

## Governor's May Revision for the 2021-22 State Budget Proposal

May 19, 2021

### Summary of existing proposals from January Budget

Governor Newsom's proposed State Budget for 2021-22 released in January included the below proposals relevant to the Student Aid Commission (Commission):

- **Cal Grant A eligibility restoration:** An increase of \$58.2 million ongoing General Fund to restore Cal Grant A eligibility for students impacted by a change in living status due to COVID-19. These students might have otherwise lost eligibility for their award for at least the full 2020-21 academic year.
- **Increase to Competitive Cal Grants:** An increase of \$35 million ongoing General Fund to add 9,000 Competitive awards, increasing the total number of awards to 50,000.
- **Enhanced Access Award for Former and Current Foster Youth:** An increase of approximately \$20 million ongoing General Fund to increase access awards for former or current foster youth. New and renewal Cal Grant A students who are current or former foster youth would receive an access award of up to \$6,000. New and renewal Cal Grant B students who are current or former foster youth would see their access award increase from \$1,648 to \$6,000.
- **Golden State Teacher Grant Program:** An increase of \$100 million one-time General Fund for the Golden State Teacher Grant (GSTG) Program to provide grants to students enrolled in teacher preparation programs, who commit to working in a high-need field at school sites with the highest rates of non-credentialed or waiver teachers.
- **Grant Delivery System Modernization:** Full funding for the final phase of the Grant Delivery System Modernization (GDSM) with additional ongoing funding. As the GDSM project nears its final stage, with the full system expected to go live at the end of the 2020-21 academic year, the Governor's Budget proposed \$1.8 million one-time General Fund for the fourth (and projected final) year of project costs. After FY 2020-21, Budget provided \$719,000 in ongoing General Fund for maintenance and operations costs.
- **Cal Grants for students at private, non-profit institutions:** Maintenance of the maximum Cal Grant tuition award (\$9,084) for students attending private, nonprofit institutions. The proposed Budget included statutory changes to delay the requirement that private, nonprofit institutions offer admission to at least 2,000 ADT students in order to maintain the maximum Cal Grant award. The delay shifts the requirement from applying in 2021-22 to fiscal year 2022-23.
- **Philanthropic funding:** Trailer bill language to allow the Commission to receive philanthropic funding.
- **Financial Aid Application Completion:** Trailer bill language that would require local education agencies (LEAs) confirm that all high school seniors complete a financial aid

application, unless they opt out, beginning in the 2021-22 academic year.

### **Context for the May Revision Budget**

Since the release of the Governor's proposed 2021-22 State Budget in January, several factors have significantly impacted California's economic and fiscal outlook. The May Revision to the proposed State Budget includes \$75.7 billion in projected revenue exceeding the current fiscal year, resulting from personal income tax revenue surpassing the assumptions reflected in the 2020-21 State Budget. While roughly half of these funds (\$37.6 billion) are constitutionally mandated towards specified uses in supporting K-14 education or paying down long-term liabilities, the balance (\$38.1 billion) is available for discretionary uses, including investments in higher education and financial aid. In addition to the additional state revenues, there is also approximately \$27 billion federal funds received through the American Rescue Plan that California has available for appropriation in the 2021-22 State Budget. In total, California policymakers have just over \$100 billion in additional funds that can be invested in the 2021-22 Budget or future years.

### **New Proposals in the May Revision**

The May Revision released by Governor Newsom on May 14 included several new proposals relevant to the Commission, while also maintaining or adjusting items included in the January proposal:

**Golden State Education, Entrepreneurship, and Training Grant Program:** \$1 billion (one-time, American Rescue Plan Act funds) to establish the Golden State Education, Entrepreneurship, and Training Grant Program, administered by the Commission in partnership with higher education segments, to award grants to displaced workers seeking educational opportunities, skills development, or assistance for costs to start a business.

Grants to recipients under this proposal would range between \$1,000-\$2,500, as determined by the Commission. The proposal prioritizes funding for participants whose incomes are the greatest percentage below that of an average family income in 2018 and 2019, and requires that half of the appropriation be used to provide grants to eligible individuals who are caring for a dependent child. To the extent practicable, institutions of higher education shall match the grant awards provided to participants enrolled in an education program with institutional aid.

Applicants must demonstrate to the Commission that they were unable to obtain employment that provides an average monthly wage equal or greater than the average living wage for their region in 2018 and 2019. Participants requesting a grant to support an entrepreneurial opportunity must verify that they have applied for a business license, as well as developed a business plan, prior to receive a grant. Participants must also demonstrate that reimbursed costs were towards creation of their business.

The Commission is allocated one percent of total appropriation for administration of the program (i.e., \$10 million, if funded at proposed \$1 billion), while institutions of higher education receiving grant funds through this program may use up to one percent of their allocation towards direct costs from program administration.

**Golden State Teacher Grant Program:** \$500 million (one-time, General Fund) to expand the students in teacher preparation programs eligible to receive a grant award of up to \$20,000. This represents an increase from the \$100 million in one-time, General Fund included in the January Budget proposal. The May Revision proposal also includes several modifications, including allowing students in kinder teacher preparation programs to be eligible for an award, expansion of the teacher development programs in which students could receive a grant, and modifications to the definition of “priority school” where participants would teach.

**Californians For All College Service Program:** \$245.8 million (\$30.37 million in one-time, Coronavirus Fiscal Recovery Fund of 2021 funding and General Fund) to provide part-time service opportunities to college students in critical issue areas like climate action, education, and youth development through a program administered in partnership between California Volunteers, the Commission, and public higher education segments. Up to 12,500 students could participate in the program. This proposal would also align with the Dreamer Service Incentive Grant Program administered by the Commission and allow participants to complete an additional number of hours in order to receive an additional scholarship award amount equaling that of students in the Californians For All College Service Program. As of the drafting of this memo, trailer bill language was not yet available for this proposal.

**California Child Savings Program:** \$2 billion (one-time, federal American Rescue Plan Act of 2021 funds) to provide college savings accounts for every low-income public school student, as defined under the Local Control Funding Formula, with supplemental funding for homeless students and foster youth. There will be \$170 million (ongoing, General Fund) allocated beginning in 2022-23. The program provides initial deposits of \$500 toward every account established, with homeless students and foster youth receiving an additional \$500. This program would be administered by the ScholarShare Investment Board.

**Higher Education Student Housing Grant Program:** \$4 billion (one-time, General Fund), split over 2021-22 and 2022-23, to finance a low-cost student housing grant program focused on expanding availability of affordable student housing. The California School Finance Authority would be authorized to award grants to the UC, CSU, and CCC to build student housing or acquire commercial properties for the purpose of converting them into student housing, with a priority for funding towards such conversions. Units made available through this program would prioritize access for low-income and underrepresented students. Student tenants would be required to take an average of 15 degree-applicable units per semester to

support timely graduation. As of the drafting of this memo, trailer bill language was not yet available for this proposal.

**Endowment for Learned-Aligned Employment:** \$1 billion (one-time, General Fund) to establish the Endowment for Learning-Aligned Employment, administered by the UC to distribute annual returns toward public colleges and universities to provide learned-aligned opportunities related to students' fields of study. Funds are to be distributed to public higher education segments based on their share of resident undergraduates receiving a Pell Grant. Campuses are encouraged to establish partnerships with external employers and provide students with opportunities that support long-term career development and professional networking opportunities. The program prioritizes employment opportunities for underrepresented students, particularly those in STEM fields.

### Updates to proposals from the January Budget

- Maintains proposals from January Budget toward increasing the number of new Competitive Cal Grant awards and establishing an enhanced Access Award for current/former foster youth.
- Provides additional General Fund resources to ensure that the College Access Tax Credit supplement of \$8 is maintained for the 2020-21 award year due to a shortfall in revenue derived through the College Access Tax Credit program.
- Updates cost estimates for the Cal Grant program that resulted from fewer students enrolling and receiving their grant awards in 2020-21 than projected.
- Revises cost estimates and appropriations for proposed and existing programs, including the increase to Competitive Cal Grant Awards, restoration of Cal Grant A eligibility due to changes in living status, and enhanced Access Award for current/former foster youth.
- Maintains the January Budget proposal that would require that local education agencies verify high school seniors complete a financial aid application without modifications to the trailer bill language or associated state operations costs.

Commission staff are working with Budget Committee and legislative staff to seek additional funding towards the Commission's implementation of this proposal, as well as modifications to the trailer bill language to focus the California Student Opportunity and Access Program (Cal-SOAP) on providing financial aid application assistance, as outlined in the Commission's sponsored legislation, Senate Bill 737 (Limon).