

Item 2 (Information/Action)

Update on 2019-20 State Budget including items relating to Commission programs and operations

SUMMARY:

The Governor's Budget Proposal for Fiscal Year (FY) 2019-20 includes the following proposals:

1. A proposal to provide Cal Grant recipients with dependent children attending public institutions with Access Awards of up to \$6,000, at a state General Fund (GF) cost of \$121.6 million (see "Analysis" section for further detail);
2. An increase of 4,250 in the number of Competitive Cal Grant awards that the Commission may issue, to a total of 30,000 awards, at a cost of \$9.6 million GF;
3. Maintaining the maximum Cal Grant award for students attending private nonprofit institutions at \$9,084, provided this sector meets the annual statutory target for enrolling students via the Associate Degree for Transfer (ADT) pathway;
4. Full funding to continue the Grant Delivery System Modernization (GDSM) Project program costs, at \$6.2 million GF, consistent with the Commission's submitted Budget Change Proposal (BCP);
5. Approval of the establishment of three (3) new permanent positions at CSAC, including analyst-level staff positions in the Institutional Support Unit and additional support staff for the Executive Office, as requested by the Commission's submitted BCP;
6. One-time funding for CSAC to implement recent changes in financial aid programs for foster youth students, as requested by the Commission's submitted BCP;
7. No funding for the Commission's two remaining BCPs: 1) Increase the Cal Grant B Access Award to \$3,000, 2) Remove significant barriers to eligibility for the Transfer Entitlement program, such as age and application deadlines.

RECOMMENDATION:

This is an information item; no action is needed. Staff will provide updates of budget developments as the process continues through June.

BRIEF HISTORY OF KEY ISSUE(S):

Students with dependents

In recent years, college affordability advocates have noted that the high cost of child care and other expenses associated with caring for dependents, including dependent children, is a major barrier to low-income students attending and completing a college education. According to CSAC data, there were approximately 40,000 Cal Grant recipients in 2017-18 who reported having children or other dependents on their financial aid applications. Cal Grant aid for these students includes a tuition and fee award, for eligible students, plus an Access Award of up to \$1,672 for Cal Grant B recipients and \$1,094 for Cal Grant C recipients (\$547 for Cal Grant C students attending institutions other than a community college).

Competitive Cal Grant awards

The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act of 2000 formally established the Competitive Cal Grant program, and provided that 22,500 awards were to be issued annually. This amount was later increased to the current maximum of 25,750 awards.

The Commission, along with many other college affordability advocates and organizations, has consistently sought additional increases in the number of Competitive Cal Grant awards, recognizing that the demand for this program significantly outpaces the awards available. In the 2001-02 academic year, fewer than 99,000 students applied and qualified for a Competitive award, meaning that nearly 23 percent of eligible students were awarded; by 2017-18, nearly 325,000 eligible students applied, but the statutory limit of 25,750 resulted in CSAC only being able to award about 8 percent of qualified applicants.

The Competitive Cal Grant primarily serves students often referred to as “non-traditional” or adult learners – those who do not attend college immediately after high school. (Students who otherwise qualify for a Cal Grant and apply by the March 2 deadline can receive a High School Entitlement grant for up to one year after high school graduation.) In 2017-18, 50.3 percent of qualified Competitive applicants were aged 25 or older.

Cal Grant tuition award at private institutions

In the 2018-19 Budget Act, the Legislature approved a Brown Administration proposal to link the maximum Cal Grant tuition and fee award for students attending private nonprofit institutions to the total number of students enrolled by the nonprofit sector via the ADT pathway. The Administration’s intent was to incentivize schools in this sector to accept more transfer students from California Community Colleges (CCCs).

Effective with the 2019-20 academic year, the maximum award for these students will remain at the current \$9,084 if the sector as a whole meets the statutory minimum requirement to enroll ADT students. If the sector does not meet the overall target, the maximum Cal Grant tuition award for such students will be reduced to \$8,056. The Association of Independent California Colleges and Universities (AICCU) is expected to issue a report on the sector’s progress in meeting this goal in April 2019.

The 2018-19 Budget Act also included a statutory reduction in the maximum Cal Grant tuition award for students attending for-profit institutions accredited by the Western Association of Schools and Colleges (WASC). The award was reduced from \$9,084 to \$8,056. Previously, this award had been linked to the maximum award at private nonprofit institutions.

GDSM Project

The GDSM Project was required to pass through four stages of a State-mandated process of planning and approval before the actual project could commence. The Brown Administration and the Legislature consistently supported funding for planning costs, and effective in 2018-19, the Budget Act included funds to begin the project. Having successfully “graduated” from the last of the four planning stages in the fall of 2018, CSAC staff began work on the development and implementation of the project, with a targeted completion date of early 2021.

Commission BCPs for 2019-20

The four BCPs approved by the Commission in September 2018 for consideration in the Governor's Budget are listed in Attachment 2.2.

ANALYSIS:

Please see Attachment 2.1 for an overview of the Governor's 2019-20 Budget Proposal.

RESPONSIBLE PERSON(S):

David O'Brien, Director
Government Affairs

ATTACHMENTS:

Description

- ▢ Attachment 2.1 Overview of the 2019-20 Governor's January Budget Proposal
- ▢ Attachment 2.2 Summary of CSAC BCPs Submitted Fall 2018
- ▢ Attachment 2.3 Governor's Budget Summary Higher Education

CALIFORNIA STUDENT AID COMMISSION
Overview of the Governor's 2019-20 Budget Proposal
January 2019

SUMMARY

Governor Newsom submitted his proposed State Budget for Fiscal Year (FY) 2019-20 on January 10, 2019. Overall, the Governor's Budget proposes total state spending of \$209 billion in 2019-20, a 4% increase over the current year (2018-19). Of this amount, approximately \$144 billion is General Fund (GF) expenditures.

In higher education, the Governor proposes to spend a total of \$36.4 billion, including \$20.5 billion GF. Page 46 of the Governor's Budget Summary includes a table summarizing higher education expenditures for the University of California (UC), the California State University (CSU), the California Community Colleges (CCC), the California Student Aid Commission (CSAC), and all other higher education programs.

The Governor's proposed budget for UC includes \$240 million in new ongoing investments, as well as \$153 million in one-time spending to support deferred maintenance and expansion of UC extension centers. The augmentation to ongoing spending includes enrollment growth (\$10 million to support 1,000 additional resident students), degree attainment and student success (\$49.9 million), and student support services including expansion of mental health services (\$5.3 million), combating food and housing insecurity (\$15 million), and immigration legal services (\$1.3 million).

For the CSU, the Governor proposes an ongoing augmentation of \$300 million GF, consisting of funds for enrollment growth (\$62 million to enroll 7,000 new students), additional support for the Graduation Initiative to increase degree attainment rates (\$45 million), and support services including combating food and housing insecurity (\$15 million) and immigration legal services (\$7 million).

At the CCC, the major new investment includes \$40 million Proposition 98 GF to add a second year to the California College Promise program. Enacted in 2017, the Promise provides funding to CCC districts to provide expanded support services to first-time, full-time students that may include waiving all unit fees for the first year of attendance. The Governor's proposal would authorize these funds to be used for a second year of such services.

Additionally, the Governor's budget includes funds to implement the first year of the new Student Centered Funding Formula. As enacted in the 2018-19 Budget Act, this formula will increase funds to CCCs based on metrics such as the number of low-income students enrolled and the number of students that complete a degree or certificate within a specified timeframe.

In financial aid, the Governor's Budget provides just over \$2.7 billion in total funds for CSAC, including the following major augmentations and adjustments:

- **New access grants for student parents.** The Governor proposes to increase Cal Grant funds for students with dependent children at public colleges and universities, to help offset the cost of child care and other expenses. Cal Grant A and B students would be eligible for an Access Award of up to \$6,000 per year, and Cal Grant C students could

receive up to \$4,000 per year. These awards would be limited to students attending public institutions of higher education (UC, CSU, and CCC).

- **Increased Competitive Cal Grant awards.** The Governor's Budget would increase the number of Competitive awards issued by the Commission from 25,750 to 30,000 per year, an increase of more than 16 percent.
- **Maintaining the maximum Cal Grant tuition award (\$9,084) for students attending private, nonprofit institutions.** This amount assumes that the sector will meet its statutorily mandated target to admit at least 2,000 CCC transfer students via the Associate Degree for Transfer (ADT) pathway.
- **Full funding (\$6.2 million GF) of the second-year program costs for the Grant Delivery System Modernization (GDSM) Project,** consistent with the Commission's Budget Change Proposal (BCP) submitted in fall 2018. This project is crucial to maintaining CSAC's ability to issue financial aid awards and assist students.
- **Additional staffing and implementation resources at CSAC.** The Governor's Budget includes funding for permanent positions and one-time funds requested by CSAC to implement 2018-19 budget changes to financial aid programs.

FINANCIAL AID PROGRAMS

Cal Grants for Students with Dependent Children

The Governor's Budget includes a proposal to augment financial aid awards for students caring for dependent children. This additional aid, which would be processed as a supplemental Access Award for current Cal Grant students, would be available only to students attending public colleges and universities, and in the following amounts:

- **Cal Grant A** students would be eligible to receive a new Access Award of up to **\$6,000** per year.
- **Cal Grant B** students would be eligible for an increase to their existing Access Award (currently set at a maximum of \$1,672¹), up to **\$6,000** per year.
- **Cal Grant C** students would be eligible for an increase to their existing Book and Supply Award (currently set at a maximum of \$1,094), up to **\$4,000** per year.

According to data from the Free Application for Federal Student Aid (FAFSA) and California Dream Act Application (CADAA) submissions, there were **28,662** Cal Grant recipients attending public institutions of higher education that reported having dependent children, with another **3,189** attending private institutions. The table below provides detail by program type and segment:

¹ This amount includes a base award of \$1,648 as well as an additional \$24 supplement financed by funds from the College Access Tax Credit program.

Attachment 2.1

	Cal Grant A	Cal Grant B	Cal Grant C	All Cal Grant
CCC	0	19,129	2,263	21,392
UC	155	611	0	766
CSU	385	6,090	0	6,475
<i>Public-Other</i> ²	6	15	8	29
Total, Public	546	25,845	2,271	28,662
<i>Non-Profit</i>	224	1,340	25	1,589
<i>For-Profit</i>	76	671	853	1,600
Total, Private	300	2,011	878	3,189
Combined Total	846	27,856	3,149	31,851

Competitive Cal Grant

The Governor’s Budget proposes \$9.6 million GF (ongoing) to increase the number of annual Competitive Cal Grant awards issued by the Commission to 30,000. This increase of 4,250 (16.5%) from the current 25,750 represents the first proposed increase in Competitive awards in several years.

The Competitive Cal Grant is the State’s main source of financial aid for what has generally been called “non-traditional” students. Since Cal Grant is available as an entitlement only to recent (within one year) high school graduates, students who attend college *more* than one year after graduating high school are placed into the Competitive pool, which in recent years has involved more than 300,000 eligible applicants competing for 25,750 awards.

Since its establishment in 2000, demand for the Competitive Cal Grant program has steadily increased, while the number of allocated awards per year has only increased once – from 22,500 to the current 25,750. In the program’s first full year of operation (2001-02), a total of 98,537 eligible students applied – meaning that each student had a roughly 23% chance of receiving an award. In 2017-18, there were 324,515 eligible applicants to consider, giving each student a slightly less than 8% chance of being awarded.

Cal Grants for Non-Profit Institutions

The Legislature adopted an Administration proposal to permanently maintain the maximum Cal Grant award at private nonprofit institutions at \$9,084, at a cost of approximately \$7.9 million GF (FY 2018-19).

² The category “Public-Other” refers to publicly funded hospital-based education programs.

As a condition of receiving this full Cal Grant award, schools in this sector will have to admit a specified number of community college transfer students under the state's Associate Degree to Transfer (ADT) protocol. Specifically, the sector as a whole will be required to admit 2,000 students via the ADT protocol in 2018-19, 3,000 students in 2019-20, and 3,500 students in 2020-21 and thereafter.

The Governor's Budget assumes that the private nonprofit sector will meet this target, and as such maintains the maximum award at \$9,084. The Association of Independent California Colleges and Universities (AICCU) is expected to issue its first annual report on progress toward meeting this target in April 2019.

INFORMATION TECHNOLOGY

Grant Delivery System Modernization

The Governor's Budget includes \$6.2 million (one-time) to fully fund the second year of program costs for the GDSM Project. With support from Governor Brown and the Legislature, CSAC received funds to begin project costs in the current year (2018-19), and Governor Newsom's budget would continue to support the project, which is expected to go live in early 2021.

CSAC OPERATIONS

In the fall of 2018, CSAC submitted a BCP for operational costs (see Attachment 2.2 for a summary of all submitted BCPs). To ensure sufficient staffing and resources, CSAC requested the establishment of 11 additional permanent positions, as well as one-time funds to program and implement recent financial aid statutory changes.

The Governor's Budget includes funding for three new permanent positions at CSAC, including two Associate Governmental Program Analyst (AGPA) positions in the Institutional Support Unit, and an Office Technician (OT) position in the Executive Office. Also included is \$100,000 in one-time funding to help implement recent enhancements to CSAC financial aid programs for foster youth.

**California Student Aid Commission
2019-2020 Budget Change Proposals (BCPs)**

Proposal	Description	PY	Operations	Local Assistance	Total
BCP 01 – Grant Delivery System Modernization (GDSM)	Complete CA Department of Technology Project Approval Lifecycle State and GDSM Project Initiation		\$6,165,000		\$6,165,000
BCP 02 – CSAC State Operations	Provide CSAC with sufficient permanent staffing and one-time resources to implement recent financial aid legislation, ensure institutional accountability, and provide increased support for outreach and training to students and institutions	11.0	\$1,562,000		\$1,562,000
BCP 03 – Cal Grant B Access Award Increase	Increase the maximum Cal Grant B Access Award from \$1,672 to \$3,000			\$303,164,000	\$303,164,000
BCP 04 – Transfer Entitlement Cal Grant Reform	Expand eligibility for the Cal Grant Transfer Entitlement Program, reducing barriers by modifying age limits, application deadlines, and residency requirements	4.0	\$556,000	\$87,699,000	\$88,255,000

HIGHER EDUCATION

Higher education is central to training and developing the skilled workforce needed for the state to meet its ever-changing workforce needs and is a core pathway for Californians to improve their upward economic mobility. If colleges and universities are to remain engines of economic mobility, they must evolve along with the state's changing student population. They must provide programs that train for the skills needed not only for today, but for the future economy.

Strengthening the relationship between higher education, workforce development programs and employers will be a key focus of the Administration. The Administration will work to promote affordability, access, and efficiency in higher education. It will also work to ensure higher education and training programs better meet the needs of nontraditional students. Higher education segments, employers, the state, faculty, and students must work together to update the current higher education and workforce development model to meet the state's needs for a skilled and educated workforce to match the economic sectors that will provide more opportunities to future Californians in a way that is affordable to families and taxpayers.

The Budget proposes significant investments in all three of the state's higher education segments and in student financial aid to increase access to higher education, improve student success and timely degree completion, and to better ensure that college remains affordable by freezing tuition at current levels. The Budget provides funding for two free years of community college tuition and additional funding for the California State University system given their critical importance in preparing the workforce of California.

OVERVIEW

The Budget proposes total funding of \$36.4 billion (\$20.5 billion General Fund and local property tax and \$15.9 billion other funds) for higher education. The total reflects growth of \$1.43 billion (\$1.05 billion General Fund and local property taxes and \$0.38 billion other funds) compared to revised 2018-19 expenditures. Figure HED-01 displays additional detail about funding for higher education.

Figure HED-01
Higher Education Expenditures
 (Dollars in Millions)

	2017-18	2018-19	2019-20	Change from 2018-19	
				Dollars	Percent
University of California					
Total Funds ^{1/}	\$8,963.6	\$9,286.2	\$9,560.8	\$274.6	3.0%
Ongoing General Fund	3,393.3	3,475.5	3,715.5	\$240.0	6.9%
One-Time General Fund	176.6	232.7	153.0	-	-
California State University					
Total Funds ^{1/}	\$7,090.2	\$7,379.8	\$7,835.7	\$455.9	6.2%
Ongoing General Fund	3,713.3	3,960.8	4,279.4	\$318.6	8.0%
One-Time General Fund	46.2	126.6	264.0	-	-
California Community Colleges					
Total Funds	\$14,920.1	\$15,846.4	\$16,257.5	\$411.1	2.6%
General Fund & Property Taxes	9,498.3	10,323.8	10,474.0	\$150.2	1.5%
California Student Aid Commission					
Total Funds	\$2,244.5	\$2,424.2	\$2,712.9	\$288.7	11.9%
General Fund ^{2/}	1,184.8	1,337.3	1,626.0	\$288.7	21.6%
Other Higher Education ^{3/}					
Total Funds	\$109.1	\$67.0	\$68.5	\$1.5	2.2%
General Fund	13.7	20.6	\$17.9	-\$2.7	-13.1%
Total Funds	\$33,327.5	\$35,003.6	\$36,435.4	\$1,431.8	4.1%
General Fund	\$18,026.2	\$19,477.3	\$20,529.8	\$1,052.5	5.4%

^{1/} These totals include tuition and fee revenues and other funds the universities report as discretionary.
^{2/} General Fund expenditures for the Cal Grant program are offset by reimbursements, including approximately \$1 billion in federal Temporary Assistance for Needy Families (TANF) funds received through an agreement with the Department of Social Services.
^{3/} This category includes expenditures for the Hastings College of the Law.

UNIVERSITY OF CALIFORNIA

The University of California (UC) offers formal undergraduate and graduate education. The UC is the public segment authorized to independently award doctoral degrees and is designated as the state's primary academic agency for research. Its 10 campuses enroll approximately 270,000 students. In 2017-18, the UC awarded 75,000 degrees. An additional 400,000 students participate in continuing education programs through the UC extension centers.

CALIFORNIA STATE UNIVERSITY

The California State University (CSU) provides undergraduate and graduate instruction generally up to the master's degree. Its 23 campuses enroll approximately 410,000 students. In 2017-18, the CSU awarded 126,000 degrees. The CSU also provides opportunities for residents to enroll in professional and continuing education programs. The CSU has been striving to better fulfill its mission through the Graduation Initiative 2025, which aims to increase four-year graduation rates, increase two-year transfer graduation rates, and eliminate equity gaps.

CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCCs) are the largest system of higher education in the nation, serving roughly one-quarter of the nation's community college students, or approximately 2.2 million students. The CCCs provide basic skills, vocational, and undergraduate transfer education with 73 districts, 115 campuses, and 78 educational centers. In 2017-18, the CCCs awarded over 96,000 certificates and 160,000 degrees and transferred over 103,000 students to four-year institutions.

INDEPENDENT AND PRIVATE INSTITUTIONS

Independent institutions, including private nonprofit colleges and universities, and private for-profit institutions, are an important component of the state's education landscape. There are over 150 independent institutions in the state, serving roughly 15 percent of all students in the state's systems of higher education. Private for-profit institutions include professional schools, such as cosmetology and culinary schools, in addition to larger national chain schools.

CALIFORNIA STUDENT AID COMMISSION

Administered by the California Student Aid Commission, the state's primary financial aid program is the Cal Grant Program. The Cal Grant entitlement program provides financial aid awards to students who meet specified eligibility criteria, and who attend one of the state's qualifying public institutions or independent and private institutions. Students who are ineligible for the Cal Grant entitlement program can compete for financial aid awards available through the Cal Grant competitive program.

Since 2012-13, total funding for the Cal Grant Program has grown by \$890 million, a roughly 58-percent increase. The Budget assumes total financial aid expenditures of just under \$2.7 billion, of which \$2.5 billion supports the Cal Grant Program. In 2017-18, over 145,000 students received new Cal Grant awards, and over 220,000 students received renewal awards.

UNIVERSITY OF CALIFORNIA

SIGNIFICANT INVESTMENTS

The Budget proposes a \$240 million ongoing General Fund augmentation to the UC to fund operating costs, efforts to increase student success, improve student mental health services, and better address student hunger and homelessness.

In addition to this ongoing funding, the Budget proposes \$138 million one-time General Fund for the UC to address its deferred maintenance backlog. Additionally, the Budget proposes \$15 million one-time General Fund to support expanded degree completion and certification programs at UC extension centers.

These investments are provided with the expectation that tuition will remain flat, access will be increased, and time to degree will improve. The significant investments proposed for the UC should begin an in-depth conversation between the Administration and the Regents regarding the short- and long-term goals and expectations of the state and the UC. This conversation should include a discussion of four broad goals and expectations: providing fiscal certainty for students and their families, increasing access to the UC and improving student success, creating a more cost-efficient UC, and improving the link between higher education and skills needed for the economy, now and into the future.

STUDENT ACCESS AND SUCCESS

ENROLLMENT

The UC has experienced significant enrollment growth over the past decade. In 2010, Fall enrollment at the UC was 229,108. By 2017, Fall enrollment had risen to 273,179, for a total increase of more than 44,000 students, or 19.2 percent over 2010. Notably, the number of California resident undergraduate students climbed from 168,622 in 2010 to 179,530—an increase of nearly 11,000 resident undergraduates. A significant portion of

this increase has been supported by continued, stable state investment in the UC and specific augmentations for enrollment growth. The Budget proposes \$10 million ongoing General Fund to permanently support the enrollment of 1,000 additional resident students previously supported by one-time funds allocated in the 2018 Budget Act.

DEGREE ATTAINMENT AND STUDENT SUCCESS

The Budget proposes \$49.9 million ongoing General Fund to support the UC's proposed effort to improve student success, improve students' timely completion of a degree program, and close the degree attainment gap between students from disadvantaged backgrounds and other students. These efforts are likely to include hiring additional faculty to increase course availability, providing additional academic counseling services to better ensure students can graduate on time, and investing in classrooms, laboratories, and other academic facilities. Improving students' timely degree completion and reducing students' total degree costs as well as closing the degree attainment gap is expected to further improve students' economic and social mobility opportunities.

UC EXTENSION OUTREACH AND DEGREE COMPLETION

Recent studies have shown that millions of Californians have some college credits, but do not have a degree, and are not currently enrolled in a college or university. The Budget proposes \$15 million one-time General Fund for UC extension centers to provide outreach to these Californians, some of whom are former UC students, develop additional course-taking opportunities, and assist students in completing a degree or a professional certificate. This funding will enable the UC to build upon and transform existing programs. It is expected that the extension programs and courses will continue to be supported by student fees. Providing additional options for Californians who have some college credits, but do not have a degree, to complete a degree or a professional certificate is expected to improve the long-term economic and social mobility of students who opt to take courses through an extension center.

OTHER STUDENT SUPPORT SERVICES

MENTAL HEALTH SERVICES

The UC provides mental health services to students through its Counseling and Psychological Services program. Each campus has a division of Counseling and Psychological Services staffed with psychologists and psychiatrists to care for students with mental health needs. The Budget proposes \$5.3 million ongoing General Fund to

support efforts to meet recommended staffing ratios and improve student mental health services. This investment will enable campuses to hire additional clinicians to serve students.

SUPPORTING STUDENT HUNGER AND HOUSING INITIATIVES

Surveys by the UC show that over 40 percent of its undergraduate student body is characterized as having “low” or “very low” food security and that 5 percent experienced homelessness in 2016. The Budget proposes \$15 million ongoing General Fund to assist the UC's efforts to address these issues. These funds will augment the UC's existing efforts to address student hunger and housing needs.

IMMIGRATION LEGAL SERVICES

As referenced in the Health and Human Services Chapter, the Budget continues the UC's immigration legal services program. The Budget assumes \$1.3 million ongoing General Fund support for these programs at the UC beginning in 2022-23. One-time funding provided to the UC in the 2018 Budget Act is sufficient to support the UC's legal services program through the 2021-22 fiscal year. Through its Immigrant Legal Services Center, the UC provides the following services to better enable these students to achieve their educational goals:

- Legal advice and representation for undocumented students and their families, and students who are citizens with undocumented family members.
- Informational and know-your-rights sessions on UC campuses.
- Campus clinics and workshops to assist with applications for benefits available under the Deferred Action for Childhood Arrivals, and other immigration-related relief.
- Assistance in filing humanitarian and educational travel applications with immigration authorities for students with Deferred Action for Childhood Arrivals status.
- In-depth consultations and direct representation in immigration court or before immigration agencies.

OTHER BUDGET ADJUSTMENTS

- Ongoing Base Investments—An increase of \$200 million General Fund ongoing to support the following:
 - \$119.8 million to support increased operational costs.
 - \$49.9 million to increase degree attainment and student success.
 - \$15 million to address student hunger and housing needs.
 - \$10 million to continue support of 2018-19 enrollment growth.
 - \$5.3 million to improve student mental health programs.
- Graduate Medical Education—An increase of \$40 million General Fund to end the shift of Proposition 56 funds supporting medical residency programs.
- UC Extension—An increase of \$15 million General Fund one-time for UC Extension to expand and pilot bachelor's degree completion programs, and expand the availability of certificate programs.
- Firearms Violence Research Center—The 2016 Budget Act included \$5 million one-time General Fund to support a center for research into firearm-related violence. The Budget assumes \$1 million ongoing General Fund to support the UC Davis Firearms Violence Research Center beginning in 2021-22. The UC's one-time funding in the 2016 Budget Act was intended to support the Center through the 2020-21 fiscal year.

CALIFORNIA STATE UNIVERSITY

SIGNIFICANT INVESTMENTS

The CSU plays a critical role in preparing the workforce of California. Approximately half of California's teachers and more than half of the state's nurses graduate from CSU. In addition, the CSU helps drive California's economy by graduating students with degrees in business, engineering, information technology, agriculture, communications, health, and public administration. Given this, the Budget proposes a \$300 million ongoing General Fund increase for CSU. This includes \$193 million for operational costs, \$62 million for enrollment growth of two percent, and \$45 million to

continue the efforts of the Graduation Initiative 2025. The Budget also proposes \$247 million one-time General Fund for the CSU to help address its deferred maintenance backlog and to improve and expand on-campus child care centers. Deferred maintenance funding is generally used to improve existing classrooms, science labs, and student support buildings. The CSU's on-campus child care centers are important resources to help student parents complete their education, increase their future earnings potential, and provide additional support to their children. Additionally, the Budget proposes \$15 million one-time General Fund for the CSU to support its Basic Needs Initiative, which is intended to address student food insecurity and homelessness.

These investments are provided with the expectation that tuition will remain flat, access will be increased, and time to degree will improve. The Budget should begin an in-depth conversation between the Administration and the Trustees regarding the short- and long-term goals and expectations of the state and the CSU. This conversation should include a discussion of four broad goals and expectations: providing fiscal certainty for students and their families, increasing access to the CSU and improving student success, creating a more cost-efficient CSU, and improving the link between higher education and skills needed for the economy, now and in the future.

STUDENT ACCESS AND SUCCESS

ENROLLMENT

The CSU has experienced significant enrollment growth over the past decade. In 2010, Fall enrollment at the CSU was 344,326. By 2017, Fall enrollment had risen to 420,973 for a total increase of more than 76,000 students, or 22.3 percent over 2010. A significant portion of this increase has been supported by continued, stable state investment in the CSU and specific budgetary augmentations for enrollment growth.

Developing an educated workforce is a key aspect of the modern economy and individual degree obtainment is a necessary step to improve Californians' upward mobility. For these reasons, it is important to expand access to the CSU to more California resident students. The Budget proposes \$62 million ongoing to expand enrollment at the CSU by 2 percent, or more than 7,000 students. This funding should also enable campuses that are currently below capacity to expand enrollment.

DEGREE ATTAINMENT AND STUDENT SUCCESS

The 2016 Budget Act called on the CSU to increase each campus's four-year graduation rates and two-year transfer graduation rates, with specific emphasis on closing achievement gaps for low-income students, first-generation students, and students from underrepresented groups. The CSU Graduation Initiative 2025, adopted by the Board of Trustees in 2016, commits the CSU to increasing the four-year graduation rate to at least 40 percent, increasing the two-year transfer graduation rate to at least 45 percent, and closing gaps in outcomes between different groups of students.

The CSU has undertaken significant steps toward meeting these goals, as statewide four-year graduation rates have risen from roughly 19.3 percent in 2015 to 25.5 percent in 2018, and two-year transfer rates have risen from roughly 30.6 percent to 38 percent over the same time frame. The Budget proposes \$45 million ongoing General Fund to continue the work of the Graduation Initiative, which will better improve students' timely degree completion and reduce students' total degree costs.

LONG-RANGE PLANNING

The growing population of high school graduates in San Joaquin County and the need to increase the college attendance of students in the region, make it time to consider the expansion of the CSU system. While the number of jobs in the San Joaquin County region has grown faster than the statewide average, real personal income is lower compared to other areas of the state and unemployment is nearly double the statewide average. The Budget proposes \$2 million one-time General Fund for the Chancellor's Office to undertake a review of a potential CSU campus in San Joaquin County, likely in Stockton.

OTHER STUDENT SUPPORT SERVICES**SUPPORTING STUDENT HUNGER AND HOUSING INITIATIVES**

The Budget proposes \$15 million one-time General Fund for the CSU to assist each campus's existing efforts to address student hunger and housing needs. Additionally, this funding will assist the CSU in developing an emergency housing pilot program to provide temporary housing to students who are homeless or at risk of becoming homeless.

IMMIGRATION LEGAL SERVICES

As referenced in the Health and Human Services Chapter, the Budget proposes \$7 million ongoing General Fund to provide legal services to undocumented students, staff, and faculty at the CSU. These legal services include:

- Assisting applicants seeking Deferred Action for Childhood Arrivals.
- Assisting applicants seeking naturalization.
- Assisting applicants seeking other immigration remedies.
- Legal training and technical assistance services.
- Education and outreach activities.
- Assisting individuals with removal defense.

OTHER BUDGET ADJUSTMENTS

- Ongoing Base Investments—An increase of \$300 million General Fund ongoing to support the following:
 - \$193 million to support increased operational costs.
 - \$62 million to support 2-percent enrollment growth, which is an increase of more than 7,000 students.
 - \$45 million to support continued progress toward achieving the goals of the Graduation Initiative 2025.
- Project Rebound—An increase of \$250,000 General Fund ongoing to support Project Rebound, a CSU program that provides assistance to formerly incarcerated individuals seeking to enroll in participating CSU campuses.

CALIFORNIA COMMUNITY COLLEGES

ESTABLISHING A COLLEGE-GOING CULTURE AND PROMOTING STUDENT SUCCESS

The California College Promise, established by Chapter 735, Statutes of 2017 (AB 19), represents a critical step toward making college more affordable and accessible to

California students. AB 19 authorizes funding to be used by CCCs to waive fees for first-time full-time students during their first academic year, while creating a framework for CCCs to maximize students' access to available financial aid, adopt evidence-based student success strategies, and implement partnerships with school districts to increase student awareness regarding college opportunities.

TWO FREE YEARS OF COMMUNITY COLLEGE

The Budget provides \$40 million Proposition 98 General Fund to support a second year of free tuition for students. This proposal extends the California College Promise to waive enrollment fees for first-time, full-time students for a second academic year. Based on 2017-18 data, approximately 28,000 first-time, full-time students are projected to be eligible for a second year of free tuition, assuming their CCC meets the participation requirements of the program.

An important component of the California College Promise is to provide students information about financial aid and services available to support their success. To assist CCCs with these efforts, the Budget proposes \$5 million one-time General Fund for the Chancellor's Office to expand outreach around the College Promise. This initiative will focus on developing resources that can be used to promote student access and success, using technology to better reach students as they are making critical decisions, and providing professional development to CCC practitioners.

FIRST-YEAR IMPLEMENTATION OF THE STUDENT CENTERED FUNDING FORMULA

To address the shortcomings of a decades-old enrollment-based funding formula for CCC apportionments, the 2018 Budget established the Student Centered Funding Formula to better prioritize access and student success, and advance the systemwide goal to close achievement gaps. Beginning in 2018-19, the Formula allocates general purpose apportionments to CCCs based upon additional factors, including the number of low-income students enrolled and the number of students who meet specified student success metrics, such as completion of a degree or certificate.

The CCC Chancellor's Office has begun implementation of the formula in 2018-19. As part of this work, the Chancellor is reviewing the accuracy of the data districts have submitted for the new supplemental and student success allocations, and has tasked a workgroup with making recommendations on other implementation issues. Further, the legislation establishing the formula created a Funding Formula Oversight Committee to make recommendations on specific elements, including a plan for incorporating a factor representing first-generation college students.

To better ensure that the CCC Chancellor's Office and the Oversight Committee have sufficient time to consider revisions that would further the goals of the formula, address its long-term fiscal stability, and improve the accuracy of the data reported by districts, the Budget proposes the following revised implementation plan:

- **Maintain Current Rates for Student Success Allocation Factors in 2019-20**—The Budget proposes funding the outcomes included in the student success allocation at their current rates, adjusted for inflation in 2019-20, pending further review.
- **Fund Reasonable Growth within the Student Success Allocation**—The Budget proposes establishing reasonable limits on the year-over-year increases in resources a CCC could receive through the Student Success Allocation—capping those year-over-year increases to 10 percent. This proposal will make the formula more sustainable over the long run.
- **Clarify the Definition of Transfer Students**—The Budget clarifies that the transfer outcome measure in the Student Success Allocation reflects an unduplicated count of students.

OTHER BUDGET ADJUSTMENTS

- **Staffing for the Student Centered Funding Formula Oversight Committee**—An increase of \$435,000 one-time non-Proposition 98 General Fund for the CCC Chancellor's Office to contract with an external organization to staff the Student Centered Funding Formula Oversight Committee.
- **CCC State Operations Support**—An increase of \$135,000 ongoing non-Proposition 98 General Fund and one new position for an Information Security Officer at the Chancellor's Office, to provide increased security capacity. The Department of Finance will collaborate with the Chancellor's Office to review the short-term and ongoing resources needed for the Chancellor's Office to support CCCs in achieving the goals of the Vision for Success.
- **California State Teachers' Retirement System Employer Contribution Rate**—As referenced in the K-12 Education chapter, the Budget includes a \$3 billion one-time payment to the California State Teachers' Retirement System.
- **Apportionments Cost-of-Living Adjustment**—An increase of \$248.3 million Proposition 98 General Fund for a 3.46-percent cost-of-living adjustment.

- Apportionments Enrollment Growth—An increase of \$26 million Proposition 98 available for enrollment growth.
- Local Property Tax Adjustment—A decrease of \$211.4 million Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- Adult Education Block Grant Program—An increase of \$18 million Proposition 98 General Fund to fund the cost-of-living adjustment of 3.46 percent.
- Legal Services—As referenced in the Health and Human Services chapter, an increase of \$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty, and staff on CCC campuses. These legal services include: assisting applicants seeking Deferred Action for Childhood Arrivals, assisting applicants seeking naturalization, assisting applicants seeking other immigration remedies, legal training and technical assistance services, education and outreach activities, and assisting individuals with removal defense.
- CCC Facilities—An increase of \$358.7 million in general obligation bond funding for 12 new and 15 continuing projects. This allocation represents the next installment of the \$2 billion available for the CCCs under Proposition 51, and will address critical fire and other safety issues at campuses statewide.

CALIFORNIA STUDENT AID COMMISSION

IMPROVING COLLEGE AFFORDABILITY

The state's Cal Grant entitlement provides financial aid awards to students who meet specified eligibility criteria. The Budget proposes to improve the affordability of college by providing supplemental awards for student-parents and expanding competitive awards for nontraditional students. This is a down payment, and the Administration will review how the state can do more to make the total cost of attendance more affordable for all students, particularly our lowest income students.

CAL GRANT ACCESS AWARDS FOR STUDENT-PARENTS

To expand opportunities for low-income student-parents and increase their graduation rates, and to reduce child poverty, the Budget proposes \$121.6 million to increase or provide access awards for students with dependent children attending the UC, the CSU, or the CCCs. New or renewal Cal Grant A students will receive an access award of up to \$6,000, new or renewal Cal Grant B students will see their access award

increase from \$1,648 to \$6,000, and Cal Grant C students will see their book and supply award increase from \$1,094 to \$4,000. These access awards and increased award levels will better enable students with dependent children to meet their families' basic needs and to increase their likelihood of degree completion. Given that earning a bachelor's degree is a well-established path out of poverty, enabling these students to complete higher education and earn relatively higher wages helps to break the cycle of poverty that many of these students, and subsequently their children, may experience.

COMPETITIVE CAL GRANT AWARDS

Students who demonstrate financial need, but do not meet all of the criteria for entitlement awards, may qualify for a competitive Cal Grant award. Students awarded competitive Cal Grants are often nontraditional students, who tend to be older, from lower-income households, and who face substantial challenges to completing higher education. As such, competitive Cal Grants are an important tool for nontraditional students with financial need to access higher education.

The Budget proposes \$9.6 million to increase the number of Competitive Cal Grant Awards by 4,250, from 25,750 to 30,000. Increasing the number of competitive awards improves college affordability for additional students with financial need who otherwise would not qualify for a Cal Grant award.

OTHER BUDGET ADJUSTMENTS

- Cal Grant Program Costs—An increase of \$32.5 million in 2018-19 and \$198.6 million in 2019-20 to reflect an increase in the number of new and renewal awardees in 2018-19 and 2019-20.
- Grant Delivery System—An increase of \$6.2 million General Fund to fund the second year of project costs for the Grant Delivery System Modernization Project.
- Tuition Award for Students at Private Nonprofit Institutions—The Budget assumes that independent institutions, as a sector, will meet the Associate Degrees for Transfer acceptance requirements needed to maintain the maximum Cal Grant tuition award at \$9,084 for students attending these schools. The Association of Independent California Colleges and Universities, which represents most of these institutions, will report on the sector's progress toward the goal in April 2019.

HASTINGS COLLEGE OF THE LAW

Hastings College of the Law is affiliated with the UC system, but is governed by its own Board of Governors. Located in San Francisco, it primarily serves students seeking a Juris Doctor degree, but also has a Master of Laws program and a Master of Studies in Law program. In 2017-18, UC Hastings enrolled 959 full-time equivalent students. Of these, 934 were Juris Doctorate students.

Significant Adjustments:

- **Base Growth**—An increase of \$1.4 million General Fund, representing a 2.5-percent increase, contingent on the rescission of a 5-percent tuition increase approved for 2019-20.
- **Deferred Maintenance**—An increase of \$1 million General Fund one-time to support deferred maintenance.

CALIFORNIA STATE LIBRARY

The California State Library collects, preserves, generates, and disseminates information. The Library administers programs funded by state and federal funds to support local public libraries and statewide library programs.

Significant Adjustments:

- **Online Service Systems**—\$1 million General Fund one-time for online systems for use by public libraries to support efficient access to resources.
- **Lunch at the Library**—\$1 million General Fund one-time for library districts to develop summer meal programs for students in low-income communities.

OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research assists the Governor and the Administration in planning, research, policy development, and legislative analysis.

Significant Adjustments:

- Student Loan Awareness Initiative—The Budget proposes \$5 million General Fund one-time to develop an outreach initiative to educate student loan borrowers about their loans, lending practices, and available repayment options.
- Higher Education Innovation in the San Joaquin and Inland Empire regions—The Budget proposes \$10 million General Fund one-time to support grants to higher education institutions to implement innovative educational strategies in the San Joaquin and Inland Empire regions of the state. These strategies are expected to focus on regional partnerships or other collaborative efforts that increase postsecondary capacity, reduce achievement gaps, and create a multi-generational culture of educational attainment.