

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Assembly Member Kevin McCarty, Chair****TUESDAY, MAY 9, 2017  
9 AM, STATE CAPITOL ROOM 447**

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**ITEMS TO BE HEARD****6600 HASTINGS COLLEGE OF LAW****ISSUE 1: GOVERNOR'S BUDGET PROPOSAL**

The Subcommittee will discuss the Governor's Budget proposal to increase General Fund support for Hastings College of Law by \$1.1 million.

**PANEL**

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

**BACKGROUND**

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California. Policy for the College is established by the Board of Directors and is carried out by the Chancellor and Dean and other officers of the College. The Board has 11 Directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by the Regents of the University of California (UC) and is signed by the President of the University of California and the Chancellor and Dean of Hastings College of the Law.

The 2016 Budget Act provided a \$1 million increase in General Fund support for Hastings' operational costs and is part of the Governor's plan to provide unallocated base increases to higher education segments. The 2015 Budget Act authorized \$36.8 million in state lease-revenue bonds to build a new academic facility on vacant land owned by Hastings. The new facility is intended to replace an existing academic facility whose building systems are reaching the end of their useful lives. The 2016 Budget Act increased funding for the project by \$18.8 million due to higher-than-expected construction costs. Additionally, the 2016 Budget Act included \$2 million one-time General Fund for deferred maintenance.

Hastings has recently sought to lower enrollment to better align with the job market for graduates. Prior to 2011-12, Hastings had a JD enrollment of approximately 1,225 students. Beginning that year, like at most law schools, enrollment was reduced, and the school has lowered enrollment by about 25%. The following chart indicates current-year enrollment and projected enrollment through 2019-20.

Category	2016-17	2017-18	2018-19	2019-20
JD First Year Students	340.0	310.0	310.0	310.0
JD Second Year Students (incl. transfers)	285.0	308.0	281.0	281.0
JD Third Year Students	290.0	280.0	303.0	276.0
<b>JD FTE Enrollment</b>	<b>915.0</b>	<b>898.0</b>	<b>894.0</b>	<b>867.0</b>
LLM - International	25.5	30.0	30.0	30.0
MSL - Health & Science (UCSF/HCL)	2.8	2.8	2.8	2.8
<b>Total LLM and MSL FTE Enrollment</b>	<b>28.3</b>	<b>32.8</b>	<b>32.8</b>	<b>32.8</b>
<b>TOTAL FTE ENROLLMENT</b>	<b>943.3</b>	<b>930.8</b>	<b>926.8</b>	<b>899.8</b>

### Governor's 2017-18 Budget

The Governor's Budget proposes a \$1.1 million General Fund ongoing unallocated increase to Hastings budget. The following chart, prepared by the LAO, describes Hastings' revenue and spending.

<b>Figure 25</b>					
<b>Hastings Core Budget</b>					
<i>(Dollars in Millions)</i>					
	2015-16 Actual	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
<b>Reserve at start of year</b>	\$26.1	\$24.9	\$18.5	-\$6.4	-25.8%
<b>Funding</b>					
General Fund—ongoing	\$10.6	\$11.7	\$12.7	\$1.1	9.2%
General Fund—one time	0.0	2.0	0.0	-2.0	—
Subtotals	(\$10.6)	(\$13.7)	(\$12.7)	(\$-0.9)	(-6.8%)
Gross tuition and fee revenue	\$40.3	\$41.7	\$41.1	-\$0.6	-1.3%
Other core <sup>a</sup>	1.6	1.6	1.6	—	2.8
<b>Totals</b>	<b>\$52.5</b>	<b>\$56.9</b>	<b>\$55.5</b>	<b>-\$1.4</b>	<b>-2.5%</b>
<b>Spending</b>					
Instruction	\$21.2	\$21.8	\$22.1	\$0.3	1.2%
Tuition discounts	12.1	16.0	18.9	2.9	17.9
Institutional support	10.9	12.7	12.4	-0.3	-2.1
Student services	4.4	4.9	4.9	-0.0	-0.2
Law library	2.8	3.0	3.1	0.0	0.8
Facility maintenance	2.4	4.9	2.5	-2.5	-49.6%
<b>Totals</b>	<b>\$53.7</b>	<b>\$63.4</b>	<b>\$63.8</b>	<b>\$0.4</b>	<b>0.7%</b>
<b>Annual Deficit</b>	<b>-\$1.2</b>	<b>-\$6.4</b>	<b>-\$8.3</b>	<b>-\$1.9</b>	<b>29.2%</b>
<b>Year-end reserve</b>	<b>\$24.9</b>	<b>\$18.5</b>	<b>\$10.2</b>	<b>-\$8.3</b>	<b>-45.0%</b>

<sup>a</sup> Includes funding from auxiliary programs for overhead, investment income, income from scholarly publications, and state lottery.

**LAO Recommendation**

In order to attract additional higher-performing students, Hastings proposes to augment spending on tuition discounts by \$2.9 million (17.9 percent) over current year levels. In so doing, Hastings indicates that it hopes to boost its competitiveness and national ranking among law schools. Tuition discounts typically are awarded based on merit rather than need, this increased aid likely is benefitting applicants who would attend law school anyway, rather than targeting resources toward the school's neediest applicants.

The LAO notes that Hastings is on track to spend \$63.4 million in core funds in 2016-17, while only receiving \$56.9 million in revenues — reflecting a \$6.4 million operating deficit. Under Hastings' 2017-18 spending plan, this gap between spending and revenues would grow to \$8.3 million. The school plans to use their reserve (core funding, which generally consists of tuition and other non-state funds) to cover its anticipated operating deficits. Under its proposed spending plan, Hastings' reserve would drop from \$25 million to \$10.2 million by the end of 2017-18.

Hastings has developed a plan to bring spending in line with projected revenues by (1) reducing spending on tuition discounts beginning in 2018-19, and (2) increasing tuition by 10 percent in 2019-20, followed by an additional seven percent increase in 2020-21. By 2020-21, Hastings indicates it hopes to end its deficit spending and start building back a reserve. The enhanced discounts would only be offered to students for one additional year, and the LAO states that Hastings' proposed approach likely would not accomplish any long-term policy goals. Instead, it would provide a short-term benefit to one cohort of students while creating a deficit that likely will be paid down by future students through tuition increases. In addition, the LAO notes that Hastings' budget shortfall also could put pressure on the Legislature to provide additional funding to help stabilize the school's financial condition.

**STAFF COMMENT/QUESTIONS**

As a stand-alone institution, Hastings does not benefit from economies of scale. In contrast to the other UC law schools, Hastings must directly fund costs borne at the campus level: health center, financial aid office, registrar's office, human resources, information technology, telecommunications, legal and fiscal services departments.

Hastings receives no funding from the UC. While Hastings contracts with UC for payroll, police services, investment management and reprographic services, and is a passive participant in UC's retirement and health benefit programs, the College pays on a fee-for-service basis.

Hastings states that its tuition discount plan matches that of many law schools. Hastings also notes that deficit spending will be partially offset by recent surpluses from housing and parking (\$1.9 million in 2016-17 and \$2.1 million in 2017-18). As noted by the LAO, Hastings will lower tuition discounts in future years, and hopes to increase philanthropy. Both of these activities seek to address the operating deficit.

Staff recommends holding this item open until after the May Revise, when the Subcommittee will have a better sense of available General Fund.

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**Staff Recommendation: Hold Open**

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**6120 CALIFORNIA STATE LIBRARY****ISSUE 2: REVIEW OF CIVIL LIBERTIES PROGRAM**

The Subcommittee will discuss the implementation of the California Civil Liberties Public Education program, which received \$1 million one-time General Fund in the 2016 Budget Act.

**PANEL**

- Greg Lucas, California State Librarian

**BACKGROUND**

The 2016 Budget Act provided \$1 million one-time General Fund to the California State Library to support the California Civil Liberties Public Education program. Budget bill language allowed the State Librarian to use 5% of the funding to administer the program.

The program's goal is to sponsor public educational activities and development of educational materials to ensure that the events surrounding the exclusion, forced removal, and internment of citizens and permanent residents of Japanese ancestry will be remembered, and so that the causes and circumstances of this and similar events may be illuminated and understood.

The program had received routine state support until the Great Recession, when funding was removed.

Per statute, an advisory board was reconvened to distribute the funding provided in the 2016 Budget Act. The board sought proposals this spring, and winners were announced last week.

According to the State Library, more than \$922,000 was awarded to 29 organizations, ranging from community groups to the California State University system. Among the successful applicants are student performances of an opera set in an internment camp, making more internment-related materials publicly available through the California State University's multi-campus digitization project and online and onscreen programming examining civil liberties issues in California's history. The State Library also created a simulation to help future generations better understand what it was like being sent to an internment camp.

The Governor's 2017-18 Budget does not include additional funding for this program.

**STAFF COMMENT**

The State Library reports that it received 56 applications for this program, including funding requests totaling \$3.2 million.

The Assembly Budget Committee has received a letter from Assemblymember Al Muratsuchi seeking continued funding for this program. The letter notes that 2017 marks the 75th anniversary of President Franklin D. Roosevelt signing of Executive Order 9066, which began the incarceration of 120,000 Japanese Americans in 1942.

In addition to this request, staff notes other requests for additional State Library funding:

Assemblymember Cecilia Aguiar-Curry has written a letter to the Subcommittee asking for funding for statewide library broadband services and funding for the Career Online High School program. The letter seeks:

- \$4 million one-time General Fund for the purpose of continuing previous efforts to connect public libraries throughout the state to a high-speed, broadband “backbone” operated by the Corporation for Education Network Initiatives in California (CENIC). This project was created in the 2014 Budget Act to assist public libraries with their inadequate broadband capacity and significant connectivity challenges. The 2015 Budget Act also provided \$4 million for connection grants for library jurisdictions and some branches.
- \$1 million General Fund for the “Career Online High School.” This program, a partnership with public libraries and a private company, began in California in December, 2015, and 44 library jurisdictions have facilitated 178 graduates receiving high school diplomas, with an 89% student retention rate. The 2015 Budget Act provided \$1 million in funding for this program.

**6980 CALIFORNIA STUDENT AID COMMISSION****ISSUE 3: CAL GRANT CUTS FOR PRIVATE COLLEGES AND UNIVERSITIES**

The Subcommittee will discuss the proposed reduction in the Cal Grant program for students who attend private colleges and universities. Due to previous budget deals, the per-student amount is scheduled to be reduced from \$9,084 to \$8,056.

**PANEL**

- Bijan Mehryar, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Lupita Cortez Alcalá, California Student Aid Commission
- Patrick Day, University of the Pacific

**BACKGROUND**

California has about 175 nonprofit colleges and universities and more than 1,000 for-profit institutions. Based on Fall 2015 estimates, California's private nonprofit institutions enrolled about 279,000 full-time equivalent (FTE) students, and its private for-profit institutions enroll about 261,000 FTEs.

The maximum tuition award for Cal Grant A and B recipients who attend the University of California or California State University is equal to the mandatory system-wide tuition and fees at the UC and CSU. The award at private nonprofit institutions and private, for profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) are determined in the budget.

According to information provided by the LAO, about 26,000 students attending private nonprofit schools are receiving a Cal Grant this year, and 3,500 students attending private for-profit accredited schools are receiving a Cal Grant.

As a savings measure, the 2012 Budget Act put in place reductions to the Cal Grant award amounts for independent nonprofit and accredited for-profit institutions from \$9,084 to \$8,056 starting in 2014-15. However, subsequent actions have postponed the reduction.

**Governor's 2017-18 Budget**

The Governor's Budget proposes to allow the scheduled reduction to go into effect. The Student Aid Commission estimates the reduction will affect about 8,500 new Cal Grant recipients in 2017-18 and projects an associated \$7.4 million in savings. The number of recipients affected and the associated savings will more than triple over the following three years as recipients "grandfathered" in at the higher rate exit the program.

**LAO Recommendation**

The LAO notes that prior to the restructuring of the Cal Grant program in 2000, state law called for the maximum private award to be set by adding together (1) 75% of the General Fund cost per CSU student, and (2) the average of the tuition and fees charged by UC and CSU. The policy served as an aspirational goal against which to measure state funding. As part of the Cal Grant program restructuring in 2000, the Legislature removed these provisions from state law. The LAO recommends the Legislature establish a statutory policy for private awards similar to the one in effect prior to 2000. If the Legislature were to use the same policy from back then, the LAO calculates the award amount would be \$16,500. This award would be higher than the current maximum Cal Grant award for students attending the state's public universities, with \$12,294 at UC and \$5,472 at CSU.

**STAFF COMMENT/QUESTIONS**

The Cal Grant award is intended to allow students a choice when they are determining where to attend college. Private colleges do offer an alternative for California students to overcrowded public universities; therefore it does seem in the state interest to provide Cal Grants to students attending private colleges.

It is difficult, however, to determine what the appropriate amount per award should be to ensure that the Assembly's access and affordability goals are met. Private colleges may reduce the number of Cal Grant students they admit under the lower Cal Grant amount included in the Governor's Budget, or low-income students may have to borrow more. Some private colleges, however, likely have enough institutional aid to make up the difference with a lower Cal Grant amount.

The Association of Independent California Colleges and Universities, which represents about 80 private nonprofits, argues that this cut will impede students' choices for colleges. They note that 45% of AICCU Cal Grant students are the first in their families to go to college, and that AICCU Cal Grant students reflect the diversity of California: 42% Latino, 25% Caucasian, 16% Asian Pacific Islander, and 7% African-American.

Staff recommends that the Subcommittee wait until the May Revise to determine General Fund levels and all higher education priorities before determining this issue.

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**Staff Recommendation: Hold Open**

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**ISSUE 4: REVIEW OF THE CAL GRANT C PROGRAM**

The Subcommittee will review the Cal Grant C program.

**PANEL**

- Natasha Collins, Legislative Analyst's Office
- Lupita Cortez Alcalá, California Student Aid Commission

**BACKGROUND**

The Cal Grant C program was created in 1973 as the Occupational Education and Training Grant. The program was revised in 2000 by setting the total number of awards at 7,761 in a given year. The maximum award amount and the total amount of funding are determined in the annual Budget Act. However, the award has not been increased since 2000-01, remaining at \$2,462 toward tuition and fees and an allowance of \$547 for books, technology and supplies.

The program assists students who are seeking an occupational or vocational program with tuition and fees at the California Community College (CCC), private college or career technical schools. The award may be used for institutional fees, charges, tuition, as well as training-related costs such as special clothing, local transportation, required tools, equipment, supplies, technology and books. Cal Grant C recipients may renew until the completion of the training, for a minimum of four months or a maximum of two academic years.

In a given year, about 65% of Cal Grant C award recipients attend community colleges for their technical and vocational program. Cal Grant C recipients at community colleges are eligible to only receive the \$547 component for training-related costs, because they also qualify for the Board of Governors' fee waiver.

The following chart, compiled from information from the LAO, indicates the number of recipients and state General Fund support for the program.

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Cal Grant C</b>	<b>Actual</b>	<b>Estimated</b>	<b>Projected</b>
Recipients	6,944	6,148	5,753
Spending	\$5,000,000	\$5,000,000	\$5,000,000

Students may be considered for a Cal Grant C if they meet general Cal Grant eligibility requirements (i.e. citizenship, CA residency, income and asset ceilings), but do not qualify for a Cal Grant A or B under the Entitlement programs and are not offered a Cal Grant A or B award in the Competitive program. In addition to general eligibility requirements, Cal Grant C applicants must submit a supplemental form confirming information that they are enrolling in an eligible institution and an eligible vocational

program, and providing background data including work and educational history. Recent legislative changes to the program (Chapter 627, Statutes of 2011, and Chapter 692, Statutes of 2014) give priority to applicants pursuing a program for an occupation in high employment demand, with high growth potential and high wages, and to applicants who are in long-term unemployed status.

<b>STAFF COMMENT</b>
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Staff notes several concerns about the Cal Grant C program, including:

***Despite overwhelming need for financial aid, thousands of Cal Grant C awards go unspent.*** Student Aid Commission data indicate that between 60,000 and 80,000 students have qualified for Cal Grant C in the past several years. Despite this, the Commission reports that the number of paid recipients has been well under the 7,761 awards that are available each year. There may be multiple reasons for this problem. An April 2016 report from the California EDGE Coalition noted that the Cal Grant C application process is cumbersome, and requires students to fill out a separate application once they have been identified as eligible for Cal Grant C. The same report noted that different colleges report widely different rates of Cal Grant C awards, indicating that some colleges may be doing a better job of outreach to students to ensure they complete their application. In a June 2016 report, the Student Aid Commission also noted that the award amount, particularly for community college students, is low, which may lower student interest. The Commission also noted that many private colleges have closed or become ineligible for Cal Grant funding due to performance standards. The chart below was prepared by the Commission.

Award Year	C Supplements Sent	C Supplements Received	Supplement Return Percentage	Authorized Offered Awardees	Actual Award Offers Made	Paid Recipients	Paid Percentage
2011-12	81,314	17,128	21.06%	7,761	8,919	4,844	62.41%
2012-13*	82,325	17,090	20.76%	7,761	9,514	3,776	48.65%
2013-14	64,389	12,167	18.90%	7,761	9,779	5,843	75.29%
2014-15	63,050	11,763	18.66%	7,761	11,111	6,188	79.73%
2015-16	58,937	9,007	15.28%	7,761	8,558	4,293	55.32%

\*Initial year of SB 451 – occupational priority

***Community college students receive less support than students attending for-profit colleges.*** As noted earlier, the program provides \$2,462 toward tuition for students attending private colleges, and a \$547 stipend for non-tuition costs. Because California students attending a California community college who are eligible for Cal Grant due to their income status already receive a fee waiver, the tuition portion of Cal Grant C is not available to them. Thus the 65% of Cal Grant C students who attend community colleges only receive \$547. As discussed in previous Subcommittee hearings, the non-tuition costs of attending community college are high: the Commission estimates those costs for a full-time student living at home with parents to be \$11,475, or for a student living independently to be \$19,386. The Cal Grant C stipend covers about 5% of costs for students living at home, and 3% of costs for students living independently.

***Access award is much lower for Cal Grant C students compared to Cal Grant B students.*** Cal Grant B students receive a \$1,656 stipend, much higher than the amount for Cal Grant C students. While the Subcommittee has taken action this year to add to a supplement to the Cal Grant B or C stipend for community college students – the Full-Time Student Success Grant – there remains unequal support for CTE students at community colleges when compared to other students.

The Subcommittee has asked the Legislative Analyst's Office and the Student Aid Commission to discuss the Cal Grant C program, current issues with the program, and potential solutions to those issues.

**ISSUE 5: STATEWIDE INCENTIVE FOR 529 COLLEGE SAVINGS PLANS**

The Subcommittee will discuss a LAO analysis of the costs and issues associated with creating a statewide incentive for college savings plans.

**PANEL**

- Natasha Collins, Legislative Analyst's Office

**BACKGROUND**

At its March 14<sup>th</sup> hearing, the Subcommittee heard a presentation from an official with the City of San Francisco regarding the City's Kindergarten to College (K2C) Program.

The K2C Program is a college savings program by the City and County of San Francisco in partnership with the San Francisco Unified School District (SFUSD). A K2C college savings account is automatically opened for each SFUSD student entering kindergarten, or a participating program year. The City and County of San Francisco starts each account with \$50, and families have the opportunity to earn additional incentives.

Results include:

- There are more than 27,000 kids in SFUSD with accounts
- Families have saved over \$2.25 million of their own money.
- 50% of the families who are saving qualify for free and reduced-price lunch.

Based on this presentation, the Subcommittee asked the LAO to study the program and determine costs and issues associated with creating a similar, statewide program. The LAO provided the following report.

**LAO Analysis**

We identified three basic options for structuring the ownership of accounts in a state-matched college savings program. After describing the three options, we discuss factors for the Legislature to consider in selecting among them. We limit the options to 529 college savings accounts, as these accounts are allowable under federal law and have certain tax advantages (set forth in Section 529 of the Internal Revenue Service code).

All states administer 529 college savings programs. In California, the Treasurer's Office administers ScholarShare, the state's existing 529 program. The Subcommittee could view the options we set forth as different ways to modify and expand the ScholarShare program.

- **Parent-Owned 529 Savings Plans.** These plans allow parents to open an account on behalf of their child. (We refer to these plans as "parent-owned" and a beneficiary as "their child," but individuals can open accounts for themselves or on behalf of other beneficiaries, such as a grandchild.) Parents can open an

account at any time with a minimum deposit that is set by the state. They can spend funds in the account at any time towards qualified educational expenses (including tuition, room and board, and course materials) for their child. Disbursements for any other purpose are subject to a 10 percent penalty. ScholarShare currently offers parent-owned accounts. Twice a year, ScholarShare has match campaigns that offer a \$50 state match incentive to parents who open accounts in May or December and establish an automatic contribution plan of \$25 or more per month for at least six months. In 2016, ScholarShare contributed roughly \$115,000 to match 2,300 accounts opened during the campaigns. Many other state 529 plans also offer matches to open parent-owned accounts.

- **State-Owned 529 Savings Plans.** Some 529 savings plans are state-owned rather than parent-owned. With these accounts, States open and hold accounts on behalf of children in their State. States deposit funds into individual accounts that children can access for qualified educational expenses. Several states, such as Rhode Island and Oklahoma have state-owned 529 savings plans. California currently does not have these plans.
- **Hybrid 529 Savings Plans.** A hybrid 529 savings plan has both parent-owned and state-owned accounts, but the State's and parents' contributions are held separately. Similar rules apply to each type of account as described above. A few states, including Maine and Oklahoma, have hybrid 529 savings plans. Oklahoma, for instance, opens state-owned accounts for all newborn children and makes additional contributions to the state accounts if parents also open parent accounts.

**Key Differences Between the Ownership Options.** Figure 1 displays the major differences among parent-owned and state-owned 529 savings plans. One major difference is that parents must choose to participate in parent-owned accounts ("opt in"), while states typically automatically enroll children in state-owned accounts ("opt out"). A second major difference pertains to the source of enrollment information. With parent-owned accounts, parents supply the child's personal information. With state-owned accounts, the state must acquire this information, which it typically does from a state agency with birth records or from schools. A third major difference concerns expenditure restrictions. Under federal law, parents can withdraw funds in parent-owned accounts for any purpose besides college with a 10 percent penalty. By contrast, state-owned accounts can require funds be spent only on college. State-owned accounts also can carry other restrictions, such as limiting expenses to public or in-state institutions or requiring funds be spent by a certain age.

**Figure 1**  
**Key Differences Among Parent-Owned and State-Owned 529 Plans**

	Parent-Owned	State-Owned
Contributors	<ul style="list-style-type: none"> <li>Parents, or both parents and the state.</li> </ul>	<ul style="list-style-type: none"> <li>State.</li> </ul>
Enrollment	<ul style="list-style-type: none"> <li>Opt in.</li> </ul>	<ul style="list-style-type: none"> <li>Opt out (typically).</li> </ul>
Source of enrollment information	<ul style="list-style-type: none"> <li>Parents supply information needed to enroll children.</li> </ul>	<ul style="list-style-type: none"> <li>State must collect information to enroll children.</li> </ul>
Expenditure restrictions	<ul style="list-style-type: none"> <li>Qualified educational expenses—no penalty.</li> <li>Other expenses—10 percent penalty.</li> </ul>	<ul style="list-style-type: none"> <li>Qualified educational expenses only.</li> <li>Can restrict to in-state or public institutions.</li> <li>Can revert funds if not spent by certain age.</li> </ul>
Administrative costs <sup>a</sup>	<ul style="list-style-type: none"> <li>Lower.</li> </ul>	<ul style="list-style-type: none"> <li>Higher.</li> </ul>

<sup>a</sup> Administrative costs tend to be higher for state-owned plans because the state typically enrolls children itself and must manage the accounts.

**Choosing an Account Option Depends on Program Objectives.** Selecting among account options depends on the Legislature’s objectives for the program. If the Legislature’s primary goal for the program is for every child to have a college savings account, it may want state-owned accounts with automatic enrollment. If the Legislature’s primary goal is to encourage families to save for college, it may want a hybrid program that consists of automatic enrollment in state-owned accounts as well as state incentives to open parent-owned accounts, with higher state contributions for parents willing to commit to automated parent contributions for some length of time.

**State Funding Funding an Expanded Program.** Research suggests that even a small amount of savings can increase college going and college graduation rates for students, especially for low-income students. Even more savings, however, increase the likelihood for enrollment and completion. For States with existing state-owned accounts, initial state contributions typically range from \$25 to \$1,000. In California, the minimum contribution to open a ScholarShare account is \$25. Figure 2 shows a range of cost estimates for a potentially expanded state-funded program in California. The figure shows the added cost of the program were the state to contribute different amounts (ranging from \$25 to \$1,000 per account) for (1) all newborns, (2) low-income newborns, (3) all kindergartners, and (4) low-income kindergartners. The figure assumes the state makes a one-time contribution for each eligible child. Program costs range from \$5.4 million for a \$25 state deposit for all low-income newborns to \$500 million for a \$1,000 state deposit for all newborns.

**Figure 2**  
**Cost Estimates for Various Program Options**

State Contribution to Each Account	Newborns <sup>a</sup>		Kindergartners <sup>b</sup>	
	All	Low Income	All	Low Income
\$25	\$12,500,000	\$5,375,000	\$11,250,000	\$6,875,000
50	25,000,000	10,750,000	22,500,000	13,750,000
100	50,000,000	21,500,000	45,000,000	27,500,000
500	250,000,000	107,500,000	225,000,000	137,500,000
1,000	500,000,000	215,000,000	450,000,000	275,000,000

<sup>a</sup> Assumes 500,000 children are born in California annually, with 215,000 children born into low-income families. Assumption based on federal data using the school free and reduced-priced meal income threshold.  
<sup>b</sup> Assumes California has 450,000 kindergartners, including 275,000 low-income kindergartners. Assumption based on state data using the school free and reduced-price meal income threshold.

***Recapturing State Funds for Students Not Attending College in California.***

According to federal data, 17 percent of children born in California leave the state before age 17. Nearly half of these students leave the state before starting elementary school. In addition, we estimate that about half of California high school graduates do not attend college by age 25. If the state funded state-owned accounts, it could recapture state deposits made to children who do not attend college in the state by a certain age, such as 25. This could reduce program costs considerably, depending on the specific age limit set as well as the effects of the program in boosting college attendance. According to the LAO, UC is enrolling about 37,000 graduate students in the current academic year. This includes student's in master's degree programs, doctorate programs and professional schools, such as law schools.

**STAFF COMMENT**

As the LAO notes, research indicates that even small college savings plans increase the likelihood of a student attending college. Thus a statewide program as discussed could meet the Assembly goal of improving access to higher education.

The LAO indicates significantly differing costs for a program, ranging from about \$5.4 million if funding was targeted to low-income newborns, to \$500 million, if the program included all newborns, regardless of income level.

Staff suggests the Subcommittee wait until the May Revise to determine General Fund levels before deciding how to pursue implementing this program.

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**Staff Recommendation: Hold Open**

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**6440 UNIVERSITY OF CALIFORNIA**  
**6610 CALIFORNIA STATE UNIVERSITY**  
**6870 CALIFORNIA COMMUNITY COLLEGES**

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### **ISSUE 6: MENTAL HEALTH SERVICES FOR STUDENTS**

The Subcommittee will discuss mental health services provided for students at the three public segments, as well as unmet needs and ideas for improvement.

#### **PANEL**

- Robin Homes-Sullivan, University of California
- Ray Murillo, Director, California State University Chancellor's Office
- Ana Aguayo-Bryant, California State University Chancellor's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

#### **BACKGROUND**

Students, faculty, health practitioners, and college administrators are reporting increased rates of mental health needs by students attending public colleges in California. Studies indicate one in four students has a diagnosable mental illness and 40 percent of students do not seek mental health services when they need it. In addition, one in 10 college students has considered suicide and suicide is the second leading cause of death among college students, claiming more than 1,100 lives every year nationally.

The Subcommittee has asked each of the three public segments to discuss current mental health services for students, gaps in services, and ideas for improvement if funding was available.

**6440 UNIVERSITY OF CALIFORNIA****ISSUE 7: REVIEW OF SYSTEMWIDE INITIATIVES**

The Subcommittee will discuss system-wide initiatives in the University of California system.

**PANEL**

- Kieran Flaherty, University of California

**BACKGROUND**

Two recent University of California audits conducted by the State Auditor have expressed concern with the oversight of system-wide initiatives. The UC Office of the President defines system-wide initiatives as initiatives that it administers or funds for the benefit of the entire university. System-wide initiatives include academic and research programs, and non-campus based academic research programs, such as the University of California Washington Center. Many system-wide initiatives were established by the Legislature. The list below was published by the Auditor.

COUNT	SYSTEMWIDE INITIATIVE	ESTIMATED EXPENDITURES	ESTIMATED AMOUNT (UNDER)/OVER BUDGET
<b>Category: Academic Support</b>		<b>\$48,588,000</b>	<b>\$(5,170,000)</b>
1	California Digital Library	\$21,909,000	\$(944,000)
2	Casa de California	266,000	(382,000)
3	Graduate Fellows	41,000	-
4	Mathematics Diagnostic Testing Project	59,000	-
5	Academic Senate	2,022,000	(55,000)
6	University of California Press	22,960,000	(2,621,000)
7	Historically Black Colleges and Universities Initiative	1,207,000	(1,156,000)
8	President's Postdoctoral Fellowship Program	75,000	3,000
9	Librarian's Association of the University of California	49,000	(15,000)
<b>Category: Agriculture and Natural Resources</b>		<b>\$188,568,000</b>	<b>\$2,006,000</b>
10	Division of Agriculture and Natural Resources	\$188,568,000	\$2,006,000
<b>Category: Instruction</b>		<b>\$52,737,000</b>	<b>\$(1,861,000)</b>
11	University of California Education Abroad Program	\$34,983,000	-
12	Governor's Teacher Scholars Program	320,000	-
13	Innovative Learning Technology Initiative	10,045,000	\$45,000
14	Principal Leadership Institutes	300,000	-
15	University of California Online	519,000	519,000
16	University of California Sacramento Center	674,000	-
17	University of California Washington Center	4,700,000	(2,425,000)
18	President's Postdoctoral Fellowship Program	1,196,000	-
<b>Category: National Laboratories</b>		<b>\$3,714,000</b>	<b>\$(826,000)</b>
19	Office of the National Laboratories	\$3,714,000	\$(826,000)
<b>Category: Presidential Initiatives*</b>		<b>\$8,244,000</b>	<b>\$(6,580,000)</b>
20	Presidential Initiatives	\$8,244,000	\$(6,580,000)

COUNT	SYSTEMWIDE INITIATIVE	ESTIMATED EXPENDITURES	ESTIMATED AMOUNT (UNDER)/OVER BUDGET
<b>Category: Public Service</b>		<b>\$27,452,000</b>	<b>\$(5,039,000)</b>
21	Armenian University Project	\$(2,000)	\$(2,000)
22	California Subject Matter Project	7,191,000	(1,943,000)
23	Community College Assist Program	1,371,000	215,000
24	Career Technical Education Initiative	-	-
25	Diversity Pipeline	547,000	97,000
26	Gaining Early Awareness and Readiness for Undergraduate Programs	4,721,000	(279,000)
27	Graduate and Professional Outreach	4,000	(42,000)
28	High School Articulation	883,000	(218,000)
29	Mathematics Diagnostic Testing Project	224,000	(755,000)
30	Student Academic Preparation and Educational Partnerships	8,756,000	(1,524,000)
31	Student Preparation	\$280,000	\$(530,000)
32	Science and Math Teacher Initiative	191,000	(12,000)
33	Teaching, Learning, and Leadership	49,000	(1,000)
34	Transfer Articulation	248,000	(73,000)
35	University of California Leads	97,000	45,000
36	University of California Curriculum Integration	543,000	(17,000)
37	University of California–Mexico Initiative	2,349,000	-
<b>Category: Research</b>		<b>\$88,399,000</b>	<b>\$(25,829,000)</b>
38	Breast Cancer Research	\$1,783,000	\$(8,616,000)
39	California Cancer Research	2,271,000	(129,000)
40	California Institute for Science and Innovation	16,660,000	-
41	California Program on Access to Care	935,000	-
42	California State Summer School for Mathematics and Science	241,000	-
43	California Advancement Research Association Board	5,000	-
44	Center for Health Quality and Innovation	1,142,000	(3,411,000)
45	David Hayes-Bautista Project	557,000	-
46	Discovery Grants	-	-
47	Drew Matching Funds	475,000	-
48	Health Affairs	2,163,000	140,000
49	California Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome Research	1,201,000	(7,566,000)
50	University of California, Berkeley, Institute of Transportation Studies	980,000	-
51	Los Alamos National Security/Lawrence Livermore National Security	(57,000)	(9,845,000)
52	Natural Reserve System	2,892,000	255,000
53	New Graduate Studies Initiative	25,000	(975,000)
54	Research Program Communication Support	-	-
55	Research Program Evaluation	-	-
56	Research Grants Program Office	16,000	16,000
57	Song Brown Act	100,000	-
58	Special Research Program	24,598,000	24,636,000
59	Tobacco-Related Disease Research Program	1,590,000	(8,538,000)
60	University of California Institute for Mexico and the United States	930,000	-

COUNT	SYSTEMWIDE INITIATIVE	ESTIMATED EXPENDITURES	ESTIMATED AMOUNT (UNDER)/OVER BUDGET
61	University of California Observatories	\$20,511,000	\$91,000
62	University of California Research Initiatives	9,907,000	(342,000)
63	Historically Black Colleges and Universities Initiative	1,806,000	(103,000)
64	Youth Leadership	50,000	–
65	Social Security/Double Taxation	187,000	–
66	President’s Postdoctoral Fellowship Program	511,000	–
67	Non-Multicampus Research Unit	(3,080,000)	(11,442,000)
<b>Category: Other Systemwide Initiatives in Budget Data but Not Classified as Systemwide Programs in Presentation to Regents</b>		<b>\$16,325,000</b>	<b>\$(3,563,000)</b>
68	Advocacy Communication	\$184,000	–
69	Chancellor’s House Maintenance	1,030,000	–
70	Collaborative Exchange	144,000	–
71	Fresno Center Debt Service	647,000	\$(43,000)
72	Sustainability	291,000	20,000
73	UCPath†	12,194,000	(3,401,000)
74	President’s Residence	253,000	–
75	Chancellor’s Administrative Funds	435,000	–
76	Chancellor Inaugurations	–	(197,000)
77	Office of the General Counsel Deficit	854,000	–
78	Presidents Emeriti Expenses	163,000	58,000
79	Special Supplemental Retirement Contribution	130,000	–
		<b>\$434,027,000</b>	<b>\$(46,862,000)</b>

Sources: California State Auditor’s analysis of data from the Office of the President’s budget development system and other information regarding systemwide Initiatives and programs.

Note 1: The Office of the President’s budget development system does not consistently track budgets, reimbursements, or expenditures for systemwide Initiatives. For example, many systemwide Initiatives have a budget but no actual expenditures. As a result, the amounts we present in this table represent estimates of the amount the Office of the President budgeted and spent on systemwide Initiatives.

Note 2: Cells without amounts either contain an amount less than \$1,000 or received an adjustment.

 The Office of the President’s data did not show complete actual expenditures for some of its accounts because it assumes all budgeted amounts were spent. Thus, we use the amount budgeted to estimate the actual expenditure. Systemwide Initiatives can have multiple accounts.

 Agriculture and Natural Resources is highlighted in green because these amounts are its total expenditures, which Agriculture and Natural Resources provided us. The Office of the President’s budget data did not include the Agriculture and Natural Resources’ total expenditures.

\* Although the Office of the President’s budget system contains one category labeled *presidential Initiatives*, we show 24 different presidential Initiatives as of fiscal year 2015–16 in Figure 17 on page 76. The Office of the President labels some presidential Initiatives, such as UCPath, separately in its budget system.

† UCPath is the university’s replacement payroll and human resources system.

In the Auditor’s April 2017 report, "The University of California Office of the President: It Failed to Disclose Tens of Millions in Surplus Funds, and its Budget Practices are Misleading," the Auditor concluded that the Office of the President does not adequately track all of its system-wide initiatives’ costs or systematically assess their continued benefit to the university system.

**STAFF COMMENT**

The Subcommittee discussed this issue last year, and commissioned the LAO to review past state budgets and compile a list of UC programs and other activities created in budget language. This year, the Subcommittee has been working with UC to develop a comprehensive list of programs and activities, but UC has not yet finalized that list. This seems to reinforce the auditor's findings.

UC is a complex organization performing numerous duties with literally hundreds of revenue sources at the Office of the President, its 10 campuses, 5 medical centers and 3 national labs. Monitoring all of these activities is challenging. However, it seems clear that the Office of the President should be better tracking these programs, particularly in light of the financial difficulties and cost pressures the campus' face. Neither UC nor the Legislature have a mechanism in place to review programs to determine if they are still valid, or how much state funding is required. The Administration's insistence that program earmarks be removed from budget language also hinders transparency, as it is very difficult for the public to determine funding levels of any of these programs.

Potential Questions

- Regarding the auditor's list of programs and activities, does UC have any breakdown or estimates of how much state General Fund or tuition revenues is being used?
- How will UC enact the auditor's recommendations regarding this issue?