regarding governance, trailer legislation created a 21-member governing board comprised of a mix of chief executives from those state agencies tasked with contributing data to the data system, along with members of the public and legislative members.

Regarding system management, the Budget Act included \$15 million non-Proposition 98 General Fund (\$11.5 million ongoing, \$3.5 million one-time) to the Government Operations Agency (GovOps). A portion of the funds supports 12 staff (including an executive director) in 2021-22 at a newly created Cradle-to-Career office within GovOps. (The budget increases authorized staff to 16 in 2022-23 and provides an additional \$500,000 ongoing funding for GovOps at that time, bringing its funding to \$12 million annually beginning in 2022-23.) The one-time funds provided in 2021-22 will be used to cover various operating and technology acquisition costs related to the integrated data system, including funds to upgrade CDE's K-12 database.

2021-22 Budget Provided \$3.8 Million Ongoing Augmentation for CCGI Expansion. The 2021 Budget Act budget increased CCGI funding to begin scaling statewide (bringing total ongoing Proposition 98 funding to \$7.3 million). The 2021-22 budget package authorized CCGI to provide its services to all California school districts.

The budget also included intent language that, upon full implementation, CCGI would be expected to provide several services—including free college planning, financial aid lessons, and career planning curricula—for students in grades six through 12. Trailer legislation also requires CCGI to report additional information by April 1, 2022 (and every year thereafter), such as budget change proposals; details for participating districts and charter schools; and, in the first report, a needs assessment examining platform usage and relevance of existing features to users.

The Governor's 2022-23 January Budget

CCGI Expansion. The Governor's Budget proposes \$9.3 million ongoing Proposition 98 General Fund for CCGI expansion. Of this funding, \$4.5 million is proposed to cover the cost of operating the platform for existing districts, including covering the costs of fees previously paid by participating districts. The remaining \$4.8 million would cover costs associated with new districts participating on the platform, including technology operations, maintenance, and development, as well as CCGI personnel. The proposed augmentation would bring total ongoing Proposition 98 funding for CCGI to \$16.8 million.

The Governor's Budget also includes \$4.4 Million one-time Proposition 98 funding to establish a regional network of 11 COEs to increase utilization of the CCGI platform and provide technical assistance to participating schools. Funding would be available over three years.

California Department of Education State Operations. The January Budget includes significant state operations increases relevant to CDE's data systems, including 6.0 FTEs for data security, 2.0 FTEs for IT generally, and 9.0 FTEs for the Cradle to Career Data System specifically.

CTC Operations. The January Budget includes state operations increases for the CTC of 4.0 FTEs for data collection and analysis, including work on the Cradle to Career Data System.

LAO Comments

Proposed Augmentation Is Aligned With Legislative Intent. As previously discussed, trailer legislation as part of the 2021-22 budget package authorized CCGI to provide its services to all California school districts and established expectations for the services CCGI would provide once fully implemented. The proposed augmentation is consistent with legislative intent to scale CCGI statewide.

Full Costs for Scaling CCGI Remain Unclear. With the proposed augmentation, CCGI plans to expand the platform to an additional 136 districts in 2022-23. As a result, roughly 230 out of 424 unified and high school districts (54 percent overall) would be participating in CCGI statewide. CCGI plans to fully scale by 2025-26. The proposed augmentation brings total ongoing CCGI funding to \$16.6 million, with 294 districts that still need to be added to the platform. CCGI initially estimated the cost of fully scaling

operations between \$18 million and \$20 million, but given the large number of districts that have yet to be added to the platform, the LAO states that uncertainty remains about the long-term costs for fully scaling CCGI.

CCGI Could Benefit From Long-Term Implementation Plan. Although CCGI assumes more districts will want to participate as the platform becomes more helpful to students during the college application and financial aid process, there is no clear plan to expand to the remaining districts. A long-term implementation plan could be particularly beneficial given the challenges of scaling statewide. For instance, there is no state mandate requiring schools to use the CCGI platform or incentive funding to encourage more districts to participate. A long-term implementation plan could clarify how CCGI would target outreach and resources to engage new districts and address any barriers to participation. For example, CCGI could use a regional approach based on local college attendance rates or focus on the state's largest school districts first. The plan could also identify ways to encourage more district participation in CCGI, including amending existing state law.

Technical Assistance Seems Reasonable, but Regional Approach Might Have Limited Impact. In the LAO's conversations with CCGI, they indicated the regional approach is intended to take advantage of COEs' knowledge of their local context, as well as the strong reputation of some COEs in their region. However, there is no guarantee that a district will be inclined to follow advice on best practices from a regional COE, given that under the proposal, the selected COEs will be working with a large number of districts located in a separate county and with which they may not have an existing relationship.

In addition, the proposal includes little detail about the types of activities regional COEs would be expected to perform to increase utilization of the platform. Other approaches might better increase CCGI utilization, such as having CCGI or CDE highlight exemplar districts or working within the state's existing system of support to promote CCGI and share best practices statewide, especially as they relate to college and career readiness.

Evaluate Proposal Based on Additional Details CCGI Will Provide in Spring. Since more details will be available in April, the LAO recommends that the Legislature review the additional documentation CCGI will provide and ensure key questions are addressed.

The Legislature could also consider moving CCGI's existing reporting deadlines in statute from April to the fall, consistent with the Administration's budget development cycle. Some key questions for the Legislature to consider include:

- What is CCGI's long-term plan for fully scaling the platform? What challenges does CCGI anticipate in reaching full implementation? How does CCGI plan to address these challenges?
- What are the ongoing costs associated with fully scaling CCGI? How do other revenue sources, such as private philanthropic funding, factor into these ongoing

cost estimates? Are the underlying assumptions to this cost estimate reasonable?

- Does CCGI have a comprehensive plan for addressing issues identified in their needs assessment? What degree of user feedback does CCGI plan to regularly incorporate into their platform updates?
- Can CCGI provide more information on why districts might not want to participate in CCGI and other related barriers to participation? How does CCGI plan to address these barriers?

STAFF COMMENTS & QUESTIONS

Staff concurs with the LAO's questions above regarding CCGI. The goal of providing easy-to-use college guidance support for K-12 statewide is laudable, but the Subcommittee may wish for more information about this expansion plan.

- CDE: What planning does CDE need to undertake in the near-term to prepare for CalPADS' successor data system and how it may need to work within the C2C system?
- CDE: What will it cost to track TK as a separate grade in CalPADs for the upcoming school year? How long does it take for LEAs to update their data system interface to accommodate this reporting change?
- DSS/CDE: What is the timeline for a new early childhood education data system that will be ready for federation in the C2C system?

STAFF RECOMMENDATION: HOLD OPEN.