

Summary of Governor's May Revision for the 2022-23 State Budget Proposal

Background

On May 13, 2022, Governor Newsom presented his May Revision Budget for 2022-23, reflecting an unprecedented surplus of \$97.5 billion and total proposed State Budget of \$300.7 billion. While the Administration has proposed a majority of one-time spending proposals for use of the surplus, these resources provide California with an unprecedented opportunity to invest in higher education and student aid.

Gov. Newsom's major higher education proposal are multi-year compacts with each of the public higher education segments through which the state will articulate clear goals in expanding access, promoting inclusive student success, and improving college affordability and in exchange provide the segments with predictable commitments to funding increases over the next several years. Individual documents articulating the specific goals and means for measuring progress for each segment were also released with the May Revision.

This summary document provides a recap of the existing proposals relevant to the Student Aid Commission from the Governor's Budget presented in January, as well as the adjustments or new proposals included in the May Revision.

Summary of existing proposals from January Budget

Governor Newsom's proposed State Budget for 2022-23 released in January included the below proposals relevant to the Student Aid Commission (Commission):

- **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** — Modifications to the program to better support eligible undocumented and immigrant students, including:
 - 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.
 - Redirection of any unexpended funds to UC and CSU to support the Dream Loan program for AB 540 students.

The Governor's proposed Budget also included two significant investments that reflect commitments made as part of the 2021-22 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.

New Proposals in the May Revision

The May Revision, included several new proposals relevant to the Commission, while also maintaining or adjusting items included in the January proposal:

- **Financial Aid Programs** — An increase of \$410,000 ongoing General Fund for 3 new, additional positions (two Associate Government Program Analysts, one Staff Services Manager III) 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. These positions are in addition to the \$479,000 proposed in January to cover four new positions and authority for a fifth position that was funded in the 2021-22 State Budget to support the Commission's participation in the Cradle to Career Data System. This brings the total funding proposed to (\$889,000) for seven new positions and authority for eight when considering the data analyst position already funded in 2021-22.
- **Adjustments to proposed Cal Grant and Middle Class Scholarship funding levels** — While there are no major policy changes to the Cal Grant programs in the May Revision, there were several adjustments made to proposed funding levels to reflect additional data on the numbers of students paid awards in 2021-22 and projections for the 2022-23 academic year. Additionally, trailer bill language would propose to modify the statutory funding cap for the Middle Class Scholarship program for 2021-22 to reflect current award projections based on a maximum 35% of tuition award that was necessitated due to impaction of the program and the ensuing proration of all awards that occurs under statute.

- **Golden State Teacher Grant Program** — Several modifications to the program are included in the May Revision that would either help facilitate implementation and expand student eligibility. Trailer bill language released with the May Revision includes proposed language that would:
 - Remove references to high-need fields and expansion of eligibility to students in pupil personnel services credential programs
 - Require CSAC to develop a process for a pre-enrollment conditional award notice for applicants
 - Allow disbursements in more than a single academic year so long as total received by a student does not exceed \$20,000
 - Extend use of the emergency regulations developed by the Commission for the program until June 30, 2025 and allow for the adoption of amendments to those emergency regulations
 - Modify the requirement for the Commission's evaluation on effectiveness of the program that is due by December 31, 2025
- **Cal Grants for students at private, non-profit institutions** — In recognition of a "good faith effort" by the sector in honoring the requirement that it admit specified numbers of transfer students with Associate Degrees for Transfer, the May Revision proposes maintaining the current award amount (\$9,220) for students at independent colleges and universities, rather than exercising statutory authority to reduce award amounts.
- **California Dreamer Service Incentive Grant** — In addition to the existing language for this program in the Governor's Budget in January, there was an additional proposal included in trailer bill language released with the May Revision that would extend eligibility for the program to Cal Grant A recipients who were also eligible for a Cal Grant B. Currently, the program is only available to students receiving a Cal Grant B award, which has restricted access for students at the University of California who are dually eligible for a Cal Grant A or B, as these students are advised to opt for the Cal Grant A award in order to receive full tuition coverage for four years.
- **Cohort Default Rate for Institutional Eligibility** — Continued use of the cohort-default rates published by the U.S. Department of Education and approved by the Commission in 2020 for purposes of assessing institutional eligibility for Cal Grant participation. An unintended impact of the federal pause on student loan debt collection is the artificial suppression of cohort-default rates, which would potentially result in institutions that would otherwise be ineligible for Cal Grant participation suddenly gaining access to the program. This policy is intended to ensure that California maintains its usage of protections of students and state funding from institutions that do not have records of quality student outcomes.
- **Learning-Aligned Employment Program** — Modification to allow for the Commission to utilize its administrative funding for the program until June 30, 2031, the same period for which campuses will be able to utilize their funding. This will allow for the Commission to utilize its dedicated resources toward supporting participating

campuses, monitoring progress, and reporting on outcomes for the duration of the program's lifespan.

- **Golden State Education and Training Grant Program** — Modification to utilize state General Fund to cover grants disbursed through the program, rather than funding initially allocated in the 2021-22 State Budget from the American Rescue Plan Act State Fiscal Recovery Fund. This modification is intended to allow for the State Fiscal Recovery Fund dollars to be used toward other state priorities, while maintaining the Education and Training Grant Program. Commission staff are investigating whether a change in fund source could have unintended impacts on the taxability or effect on financial aid of the grants.

Other notable May Revision proposals toward college affordability

The May Revision also included several new proposals or modifications to prior January proposals that impact college affordability.

- **Californians For All College Service Program** — The College Corp program was established in 2021 to provide two cohorts of up to 3,250 students each year with the opportunity to complete community service in return for up to \$10,000 in stipends and scholarships. The May Revision proposes another \$73.1 million in ongoing funding to support the same size cohort on an annual basis. Students with AB 540 status are allowed to participate and must first receive a California Dreamer Service Incentive Grant before California Volunteers provides the balance of the funds to reach a \$10,000 total award package. Commission staff have been coordinating with California Volunteers to serve eligible California Dreamer Service Incentive Grant recipients at College Corp campuses. Important to note is that the California Dreamer Service Incentive Grant is available at all public and private non-profit colleges and universities, while the College Corp Service program is only available at a select number of campuses.
- **California Kids Investment and Development Savings (CalKIDS) Program:** This program was established in 2021 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. The program provides initial deposits of \$500 toward every account established, with homeless students and foster youth receiving an additional \$500. The May Revision proposes an increase of \$1.5 million ongoing and \$299,000 one-time funding to support the expansion of the program, including participant notifications and call center services.

Next Steps

Following release of the May Revision, the Assembly and Senate Budget Subcommittees will begin to consider new proposals from the Governor and other adjustments or additions to the proposed State Budget. Initial hearings on the higher education items included in the May Revision have been scheduled for May 17 and May 18 by the Assembly and Senate respectively. It is not yet clear whether the Assembly and Senate will reach a

joint agreement on a legislative version of the Budget prior to negotiations with the Administration or will utilize the Budget conference committee process from prior years. Commission staff will continue to engage in conversations with policymakers and staff around these proposals, as well as other items not yet included like the simplification and expansion of the Cal Grant and other Commission resource needs that were not reflected in the May Revision.

The constitutional deadline for the Legislature to pass a balanced budget bill is June 15, though this does not require that the Governor sign this measure or reach an agreement with the Legislature. As occurred in 2021, the Legislature can satisfy its constitutional responsibility by passing their own Budget by June 15 and later passing an amended version that reflects the final agreement with the Governor. July 1 is the start of the state's 2022-23 fiscal year and represents a more concrete deadline by which the Governor and Legislature must pass a Budget to avoid operational issues for state government.