

Analysis of May Revision Proposals on Commission Programs and Priorities

May 15, 2023

Background

On May 12, 2023, Governor Newsom presented his May Revision Budget for the 2023-24 fiscal year, reflecting a proposed [\\$306.5 billion in total state funds](#). The May Revision budget now forecasts a greater revenue decline since the release of the January budget proposal, increasing from \$22.5 billion to [\\$31.5 billion](#). The Governor acknowledged significant uncertainties impacting the proposal and its underlying assumptions, including the possibility of a federal debt default, possible, escalating inflation, high interest rates, banking challenges, and delays of tax collection proceeds. These interrelated challenges suggest the possibility of an economic recession and potential further revenue deterioration.

Despite the economic and budget challenges, the Governor's May Revision proposal upholds California's efforts to make higher education opportunities accessible and affordable, while also providing needed capacity to support the Commission's work toward this goal. Of note, the Governor's May Revision proposals maintain full funding support for financial aid programs, the higher education compact funding approved in 2022, and additional resources toward the Commission's capacity.

This analysis below provides a summary of the existing proposals relevant to the Student Aid Commission from the Governor's Budget presented in January that have been maintained, as well as the adjustments or new proposals included in the May Revision.

Summary: Existing Proposals from the Governor's January Budget

- **Middle Class Scholarship** — Pursuant to the 2022 Budget agreement, an increase of \$227 million one-time General Fund to support the expanded version of the Middle-Class Scholarship that focuses resources toward reducing unmet financial need for students enrolled at the University of California, California State University, or a baccalaureate program at the California Community Colleges.
- **Cybersecurity**—An increase of \$1.4 million one-time General Fund, \$469,000 of which is ongoing, to assess the Commission's current information technology system, address cybersecurity issues, and support two related positions.
- **Financial Aid Programs** — An increase of \$241,000 ongoing for one position at to support human resources needs at the Commission and to distribute toolkits to high schools to help students complete their financial aid applications.
- **Golden State Teacher Grant Program** — The January Budget proposal included trailer bill language that would expand eligibility for these grants to eligible recipients that work in early childhood education. An increase of \$6 million one-time federal funds was also added to support grants to students

enrolled in a special education teacher preparation program. Additionally, the May Revision alters proposed statutory changes transmitted with the Governor's Budget to maintain the requirement that awardees serve in high-needs schools. The May Revision also includes new, proposed trailer bill language that would authorize the Secretary of Labor and Workforce to approve the programmatic eligibility of specific online teacher credential programs.

Summary: New Proposals from the Governor's May Revise Budget or Significant Adjustments

- **Cal Grant Program Caseload Adjustments** —The May Revision reflects updated Cal Grant expenditures based on the latest estimates of enrollment of Cal Grant-eligible students. In total, the May Revision reflects estimated Cal Grant expenditures of approximately \$2.2 billion in 2021-22, \$2.3 billion in 2022-23, and \$2.3 billion in 2023-24.
- **Golden State Education and Training Program** — A decrease of \$480 million one-time General Fund to wind down the Golden State Education and Training Program at the end of the 2022-23 fiscal year due to lower revenue projections and in recognition that the impact of COVID-19 on employment has subsided since the program was established.
- **Independent Institutions** — The Administration determined that a good-faith effort has been made by independent institutions of higher education toward meeting the statutory Associate Degree for Transfer commitment required to maintain the maximum award amount for students attending independent, non-profit institutions of higher education at \$9,358 for the 2023-24 award year.
- **Financial Aid Programs** — An increase of \$397,000 ongoing General Fund currently unallocated for four positions at the California Student Aid Commission to support financial aid programs. Combined with the Governor's Budget, this augmentation provides the California Student Aid Commission \$638,000 for five positions beginning in 2023-24 to support financial aid workload.
- **Cash for College** — An increase of \$103,000 ongoing General Fund currently unallocated in the California Student Aid Commission's budget to support the Cash for College program.
- **Public Interest Attorney Loan Program** — Appropriates \$451,000 toward providing 41 awards to help address the student loan costs for qualifying public interest attorneys, while providing the Commission with \$216,000 and one new staff position to support the administration and promotion of the program. This program has been in statute since 2001, but did not have an associated fund source until 2015; in the past year, data from the State

Controller's Office has indicated that there is now sufficient revenue such that the program can be administered.

Next Steps

Following release of the May Revision, the Assembly and Senate Budget Subcommittees met to consider new proposals from the Governor and other adjustments or additions to the proposed State Budget. 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 and others that may come up.

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 and 2022, 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 2023-24 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.

The additional revenue uncertainties created by the extension of the tax filing deadline for Californians impacted by severe storms also leaves open the possibility for further budgetary actions after July 1. At the release of the May Revision, Joe Stephenshaw, the Governor's Director of Finance, noted that it was possible that the Governor's 2024-25 State Budget in January could include further proposals to address the budgetary and economic environment based on tax receipts after the extended tax filing deadline in October.