

HIGHER EDUCATION

The Budget represents a significant investment in the state’s public higher education segments—the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC)—and the students of California. The Budget provides significant increases in base funding to all three segments that will increase the quality of education and expand access. Moreover, the state has maintained financial aid programs that ensure that students of all backgrounds can succeed. This year also marks the beginning of a new, ambitious online education effort and the continuation of efforts to increase efficiency in the state’s system of higher education.

The Budget includes total funding of \$34.3 billion (\$19.2 billion General Fund and local property tax and \$15.1 billion other funds) for all higher education entities in 2018-19.

UNIVERSITY OF CALIFORNIA

The UC has received an additional \$1.2 billion General Fund since 2012, reversing several years of cuts. As a result, the level of ongoing General Fund per full-time equivalent student at the UC has grown from \$9,565 in 2011-12 to \$12,098 in 2018-19, representing a more than 26-percent increase. In exchange for significant and reliable increases in funding, the UC has largely held tuition flat. Further, the agreement between the UC and the Administration in 2015 included significant reforms to the transfer process, promoting the use of new educational technologies, and establishing innovative approaches to financial management—all aimed at keeping student costs low. The Budget reflects the completion of this agreement as UC has finished the two remaining components of the agreement—the completion of activity-based costing pilots and

HIGHER EDUCATION

an aggressive, good-faith effort to achieve a ratio of one transfer student for every two new entering freshmen students at each campus. The UC President recently committed to working with the CCC Chancellor to better align the transfer process by creating an admission guarantee and more closely aligning transfer pathways with the existing Associate Degrees for Transfer.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of \$98.1 million, including a \$92.1 million base increase, \$5 million to support 500 additional resident undergraduate students in 2018-19, and \$1 million to support the Institute for Global Conflict and Cooperation.
- Enrollment Shift—A decrease of \$8.6 million General Fund for the UC Office of the President’s appropriation and a corresponding increase to the campuses to support enrollment growth targets specified in the 2017 Budget.
- One-Time Funding—One-time General Fund totaling \$248.8 million, of which \$105 million will support efforts to improve instructional quality, bolster student services, and enroll additional students. Other adjustments include \$40 million for graduate medical education, \$35 million for deferred maintenance, \$25 million for UC Berkeley, \$15 million for mental health residency slots, \$12 million for Jordan’s Syndrome Research, \$4 million for legal services for undocumented and immigrant students, faculty, and staff, and \$12.8 million for various other one-time purposes.

CALIFORNIA STATE UNIVERSITY

The CSU has received an additional \$1.7 billion General Fund since 2012, reversing several years of cuts. As a result, the level of ongoing General Fund per full-time equivalent student at the CSU has grown from \$5,624 in 2011-12 to \$8,648 in 2018-19, nearly a 54-percent increase. As with the UC, in exchange for significant and reliable increases in funding, the CSU has largely held tuition flat. The Budget includes \$75 million to support the CSU Graduation Initiative 2025. The Initiative, launched in 2016, establishes goals for increasing on-time graduation rates for undergraduate students, as well as eliminating achievement gaps for Pell-eligible, underrepresented minority, and first-generation students. Graduation Initiative funding will better enable transfer students and first-time freshmen to achieve their educational goals within a two-year and four-year period, respectively. Previous investments in the Initiative have already demonstrated early success, such as increasing the four-year graduation rate for first-time freshmen from 19 percent to 23 percent. Additionally, since the passage of SB 1440 in 2010, the CSU worked with the CCCs to develop and offer Associate Degrees for Transfer.

Through the Associate Degree for Transfer, students have a clearer pathway through the community colleges and are guaranteed to enter the CSU with junior standing.

Significant Adjustments:

- Ongoing General Fund Augmentations—An increase of \$197.1 million, including a base augmentation of \$92.1 million, an additional \$30 million to support CSU’s operational costs, and \$75 million to support the efforts of the Graduation Initiative.
- One-Time Funding—One-time funds totaling \$161.6 million General Fund, including \$120 million available over a four-year period for the CSU to provide an additional 3,641 undergraduate students access to the CSU, \$35 million for deferred maintenance, \$3.8 million to support shark and beach research at CSU Long Beach, \$1.5 million to support student hunger programs, and \$1 million to support the Mervyn Dymally Institute at CSU Dominguez Hills.

CALIFORNIA COMMUNITY COLLEGES

Since 2011, the state has made significant investments in the CCCs with overall growth of \$2.6 billion Proposition 98 General Fund. The state has also made targeted investments to improve student success. This has included \$285 million for the Student Success and Support Program, which has provided education planning services for matriculated students, and \$155 million to mitigate disproportionate impacts on access and achievement in underrepresented groups. The Budget integrates these programs and the Student Success for Basic Skills Program to give districts enhanced flexibility to support students, eliminate equity gaps, and support implementation of guided pathways programs. Supported by \$150 million one-time funding in the 2017 Budget, colleges are currently developing and implementing guided pathways programs focused on creating clear pathways for students to complete their degrees.

The Budget builds on the reforms and investments of the past several years to further accelerate improvements in student success. Today less than half of community college students complete their programs or transfer within six years. Further, only 42 percent of Latino students and 37 percent of African American students complete a certificate, a degree or transfer within six years. A decades-old community college apportionment formula—which has based funding on the number of students enrolled a particular point in time—is not the most effective way for community colleges to reach their student success goals and close the achievement gap. Instead, the Budget adopts a new student-centered funding formula that provides funding to districts based upon additional factors, including the number of low-income

students enrolled and the number of students who meet specified student success metrics, including completion of a degree or certificate. The formula will be implemented over the next three years. Core features of the funding formula include the following:

- **Formula Structure and Transition**—In 2018-19, 70 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 10 percent based on student success metrics. In 2019-20, 65 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 15 percent based on student success metrics. In 2020-21, 60 percent of funding will be distributed based on enrollment, 20 percent based on enrollment of low-income students, and 20 percent based on student success metrics.
- **Hold Harmless Provision**—In 2018-19, 2019-20, and 2020-21 no district will receive less funding than they received in 2017-18, and each will receive an increase to reflect a cost-of-living adjustment. In 2021-22 and future years, districts will receive no less in apportionment funding than is currently provided. Additionally, the funding formula includes stability provisions that provide districts with additional revenue protection by allowing them to receive the greater of their past-year or current-year total revenue.
- **Advisory Committee**—Corresponding with the implementation of the Student-Focused Funding Formula, an advisory committee will be established to monitor the implementation of the funding formula and report back to the Legislature and Administration on potential improvements.

EXPANDING OPPORTUNITIES FOR STUDENTS' TO IMPROVE THEIR ECONOMIC MOBILITY

Currently, there are 2.5 million Californians between the ages of 25 and 34 who are in the workforce but lack a postsecondary degree or credential necessary to increase their earning potential. To serve these workers—who lack the time and ability to enroll in traditional classes—the Budget creates the California Online College. This college provides an opportunity for prospective students to improve their economic success. Specifically, the California Online College will:

- Develop flexible course scheduling not tied to the academic calendar and specialized support services.
- Recognize students' skills and learning acquired from work experience or prior learning through the delivery of competency-based education.

- Develop at least three program pathways by July 1, 2019, and enroll students by the last quarter of 2019. The Chancellor’s Office has announced that the first two pathways will be an information technology credential and a medical coding credential.
- Report to the Legislature on student outcomes, including employment and earning gains after completion of programs, and share promising practices in online teaching and learning with all community colleges.

SUPPORTING WORKFORCE AND ADULT EDUCATION PROGRAMS

The state has also made significant investments to advance workforce training and adult education. The Strong Workforce Program, created in 2016-17, provides \$248 million to expand the availability of career technical education and workforce development courses aligned with regional labor market demand. The Budget builds upon the proven successes of the Strong Workforce Program by providing \$164 million for grants to K-12 local educational agencies to develop and expand career technical education programs, aligned with vocational programs offered by higher education institutions and with local workforce needs. The Adult Education Program, formerly named the Adult Education Block Grant Program, established in 2015-16, provides \$527 million to support a coordinated approach between K-12 schools, community colleges, and community-based partners to provide educational opportunities to adult learners, including programs that lead to high school diplomas, English as a Second Language courses, and additional career opportunities.

NOTABLE BUDGET ADJUSTMENTS

- Student-Focused Funding Formula—An increase of \$522.8 million Proposition 98 General Fund to implement a new student-focused funding formula, which includes the following:
 - An increase of \$151.3 million to support a base augmentation for apportionments.
 - An increase of \$173.1 million for a 2.71-percent cost-of-living adjustment for total apportionment growth.
 - An increase of \$58.7 million, of which \$35 million is one-time, to support hold harmless provisions and ensure all districts grow by at least the 2018-19 cost-of-living adjustment.
 - An increase of \$138.7 million to reflect the amounts earned back by community colleges declining in enrollment during the previous three years.
 - An increase of \$59.7 million for enrollment growth of 1 percent.
 - A decrease of \$58.7 million to reflect unused growth provided in 2016-17.

HIGHER EDUCATION

- California Online Community College—An increase of \$100 million one-time and \$20 million ongoing Proposition 98 General Fund to establish an online community college.
- Student Success Completion Grant—An increase of \$40.7 million Proposition 98 General Fund that consolidates two existing financial aid programs and establishes the Student Success Completion Grant to provide grants of \$649 per semester to qualifying students who enroll in 12 to 14 units and \$2,000 per semester to qualifying students who enroll in 15 or more units per semester.
- Full-Time Faculty Hiring— An increase of \$50 million Proposition 98 General Fund to hire new full-time faculty for community college districts to move toward meeting the 75-percent full-time faculty target.
- Part-Time Faculty Office Hours— An increase of \$50 million one-time Proposition 98 General Fund to compensate part-time faculty for providing and holding office hours.
- K-12 Strong Workforce Program—An increase of \$164 million Proposition 98 General Fund in grants to K-12 local educational agencies to expand and align their career technical education programs with programs offered by higher education institutions, and with regional labor market demand, as referenced in the K-12 Education Chapter.
- California College Promise—An increase of \$46 million Proposition 98 General Fund to support the implementation of the California College Promise, pursuant to Chapter 735, Statutes of 2017 (AB 19).
- Apprenticeship Programs—An increase of \$36.5 million one-time and \$22.7 million ongoing Proposition 98 General Fund to support apprenticeship programs.
- Online Education Initiative Competitive Grants—An increase of \$35 million one-time Proposition 98 General Fund for community college districts to develop online programs and courses that lead to short-term, industry-valued credentials, or enable a student enrolled in a pathway developed by the California Online Community College to seek continued education through pathways offered by an existing community college.
- Adult Education Program—An increase of \$26.6 million Proposition 98 General Fund, which includes a cost-of-living adjustment and \$5 million for investments in a data collection and accountability system to ensure comprehensive and shared data reporting by regional consortia members. The formerly named Adult Education Block Grant program was renamed the Adult Education Program.
- Financial Aid Technology Improvements—An increase of \$13.5 million one-time and \$5 million ongoing Proposition 98 General Fund to upgrade colleges' financial aid management systems for more efficient processing.

- Legal Services for Undocumented and Immigrant Students, Faculty and Staff—\$10 million Proposition 98 General Fund to provide legal services to undocumented and immigrant students, faculty and staff on community college campuses.
- Reentry of Incarcerated Individuals Program Grants—An increase of \$5 million one-time Proposition 98 General Fund to provide support for currently and formerly incarcerated students, focused on reentry into their communities.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission, which administers the state’s financial aid programs, the largest of which is the Cal Grant, will spend \$2.4 billion on financial aid programs in the coming year, supporting over 440,000 students in accessing higher education. This represents an increase of \$700 million since 2012 and an increase of almost 150,000 students who receive state-supported financial aid.

Significant Adjustments:

- Cal Grant Program Costs—An increase of \$61.3 million in 2017-18 and \$127.5 million in 2018-19 to reflect an increase in the number of new and renewal awardees in 2017-18 and 2018-19.
- Temporary Assistance for Needy Families (TANF) Reimbursements—A increase of \$22.6 million in federal TANF reimbursements in 2018-19 over the 2017 Budget amount.
- Tuition Award for Students at Private Nonprofit Institutions—An increase of \$8.1 million General Fund to maintain the maximum Cal Grant tuition award for new students attending private nonprofit institutions at \$9,084, with a new requirement that, beginning in 2019-20, the sector admits each year a specified number of students who have earned transfer degrees from the community colleges and are guaranteed junior standing.
- Cal Grant Eligibility for Youth in Foster Care—An increase of \$5.3 million General Fund to reflect increased eligibility for qualified youth in foster care up to age 26 and renewal eligibility of up to 8 years.
- Grant Delivery System—An increase of \$5.5 million General Fund to fund the first year of project costs for the Grant Delivery System Modernization project.

UC HASTINGS COLLEGE OF THE LAW

Hastings College of Law has received an additional \$6.8 million in state General Fund since 2012. In exchange for significant and reliable increases in funding, tuition at Hastings College of Law has been flat for six years.

Significant Adjustments:

- General Fund Base Augmentation—An increase of \$1.1 million ongoing to support the College’s general operations.
- UC Path Implementation—An increase of \$1.5 million General Fund one-time to support the implementation of the UC Path payroll, accounting, time keeping, and human resources system.
- Diversity Pipeline Scholarship Program—\$4.5 million General Fund one-time to fund scholarships for students from the American University in Armenia and Historically Black Colleges and Universities to attend UC Hastings.

CALIFORNIA STATE LIBRARY

The California State Library serves as the central reference and research library for the Governor and Legislature. Additionally, the State Library provides critical assistance to the 184 library jurisdictions and nearly 1,200 libraries across the state.

Significant Adjustments:

- Augmentation for Literacy Programs—An increase of \$2.5 million General Fund ongoing to expand the existing California Library Literacy Services program.
- One-Time Funding for Broadband Grants—\$5 million one-time General Fund for broadband equipment grants, with the expectation that \$2 million would support connection for public libraries that lack access to the broadband network and \$3 million would expand capacity for libraries already connected.
- One-Time Funding for Online Service Systems—\$1.5 million one-time General Fund for online systems for use by public libraries to support efficient access to resources.