



## Overview of the Governor's January Budget Proposal (2022-23)

January 12, 2022

### ***SUMMARY***

Governor Gavin Newsom submitted his proposed State Budget for Fiscal Year (FY) 2022-23 to the Legislature on January 10, 2022. Overall, the Governor's Budget proposes total state spending of \$286.4 billion in 2022-23, of which \$213.1 billion is General Fund (GF) spending. The Governor's proposed Budget projects a \$45.7 billion surplus; because of the large size of the surplus may eventually trigger the "Gann Limit," a constitutional limitation on state appropriations that requires specified Budget actions with funds exceeding a defined level.

In higher education, including the three public segments and the California Student Aid Commission, the Governor proposes to spend a total of \$39.6 billion (\$26 billion GF and local property tax and \$13.6 billion in other funds). Pages 45-68 of the Governor's Budget Summary, included as an attachment in the agenda item, address Higher Education budget proposals, including a table (on page 46) summarizing proposed expenditures for the University of California (UC), the California State University (CSU), the California Community Colleges (CCC), the California Student Aid Commission (CSAC), and other higher education programs.

With hundreds of millions in new spending for higher education, Governor Newsom has signaled his commitment to improve student outcomes and achieve equitable and affordable access to high-quality educational programs for all California students. The proposed state budget targets closing equity gaps by race and income and improving and expanding support services for students throughout their educational journey.

### ***UNIVERSITY OF CALIFORNIA & CALIFORNIA STATE UNIVERSITY***

This year, the Governor took unprecedented steps to establish a statewide postsecondary attainment goal of 70 percent of all working adults to have a postsecondary degree or certificate by 2030, and a completion agenda with multi-year agreements or compacts with UC and CSU. The governor pledged annual 5% funding increases to UC and CSU for the next five years, with a caveat that they must make several commitments, including reducing college costs, raising graduation rates, eliminating equity gaps, and preparing more students for the workforce. The two systems are also expected to collaborate more with each other and the community colleges.

The Governor's proposed Budget also assumes that the UC's recently adopted cohort-based tuition policy will remain in effect, which will impact the Cal Grant awards provided to UC students and CSAC's workload in implementing a new system in which award amounts will vary for students based on the year in which they entered the UC.

### ***CALIFORNIA COMMUNITY COLLEGES***

Since March 2020, California's 116 community colleges have suffered the most regarding significant enrollment declines due to the COVID-19 pandemic. Against this backdrop, the 2022 State Budget proposal would provide about \$1.6 billion in new monies for the community college segment. To build on last year's investment of \$120 million in one-time Proposition 98 GF funds for community college student enrollment and retention, as well as a range of other targeted investments intended to advance the goals of the *Vision for Success* adopted by the CCC Board of Governors in 2017 that are consistent with the new higher education goals proposed by the Governor.

The 2022-23 State Budget also proposes several investments to the CCC system that are relevant to college affordability including:

- Student Success Completion Grants – An additional \$100 million in ongoing funds to support the community college Student Success Completion Grant Program for newly eligible students receiving a Cal Grant B or C award as a result of the CCC Cal Grant entitlement expansion in the 2021 Budget Act. The Student Success Completion Grant provides an additional grant award to CCC students that receive a Cal Grant award based on the number of units in which they are enrolled.
- Emergency Aid for AB 540 Students - \$20 million in one-time funds to support the Emergency Financial Assistance Grant program for AB 540 students.
- Resources for CCC Financial Aid Offices - \$10 million in ongoing funds to augment resources provided to community college financial aid offices.

### ***CALIFORNIA STUDENT AID COMMISSION***

For the Commission, the 2022-23 State Budget proposal assumes total financial aid expenditures of \$3.8 billion, of which \$3.4 billion supports the Cal Grant Program and Middle Class Scholarship Program.

The Governor's proposed Budget includes two significant investments that reflect commitments made as part of the 2021 State Budget agreement:

- Middle Class Scholarship—An increase of \$515 million ongoing General Fund, for a combined total of \$632 million, to support a modified version of the Middle Class Scholarship Program that will focus resources toward reducing a student's total cost of attendance.
- Learning-Aligned Employment Program—An increase of \$300 million one-time General Fund for the Learning-Aligned Employment program, which provides a two-year total of \$500 million when combined with funds provided to establish the program in the 2021 Budget Act.

The proposed Budget also includes several new funding augmentations that are important to the Commission's ability to effectively serve students:

- Cash for College Program—An increase of \$500,000 one-time General Fund to expand and supplement existing Cash for College Regional Coordinating Organizations that offer technical assistance to help complete college financial aid applications.
- Financial Aid Programs—An increase of \$479,000 ongoing General Fund for 4 new positions at the California Student Aid Commission to support financial aid programs and the implementation of the universal approach to high school students applying for financial aid starting in Fall 2022.

- Cal Grant Program Adjustments—A decrease of \$43.8 million one-time General Fund in 2021-22 and an increase of \$143.8 million ongoing General Fund in 2022-23 to reflect:
  - Revised estimates of the number of new and renewal Cal Grant awardees in 2021-22 and 2022-23.
  - The impact of the UC’s recently adopted cohort-based tuition model, which increases Cal Grant tuition and fee award amounts for some UC students beginning in the 2022-23 academic year.
- California Dreamer Service Incentive Grant program
  - Modification of the Cal Grant B Dreamer Service Incentive Grant program to increase participant stipends from the equivalent of a \$10 hourly wage to the equivalent of a \$15 hourly wage.
  - Authorization for any unexpended funds to be provided to UC and CSU to support the Dream Loan program for AB 540 students.

***OTHER BUDGET PROPOSALS RELATED TO COLLEGE AFFORDABILITY***

Governor Newsom’s proposed Budget also includes two other significant investments that seek to promote college affordability:

- Student Loan Borrower Outreach & Education - \$10 million in one-time funding to support the Department of Financial Protection and Innovation’s outreach and education efforts to assist student loan borrowers.
- CalKIDS College Savings Accounts - \$170 million in ongoing funding to the Scholarshare Investment Board through the CalKIDS program established in the 2021 Budget to provide college savings accounts for incoming first-grade cohorts of low-income public school students, with supplemental investments for foster youth and homeless students enrolled in a public school.