

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

**WEDNESDAY, MAY 16, 2018
9 AM, STATE CAPITOL, ROOM 444**

HIGHER EDUCATION MAY REVISION PROPOSALS

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ITEMS TO BE HEARD

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: ONLINE COLLEGE

The Subcommittee will discuss the May Revision changes to the online college proposal.

PANEL

- Maritza Urquiza, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, California Community Colleges

BACKGROUND

The Governor's Budget proposed the creation of a new online college to provide flexible educational opportunities for working adults without a postsecondary credential to improve their economic mobility. As proposed, the online college would design industry-valued credentials that lead to wage gain or promotion, delivered through competency-based education that could allow students to start a course or program whenever they are ready and quickly move through courses or programs if they show mastery of topics. The Administration states that the first two pathways developed by the college would be an information technology support credential program and a medical coding credential program.

The May Revision makes the following changes to the proposal:

Governance. Instead of creating a new district, the Board of Governors would serve as the governing board of the online community college. The Chancellor and the Board of Governors would choose the president of the online college and the college's president would manage and control the operations of the college. Further, the president of the online college would establish an advisory council, which would include representatives from local trustees and employees of the college, to advise him or her on issues related to the college.

Collective Bargaining. The faculty and classified employees of the online college would be represented for the purposes of collective bargaining. To accomplish this, the online college would partner with an existing district for the purposes of establishing a collective bargaining agreement. The online college's president would retain the authority to recommend staff for hire and to assign and direct staff workload.

Student Success. The online college would report on outcome measures similar to all other community colleges. To provide greater account ability, the online college would provide a comprehensive status report in its third year of operation regarding student outcomes and the college's progress on reaching working adults. The college would be required to share promising practices and processes with California's 114 traditional community colleges. Additionally, provisions added to the proposed legislation would require the college to comply with disability and accessibility requirements, develop a process for recording and addressing complaints, and report back to the Legislature on compliance with these requirements.

Accreditation. The president of the online college would be responsible for commencing the accreditation process upon enrollment of the college's first cohort of students. While the college is seeking accreditation, the Workforce Development Board would certify that programs offered by the online college have job market value. The proposed legislation will direct the college to explore a process for allowing students to retroactively obtain credit units upon demonstrated mastery of competencies for programs completed after the college becomes accredited.

Curriculum. The curriculum developed by the online college and its faculty would have the same academic protections granted to all curricula developed by other community college faculty. The proposed legislation will clarify the intent of the online college to create unique content and not duplicate content offered by local colleges. The faculty of the online college would also review the Online Education Initiative protocols for online content and adopt as appropriate.

STAFF COMMENT/QUESTIONS

The Administration has made a compelling case for increasing community college programs and services for so-called "stranded workers," who are working in low-paying jobs and may not have access to traditional higher education to better their career and wages. Less compelling is the need for an entirely new bureaucracy, and the changes proposed in the May Revision may make for an even weaker overall structure.

Having one college run by the Board of Governors while the other 114 are dependent on board decisions regarding policy and funding sets up an eternal conflict of interest. Having another college conduct collective bargaining for the new college sets up an awkward situation: how would employees and the new college's administration work together and hash out labor issues with another college representing the new administration at the bargaining table?

The May Revision proposal to allow the Workforce Development Board to certify programs may be effective, but still leads to the same question: why have a new, unaccredited college develop these programs while 114 existing and accredited colleges could do this work?

ISSUE 2: FUNDING FORMULA

The Subcommittee will discuss the May Revision changes to the new funding formula proposal.

PANEL

- Maritza Urquiza, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, California Community Colleges

BACKGROUND

The Governor's Budget proposed the implementation of a new funding formula that would move the system away from funding based solely on enrollment to one that reflected the following core components: (1) a base grant largely comprised of a funding rate per Full-Time Equivalent Student (FTES), (2) a supplemental grant based on a funding rate per low-income student, and (3) a student success incentive grant comprised of a funding rate per degree, certificate, and award granted to a student. The proposed formula also included a one-year hold harmless provision.

The May Revision includes the following changes to the proposal:

Formula Framework. The revised components of the Student-Focused Funding Formula reflect the distribution of 60 percent as a base funding allocation, 20 percent as a supplemental funding allocation, and 20 percent as a student success incentive funding allocation. Non-credit FTES, including career development and college preparation FTES, are not included in the formula and are funded at existing rates. Further, the base funding allocation calculation reflects the use of a three-year rolling average to protect districts from enrollment swings and the peaks and valleys of the economic cycle.

Supplemental Metrics. The revised components of the supplemental funding allocation reflect the number of low-income students over the age of 25 receiving a College Promise Grant fee waiver, specified undocumented students qualifying for resident tuition, and the total number of students receiving a Pell grant.

Student Success Incentive Metrics. The revised components of the student success Incentive funding allocation include completion of associate degrees and certificates over 18 units, Associates Degrees for Transfer (ADTs), successful transfer to four-year institutions, completion of transfer-level math and English courses in the first year, obtaining a regional living wage within 12 months of completing a degree or certificate program, and successfully completing nine units of career technical education courses. Additionally, the revised student success incentive funding allocation reflects an allocation based upon the successful outcomes of economically disadvantaged students.

Hold Harmless. The revised hold harmless provision ensures that no district will receive less in both 2018-19 and 2019-20 than it received in 2017-18. Thereafter, each district would be held harmless to its 2017-18 marginal rate of funding. Additionally, the May Revision proposes \$104 million one-time Proposition 98 General Fund to provide one-time discretionary resources to districts whose year-over-year increase in general purpose apportionment funding would be less than 2.71 percent (the budget year's cost-of-living adjustment).

Provide Discretionary Resources to Districts. It is requested that trailer bill language be adopted to appropriate \$104 million in 2017-18 Proposition 98 General Fund to provide one-time discretionary resources to districts whose year-over-year increase in general purpose apportionment funding per full-time equivalent student would be less than 2.71-percent under the new funding formula proposal.

Limited Categorical Consolidation. Based on recommendations from the Chancellor's Office, the May Revision proposes to integrate the Student Success and Support Program, Student Equity Program, and the Student Success for Basic Skills Program into a block grant program. These programs all target similar students, and consolidation will give districts enhanced flexibility to serve them.

STAFF COMMENT/QUESTIONS

The May Revision improves the Administration's proposal. Improvements include a broader definition of low-income student, broader performance-funding metrics that reward colleges for outcomes associated with different types of students with different types of educational goals, a three-year average for enrollment funding that could benefit districts that see major increases and decreases in enrollment in a short time span, and more generous hold harmless provision that ensures every college will receive more funding in 2018-19 than they did in the current year.

Additionally, data runs conducted by the Administration based on this new proposal indicate that only about 12 colleges could see less funding in 2019-20; this is far fewer than the January proposal. However, many colleges would see a funding increase that would likely be less than inflation. And there are still many concerns with this issue:

- Performance funding is still problematic. There remains little evidence that performance funding has been effective in improving outcomes in other states. It is unclear how punishing colleges with poor performance by reducing funding will lead to better performance.
- Data still lacking. Before the Legislature locks in a new formula, it might be helpful to see this formula's impacts on possible future scenarios, particularly an economic downturn. How will this formula work during a recession?
- Stakeholders still concerned. Many stakeholders continue to feel like they have been left out of this process and have not been able to provide input.

ISSUE 3: OTHER MAY REVISION PROPOSALS

The Subcommittee will discuss other community college May Revision proposals.

PANEL

- Maritza Urquiza, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, California Community Colleges

BACKGROUND

The May Revision includes numerous technical adjustments to the community college budget and the following significant changes:

Financial Aid Technology and Processing Improvements. It is requested that Schedule (5) of Item 6870-101-0001 be increased by \$5 million to support financial aid technology improvements that will better enable community colleges to provide guidance and assistance to students seeking financial aid.

It is further requested that paragraph (8) of Provision 6 be added as follows to conform to this action: (8) Not more than \$5,000,000 shall be for ongoing maintenance, subscription, and training costs for financial aid technology advancements and innovations that streamline the financial aid verification process and enable colleges to more efficiently process state and federal financial aid grants. It is the intent of the Legislature that system improvements supported by this funding have the effect of reducing the manual processing of financial aid applications, thereby enabling financial aid program staff to provide additional technical assistance and guidance to students seeking financial aid. The Chancellor's Office shall determine the methodology for allocating these funds to community college districts.

Additionally, it is requested that trailer bill language be adopted to appropriate \$13.5 million in fiscal year 2017-18 Proposition 98 General Fund to support financial aid technology improvements that will better enable community colleges to provide guidance and assistance to students seeking financial aid.

NextUp Foster Youth Program Augmentation. It is requested that Schedule (9) of Item 6870-101-0001 be increased by \$5 million to expand the NextUp Program, which supports current and former foster youth at the community colleges.

It is further requested that subparagraph (C) of paragraph (2) of subdivision (b) of Provision 10 be amended as follows to conform to these actions:

"10. (b) (2) (C) Consistent with the intent of Chapter 771 of the Statutes of 2014 and Chapter 772 of the Statutes of 2017, and within the funds allocated to community college districts pursuant to this paragraph, the chancellor shall enter into agreements

with up to 20 community college districts to provide additional services in support of postsecondary education for foster youth. Up to ~~\$15,000,000~~ \$20,000,000 of the funds allocated to community college districts pursuant to this paragraph shall be prioritized for services pursuant to Chapter 771 of the Statutes of 2014 and Chapter 772 of the Statutes of 2017. Further, the chancellor shall ensure that the list of eligible expenditures developed pursuant to subdivision (d) of Section 78221 of the Education Code includes expenditures that are consistent with the intent of Chapter 771 of the Statutes of 2014 and Chapter 772 of the Statutes of 2017.”

Course Identification Numbering System Augmentation. It is requested that Schedule (10) of Item 6870-101-0001 be increased by \$685,000 on a one-time basis to support the Academic Senate of the California Community Colleges' course identification numbering system efforts. This system eases the transfer process by allowing all colleges and universities to recognize similar courses at colleges.

Provide Funding for Open Educational Resources. It is requested that trailer bill language be adopted to appropriate \$6 million in 2017-18 Proposition 98 General Fund to support the development of open educational resources.

Amend the Student Success Completion Grant Trailer Bill Language. The Governor's Budget proposed consolidating two community college financial aid programs into one grant. The May Revision proposes the following changes: (1) remove the provisions applicable to annualized grants, (2) authorize community colleges to make additional awards for summer enrollment if funding is available, and (3) remove the requirements for students to complete an education plan and instead include the same educational program requirements as the Cal Grant and Pell Grant programs.

Apprenticeship Program Apportionment Reimbursement Trailer Bill Language. It is requested that the apprenticeship program apportionment reimbursement trailer bill language transmitted with the Governor's Budget be revised to: (1) clarify that the apportionment reimbursement option will be based on the actual number of instructional hours provided to apprentices, rather than on a full-time-equivalent-student basis, and (2) require the Chancellor's Office to collect and report additional information related to the apportionment reimbursement option.

STAFF COMMENT/QUESTIONS

The Subcommittee must review these proposals in context with overall community college spending and determine its priorities.

6440 UNIVERSITY OF CALIFORNIA**ISSUE 4: GOVERNOR'S MAY REVISION PROPOSALS**

The Subcommittee will discuss May Revision proposals for the University of California.

PANEL

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Seija Virtanen, University of California

MAY REVISION PROPOSALS

The May Revision includes the following changes to the UC budget:

Deferred Maintenance. The May Revision provides \$100 million one-time General Fund to support work on deferred maintenance projects.

Redirection to Financial Aid Programs. It is requested that provisional language be added to Item 6440-001-0001 to authorize the Director of Finance to reduce this item to support related Cal Grant Program costs derived from potential tuition increases applicable to the 2018-19 academic year. The UC Board of Regents considered a 2.5 percent tuition increase. If it had been approved by the Regents, UC would have received approximately \$22.3 million and \$574,000 in state funds through corresponding Cal Grant program entitlement award adjustments and Middle Class Scholarship award adjustments, respectively. This amendment would authorize the Director of Finance to offset this item by the amount of estimated Cal Grant program and Middle Class Scholarship program costs caused by a systemwide tuition increase in 2018-19.

Support for Mental Health Graduate Medical Education. It is requested that Item 6440-001-0001 be increased by \$55 million, on a one-time basis, to support a cohort of psychiatric residents serving Health Professional Shortage Areas or Medically Underserved Areas in rural portions of the state. Of these funds, \$40 million will support residents at UC medical centers and \$15 million will be issued through a grant program to accredited residency programs throughout the state. Budget bill language allows UC to spend up to \$5.5 million on administration of this program.

Redirection for Enrollment Growth. It is requested that Item 6440-001-0001 be increased by \$8,551,000 and Item 6440-005-0001 be decreased by \$8,551,000 to reflect a redirection of funds from the UC Office of the President to support resident undergraduate student enrollment growth consistent with the Legislature's expectation in the 2017 Budget Act.

Support for Anti-Bias Training. It is requested that Item 6440-001-0001 be increased by \$1.2 million on a one-time basis, to contract for a two-year pilot program to provide anti-bias training at campuses of the UC and the California State University. These funds are intended to create a more inclusive campus environment and prevent hate. Budget bill language allows UC to use \$200,000 on administration of this program.

Support for Institute on Global Cooperation and Conflict. It is requested that Item 6440-001-0001 be increased by \$1,000,000 to support the operations of the Institute on Global Conflict and Cooperation.

Amend the UC Path Line Item. It is requested that Provision 3 of Item 6440-005-0001 be amended to support the implementation of the UC Path project. Specific amendments are proposed in the following language:

3. The funds appropriated in this item may be encumbered only if the President of the University of California certifies, in writing, to the Director of Finance that there will be no campus assessment for support of that office for the 2018-19 fiscal year except to supplement funds appropriated in subsection (b) of Provision 2. This supplemental assessment shall not exceed \$15,300,000. If additional funds are required, the UC may request this supplemental assessment be increased contingent upon approval by the Director of Finance and the Joint Legislative Budget Committee."

Assumes Release of \$50 Million. As discussed previously, the 2017 Budget Act withheld \$50 million General Fund of UC's appropriation to be released in May if UC completed several activities, including fulfilling recommendations outlined by the State Auditor in its 2017 audit of the Office of the President. The May Revision notes that while the May Revision assumes the release of this funding, the Director of Finance will make a final determination after the UC Board of Regents meeting later this month.

STAFF COMMENT/QUESTIONS

As discussed in previous Subcommittee hearings, the Governor's Budget provides UC with a \$92.1 million General Fund increase. It should be noted that UC has made the following budget request to the Legislature for funding above the Governor's January proposal:

- \$70 million General Fund to buy out a possible tuition and fee increase;
- \$25 million General Fund to address over-enrollment and overcrowding issues
- \$10 million General Fund to support additional 2018-19 enrollment growth of 500 undergraduates and 500 graduate students, allowing for total 2018-19 California undergraduate enrollment growth of 2,000 undergraduates and 500 graduate students;
- \$35 million one-time General Fund for deferred maintenance.

The May Revision adds significant one-time funding for deferred maintenance far above the UC request. This proposal is responsive to concerns raised by UC and UC students this spring about deteriorating buildings.

The Governor does not address any of the other ongoing funding requests by UC.

Staff notes that the Governor's Budget does not allow for the expansion of graduate medical education slots because it replaces \$40 million in Proposition 56 funding with a decrease of \$40 million General Fund. The May Revision proposal for mental health graduate medical education is not related to the Proposition 56 issue. Regarding the mental health proposal, staff notes that the proposal allows UC to use 10% of the funding for administration. The Subcommittee may wish to ask UC how it will spend this money.

The UC Path proposal addresses concerns raised by UC that the Governor's Budget amount for the project could hamper the expansion of the project to more campuses. The Subcommittee may wish to ask UC how this new language addresses their concern, and how much state funding would be used if a \$15.3 million campus assessment is allowed.

Finally, staff notes that proposed language allowing a funding reduction if a tuition increase is approved could act as a deterrent against a tuition hike, and addresses a concern that state costs increase when tuition is raised. UC recently announced it would not seek a tuition increase at the May Regents meeting, but may revisit the issue once the final state budget package is approved.

ISSUE 5: EQUAL EMPLOYMENT OPPORTUNITY DATA

The Subcommittee will discuss a proposal to require UC to post information about employees' work classification, demographic information, and total compensation.

PANEL

- Julie Waters, AFSCME 3299

BACKGROUND

The Subcommittee has received a request to require UC to provide a publicly accessible website that would show an the employee's work classification; the employee's EEO demographic information, using the same demographic groupings shown on Forms EEO-1 or EEO-4 of the Federal Equal Employment Opportunity Commission (EEOC), whether or not such data is reported to the EEOC or Department of Industrial Relations by the University or its contractors; the employee's total compensation received in that fiscal year, including salary or wages and the value of employer-paid benefits; and the employee's total hours worked in that fiscal year. Employee names would be withheld. This data would include UC employees and contractors working under a service contract.

Under the proposal, upon review and analysis of that data, if the California Fair Employment and Housing Council and/or the California Commission on the Status of Women and Girls, finds that the University has not provided the requested data, or that the use of Service Contracts, or any one of them, has contributed to pay disparities with respect to gender, race or ethnicity among those who perform service work at the University, inclusive of those employed by the University and those employed by a University contractor working under a Service Contract, the Legislature shall deduct from the General Fund appropriation for the University of California for the subsequent fiscal year an amount equal to the value of any Service Contract(s) for which information was not provided, or that was found to contribute to such a disparity during the prior fiscal year and the University has chosen to continue its relationship with the responsible contractor.

STAFF COMMENT

Proponents of this proposal argue that this information will help ensure that the University of California not engage in employment or contracting practices that contribute to pay disparities with respect to gender, race or ethnicity among those who perform service work at the University.

6610 CALIFORNIA STATE UNIVERSITY**ISSUE 6: GOVERNOR'S MAY REVISION PROPOSALS**

The Subcommittee will discuss May Revision proposals for California State University.

PANEL

- Daniel Hanower, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University

MAY REVISION PROPOSALS

The May Revision includes the following changes to the CSU budget:

Deferred Maintenance. The May Revision provides \$100 million one-time General Fund to support work on deferred maintenance projects.

Redirection to Financial Aid Programs. It is requested that provisional language be added to Item 6610-001-0001 to authorize the Director of Finance to reduce this item to support related Cal Grant Program costs derived from potential tuition increases applicable to the 2018-19 academic year. The California State University (CSU) Board of Trustees considered a 4 percent tuition increase. If it had been approved by the Trustees, CSU would have received approximately \$23 million and \$3 million in state funds through corresponding Cal Grant program entitlement award adjustments and Middle Class Scholarship award adjustments, respectively. This amendment would authorize the Director of Finance to offset this item by the amount of estimated Cal Grant program and Middle Class Scholarship program costs caused by a systemwide tuition increase in 2018-19.

STAFF COMMENT

As discussed in previous Subcommittee hearings, the Governor's Budget provides CSU with a \$92.1 million General Fund increase. It should be noted that the CSU Board of Trustees has adopted a 2018-19 budget that includes \$282.9 million in additional spending above current-year levels. CSU has asked the Legislature for \$171 million in additional General Fund to help support its approved budget. The increased costs include:

- \$122.1 million for compensation increases;
- \$75 million to support Graduation Initiative activities;
- \$39.9 million to support enrollment growth of 3,641 full-time equivalent students;

- \$30.1 million to support mandatory cost increases, such as rising retirement and health benefit costs;
- \$15 million to support facilities and infrastructure.

The May Revision adds significant one-time funding for deferred maintenance far above the CSU request. This proposal is responsive to concerns raised by CSU about deteriorating buildings.

The Governor does not address any of the other ongoing funding requests by CSU.

Similar to the UC proposal, staff notes that proposed language allowing a funding reduction if a tuition increase is approved could act as a deterrent against a tuition hike, and addresses a concern that state costs increase when tuition is raised. CSU recently announced it would not seek a tuition increase this year, so it is unclear if this language is necessary.

6120 CALIFORNIA STATE LIBRARY**ISSUE 7: GOVERNOR'S MAY REVISION PROPOSALS**

The Subcommittee will discuss May Revision proposals regarding the State Library.

PANEL

- Daniel Hanower, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, California State Librarian

MAY REVISION PROPOSALS

The May Revision includes the following changes to the State Library budget.

- **Collection Protection Activities.** It is requested that Item 6120-011-0001 be increased by \$663,000 for one-time General Fund to purchase a vault that will help protect the library's collection, repair books that were damaged by water leaks that occurred during this year's rainstorms, and to purchase damage response supplies. These funds will help ensure that the State Library's collection remains available to future generations of Californians.
- **California Newspaper Project.** It is requested that Item 6120-160-0001 be added in the amount of \$430,000 for the California Newspaper Project. The Project supports the preservation of historic newspapers from each county in California.
- **Ongoing Funds for Increased Facilities Rent.** It is requested that Item 6120-011-0001 be increased by \$340,000 to account for higher facilities rents charged by the Department of General Services. Of this amount, \$100,000 is for rent increases at the Stanley Mosk Library and Courts Building, \$62,000 is for rent increases at the 900 N Street Library Building, and \$178,000 is for increased central plant service charges.
- **Information Technology Enterprise Security.** It is requested that Item 6120-011-0001 be increased by \$215,000 for improved information technology at the California State Library. Of this amount, \$80,000 is ongoing to support costs of new cloud security subscriptions and \$135,000 is one-time to support costs of implementation of the new system. This augmentation would enable the Library to address information technology security vulnerabilities identified in a recent technology security analysis, conducted by the California Military Department.

- **Digital Preservation Activities.** It is requested that Item 6120-011-0001 be increased by \$195,000 to digitally preserve the state's website history. Of this amount \$120,000 would support digitally preserving state government websites once per quarter and \$75,000 would support digital preservation storage subscriptions.

STAFF COMMENT

The May Revision proposals appear to be low-cost improvements to the library system.

ISSUE 8: ELIMINATION OF SUNSET PROVISION ON FOR-PROFIT LIBRARY SERVICES LAW

The Subcommittee will discuss a proposal to eliminate the sunset provision in Education Code Section 19104.5, which describes a process, including public notice and competitive bidding, that a city must go through if it is seeking to withdraw from a county free library system and contract out library services to a for-profit entity.

PANEL

- Michelle Castro, Service Employees International Union

BACKGROUND

A 2011 law (AB 438, Chapter 611) requires a city or library district that intends to withdraw from the county library system and employ a private for-profit agency to operate the city or district's library services to provide public notice before the decision is made; demonstrate cost savings; ensure a competitive bidding process; disclose qualifications of the potential contractor; develop protections against involuntary employee displacement; and perform financial and performance audits.

The law was enacted with a sunset provision that means it will expire on January 1, 2019.

STAFF COMMENT

Proponents of eliminating the sunset provision note that some California cities and cities in other states have privatized library services and faced increased costs and less services. The law is limited and does allow cities to work with non-profits as long as the non-profit is not a subsidiary of a for-profit company.

6600 HASTINGS COLLEGE OF LAW

ISSUE 9: GOVERNOR'S MAY REVISION PROPOSALS

The Subcommittee will discuss a May Revision proposal for the Hastings College of Law

PANEL

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David Seward, Hastings College of Law

BACKGROUND

The May Revision includes the following change for Hastings College of Law:

Support for University of California (UC) Path Implementation. It is requested that Item 6600-001-0001 be increased by \$1,457,000 to provide resources associated with implementing the UC Path project.

Deferred Maintenance. The May Revision provides \$1 million one-time General Fund to support work on deferred maintenance projects.

STAFF COMMENT

Staff notes that while the state is currently supporting UC Path operational costs, UC campuses also incur costs as they prepare to transfer their payroll and some other human resources processes to the UC Path system. Because it is a stand-alone law school without the economies of scale of other UC campuses, Hastings does not have the funding available to cover these costs.

6980 CALIFORNIA STUDENT AID COMMISSION**ISSUE 10: GOVERNOR'S MAY REVISION PROPOSALS**

The Subcommittee will discuss May Revision proposals for the California Student Aid Commission.

PANEL

- Bijan Mehryar, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David O'Brien, California Student Aid Commission

BACKGROUND

The May Revision includes caseload and other changes to the Cal Grant program and other financial aid programs, and the following change to a proposal from the January Governor's Budget:

Private Nonprofit Cal Grant Award. It is requested that trailer bill language transmitted with the Governor's Budget be amended to reflect the following changes, as reflected on Attachment 1:

- For the 2019-20 award year, the state's expectation of the number of Associate Degrees for Transfer accepted by private nonprofit institutions in 2018-19 is adjusted to 2,000 and an expectation that the Association for Independent California Colleges and Universities report by April 2019 on the first cohort of accepted students to the Department of Finance is added.
- For the 2021-22 award year, the state's expectation of the number of Associate Degrees for Transfer accepted by the private nonprofit institutions in 2020-21 is adjusted to be 3,500 and serves as the new baseline requirement, adjusted by growth in transfers to the sector as a whole, for each year thereafter. Maintain Cal Grant amount for private colleges.

STAFF COMMENT

The May Revision makes an adjustment to the number of transfer students private non-profit colleges must admit to allow for the higher Cal Grant award. Instead of requiring the admittance of at least 2,500 transfer students in 2018-19, that number is lowered to 2,000. However, the number grows to 3,500 in later years, which is larger than originally proposed. The Administration has stated that it believes the sector needs more time to ramp up to higher numbers; that is why it reduced the number in the May Revision.

Staff notes that the Subcommittee discussed a recent financial aid reform report that included significant proposals for the Cal Grant program. The California Student Aid Commission is expected to continue work on that proposal this Fall and will likely make recommendations for change next year. Based on other recommendations in the report, the Commission has made the following requests, which were not included in the May Revision:

- An increase in the Cal Grant B Access Award, which provides nontuition support (for books, supplies, technology, or other education-related expenses, including living costs) to low-income students – as a first step towards using state financial aid to reduce the need for students to rely on loan debt to finance their education.
- Funding a dedicated team at CSAC to perform financial aid outreach, education, and training – along with a mandate to focus on the most underserved student populations in California (such as students of color, rural students, current and former foster youth, to name a few) and on providing early, personalized information to students and families about their financial aid eligibility.
- Establishing an innovation fund, in which CSAC could provide grants to higher education segments or institutions to pilot innovative ideas to enhance and improve college affordability. Some ideas suggested by the report include subsidized child care for low-income students who have children, fully subsidized meal plans for students with high levels of need, emergency aid programs, etc.