



May 22, 2023

The Honorable Nancy Skinner
Chair, Budget and Fiscal Review Committee,
California State Senate
1021 O Street, Suite 8630
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Committee on Budget,
California State Assembly
1021 O Street, Suite 8230
Sacramento, CA 95814

The Honorable John Laird
Chair, Budget and Fiscal Review Committee,
Subcommittee 1 on Education,
California State Senate
1021 O Street, Suite 8720
Sacramento, CA 95814

The Honorable Kevin McCarty
Chair, Committee on Budget,
Subcommittee 2 on Education Finance,
California State Assembly
1021 O Street, Suite 4510
Sacramento, CA 95814

RE: 2023-24 California State Budget May Revision

Dear Chairs Skinner, Ting, Laird, and McCarty:

As a diverse coalition of higher education advocacy, civil rights and social justice, business and workforce, and student leadership organizations working to ensure that all Californians can earn an affordable, high-quality postsecondary education credential without having to work or borrow excessively, **we write to express our appreciation for the Governor’s 2023-24 revised budget proposal and ask that you adopt the recommendations detailed below.** We thank the Governor for retaining key higher education investments promised in recent years despite the growing budget deficit and we urge state policymakers to remain committed to addressing California students’ ongoing college affordability challenges during these fiscally tough times to better support under-resourced students, so that they can afford getting to – and through – college.

Amidst the fiscal uncertainty that California continues to face, **we commend state legislative leaders as well as Governor Newsom for fulfilling their promise to exempt any federal student debt relief from state taxation through 2025.** In the Fall of 2022, President Biden announced that his administration would cancel \$10,000 - \$20,000 of federal student debt for middle- and lower-income borrowers. Following this announcement, Governor Newsom and legislative leaders announced their commitment to protecting any

future federal student debt relief that Californians receive from state taxation. This critical promise has been realized through the inclusion of AB 111, which include tax relief provisions that align with the American Rescue Plan Act (ARPA) through 2025, in the legislature’s early budget action package and signed by the Governor.¹ Doing so ensures that vulnerable borrowers, especially those who are BIPOC and low-income, are not further burdened with tax bills upon receiving any future federal student debt relief. Additionally, **we ask state policymakers to consider seeking permanent tax relief upon the sunset of this provision so that alternative paths of debt forgiveness, such as income-driven repayment plans and relief for defrauded students, will not be taxed after 2025.**

In addition to guaranteeing state tax relief from federal student debt cancellation in the near term, **we would also like to highlight the following critical issues, proposals, and investments pertinent to the current budget year, including recommendations on how each one could be strengthened.**

1. Prioritizing any Future Financial Aid Investments for Cal Grant Reform

We appreciate the Governor’s efforts to maintain key recent college affordability investments in the revised budget and continue to eagerly await the state’s decision on funding Cal Grant Reform in the 2024-25 fiscal year, which will expand Cal Grant access to over 150,000 more Californians — including those who are low-income, BIPOC, and first-generation — and support them in affording, accessing, and succeeding in higher education.² As state leaders consider ways to address Californians’ college affordability challenges moving forward, **we respectfully ask them to keep their promise to college students across the state by prioritizing Cal Grant Reform in 2024** to better address students’ rising total college costs and to remove the eligibility barriers that keep under-resourced students from accessing critical aid.

2. Support extending the statewide financial aid application deadline.

In 2020, Congress passed the FAFSA Simplification Act which brings about structural changes to how students fill out the application and how their aid eligibility is determined. Unfortunately, delays in implementing the changes mean that the redesigned FAFSA won’t be accessible to students and families until December this year instead of the usual October 1.³ To ensure that California students’ ability to apply for financial aid is not hindered by the FAFSA delay, **we strongly recommend state policymakers to extend the statewide financial aid application – including the California Dream Act Application (CADAA) – deadline from March 2 to April 2 for the upcoming application cycle.** This deadline extension should also be clearly communicated to students, families, and local education agencies across the state. At the same time, the state should organize public service information campaigns to encourage students to fill out their financial aid applications as soon as possible before the deadline, so that institutions of higher education receive the

¹ Office of Governor Gavin Newsom, “Governor Newsom Signs Early Action Bills Including Support for California Hospitals,” May 15, 2023, <https://www.gov.ca.gov/2023/05/15/governor-newsom-signs-early-action-bills-including-support-for-california-hospitals/>

² CSAC, *A Milestone for Student Equity: The Cal Grant Equity Framework Prioritizes College Affordability and Eligibility*, 2022, https://www.csac.ca.gov/sites/main/files/file-attachments/cal_grant_equity_and_the_202223_state_budget.pdf?1661204719.

³ Federal Student Aid, “Implementing the 2024–25 FAFSA Process,” March 21, 2023, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-21/implementing-2024-25-fafsa-process>.

information they need to construct and disperse clear financial aid award letters and related details to students before decision day, which will remain May 2nd.

3. Modify the Californians for All College Corps stipend so it is not taxed and supplements financial aid grants.

Research highlights that low-income Californians still face significant out-of-pocket college costs – as much as 51 percent of the lowest-income California Community College (CCC) student’s annual family income must be put towards college costs after available grant aid – with many non-tuition costs as well as student basic needs challenges continuing to grow every year.⁴

To help support students in affording college, the 2021 Budget Act created and funded the Californians for All College Service Program, which engages low-income college students across the state– including those who are AB 540-eligible – to work alongside their communities on key societal challenges. Participating students earn a \$10,000 stipend as well as academic credit. We appreciate this innovative program and see it playing a role in helping students cover their out-of-pocket costs as part of the debt-free pathway through college that California is building toward. However, we have concerns that the stipend being earned by students could be taxed as income and not treated like financial aid. **We recommend the Legislature develop a solution so these funds can supplement current financial aid grants and not be taxed or counted as income for participating students.**

4. Support long-term commitment to student housing through new funding mechanism at UC & CSU and continued grant funding for CCC

The 2021 and 2022 Budget Acts established the Higher Education Student Housing Grant Program and the Student Housing Revolving Loan Program for the CCCs, CSU, and UC to develop and provide affordable housing for low-income students. The Governor’s 2023-24 January budget proposes to delay \$250 million from the affordable housing grant projects to the next fiscal year and the next two fiscal years for the loan program. In his revised budget released earlier this month, Governor Newsom instead proposes that the grant program will solely fund student housing projects at CCCs, providing the system with \$450 million in 2023-24 and \$95.4 million for 2024-25. The rest of the original grant funding (about \$1.1 billion) intended for UC and CSU will be replaced with segment-issued bonds, coupled with ongoing state funding to cover the bond-related debt services.

We recognize the fiscal pressures that dictate the proposed funding delays as well as the alternative funding strategies, and we appreciate that the Governor remains intentional about prioritizing CCCs in the utilization of the student housing grant funding, as CCC students often shoulder the highest out-of-pocket college costs.⁵ **That said, students’ unmet housing needs remain an urgent issue and a significant barrier that keeps them from completing college that needs to be addressed as soon as possible. We ask that students’ unique housing needs, such as those with dependents and without safe, reliable housing be clearly prioritized as the segments build out their student**

⁴ The Institute for College Access & Success (TICAS), *Bearing the Burdens of College Costs: A Look at College Affordability by Student Race and Income at California’s Public Two- and Four-Year Colleges and Universities*, June 2022, <https://ticas.org/wp-content/uploads/2022/06/Bearing-the-Burdens-of-College-Costs.pdf>; CSAC, 2021-22 Student Expenses and Resources Survey, November 2022, https://www.csac.ca.gov/sites/main/files/fileattachments/sears_initial_insights_2022.pdf?1668526145.

⁵ TICAS, *What College Costs for Low-Income Californians*, July 2020, <https://ticas.org/california/affordability/what-college-costs-for-low-income-californians-2020/>.

housing projects. For example, students with dependent children need housing that can meet the needs of their family, not a dormitory that can fit the most students per square foot – these factors need to be incorporated into affordable housing plans.⁶

5. Support base funding for UC & CSU Compacts and cost-of-living-adjustment for CCC Roadmap

The 2022 Budget Act created the multi-year UC and CSU Compacts and CCC Roadmap to expand college access, equity, and affordability and improve workforce readiness in high-demand career pathways. The Governor’s 2023-24 revised budget delivered on the promise of a 5% base funding increase for the UC and CSU as well as a cost-of-living-adjustment in the state’s ongoing General Fund support for the CCCs.

While these sustained investments signify the state’s commitment to achieve the goals outlined in the segmental Compacts and Roadmap, the revised budget also includes key one-time funding decreases for the CCCs. We must not lose sight of the continued enrollment decline at the CCCs and ensure that the proposed one-time funding decreases do not impede the segment’s ongoing student enrollment and retention efforts. **We recommend the Legislature embrace the funding increases and ask that the segments’ progress towards their respective goals is closely monitored to ensure that increases in funding are directly benefiting students through academic and non-academic support.**

California’s students and public colleges and universities are central in building the workforce of tomorrow. It is therefore critical that Governor Newsom and legislative leaders fulfill their promises to invest in programs and initiatives that help our most vulnerable students get to and through college without borrowing or working excessively. We must recall the hard lessons we have learned over decades of economic volatility; cutting or slowing down higher education funding is counterproductive to workforce development and economic vitality.⁷ We applaud your leadership and sustained commitment to higher education access, affordability, equity, and success, and we look forward to working with you to ensure that the final 2023-24 state budget agreement prioritizes California’s least-resourced students.

Sincerely,



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⁶ Betty Márquez Rosales, “Campuses Looking to Offer Housing for Students and Their Children,” June 2022, EdSource, <https://edsources.org/2022/campuses-looking-to-offer-housing-for-students-and-their-children/673534>.

⁷ Center for Budget and Policy Priorities, A Lost Decade in Higher Education Funding, August 23, 2017, <https://www.cbpp.org/research/state-budget-and-tax/a-lost-decade-in-higher-education-funding>.



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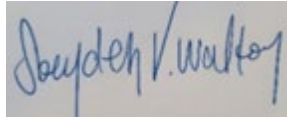
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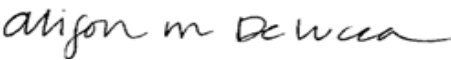
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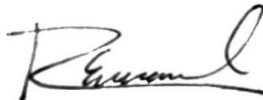
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