

**Introduced by Committee on Budget and Fiscal Review**

January 10, 2013

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~~An act relating to the Budget Act of 2013.~~*An act to add Sections 69515.5, 89762, 92493, 92494, 92495, 92495.5, and 92496 to, to add Article 22 (commencing with Section 70020) to Chapter 2 of Part 42 of Division 5 of, to add Article 10 (commencing with Section 89290) and Article 10.5 (commencing with Section 89295) to Chapter 2 of Part 55 of Division 8 of, to add Article 7.5 (commencing with Section 92670) and Article 7.7 (commencing with Section 92675) to Chapter 6 of Part 57 of Division 9 of, Title 3 of, the Education Code, and to add Section 13313 to the Government Code, relating to education finance, and making an appropriation therefor, to take effect immediately, bill related to the budget.*

LEGISLATIVE COUNSEL'S DIGEST

SB 88, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2013.~~*Education finance: higher education.*

*(1) Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Under existing law, the commission, among other things, administers the Cal Grant Program, the Student Opportunity and Access Program, the Assumption Program of Loans for Education, the Graduate Assumption Program of Loans for Education, the Public Interest Attorney Loan Repayment Program, and the California State Work-Study Program. The commission also oversees the state's participation in the Federal Family Education Loan Program.*

*This bill would authorize the commission to enter into an agreement with a public agency of a state other than California, or a private entity related to an agency of another state, to assist the other agency or entity in implementing financial aid programs, including assistance with processing grants, fellowships, and loans through the use of automated information systems. The bill would create a Financial Aid Technical Assistance Fund, and would make moneys in the fund available to the commission, upon appropriation by the Legislature, for purposes of the bill. The bill would require the commission to establish fees for services provided under the bill, and would require that the fees be deposited in the fund. The bill would authorize the use of residual moneys in the fund for improvement of financial aid services for California. The bill would require the commission, beginning October 1, 2014, to submit an annual report, as prescribed, to the Department of Finance and the Joint Legislative Budget Committee detailing the total revenues collected in the fund, by service provided and applicable fee collected, and the use of the moneys in the fund.*

*(2) Existing law provides for a public postsecondary education system in this state. This system consists of the University of California, the California State University, and the California Community Colleges. Existing law authorizes these institutions to require that mandatory systemwide fees and tuition, among other fees, be paid by students at these institutions.*

*This bill would establish the Middle Class Scholarship Program under the administration of the Student Aid Commission. The bill would provide that, subject to an available and sufficient appropriation, commencing with the 2014–15 academic year, undergraduate students enrolled at the University of California or the California State University would receive a scholarship award that, combined with other publicly funded student financial aid, as defined, received by an eligible student, would be up to 40% of the amount charged to that student for mandatory systemwide tuition in that fiscal year if the student meets the following conditions: has an annual household income that does not exceed \$150,000; satisfies specified requirements for a Cal Grant award; is a resident of this state or exempt from paying nonresident tuition; files specified financial aid forms; makes timely application or applications for publicly funded student financial aid, as defined, for which he or she is eligible; and maintains at least a 2.0 grade point average.*

*The bill would provide that a student whose annual household income exceeds \$100,000, but does not exceed \$150,000, and who otherwise*

*meets the program requirements, would receive a scholarship award that is reduced in accordance with prescribed calculations.*

*The bill would require, in order for students enrolled in their respective segments to remain eligible to receive financial aid under the bill, that the University of California and the California State University maintain their respective institutional need-based grant program policies and maintain their funding amounts at a level that, at a minimum, is equal to the level maintained during the 2013–14 academic year.*

*The bill would require the Student Aid Commission to annually determine if the amounts appropriated under the bill in each fiscal year are sufficient to cover the costs of the scholarships as projected to be awarded pursuant to the program. The bill would require, if those amounts are not sufficient for this purpose, that the scholarships be reduced proportionately by an equal percentage for all recipients of scholarships under the bill.*

*The bill would establish the Middle Class Scholarship Fund, and would specify amounts to be transferred, upon the order of the Director of Finance, from the General Fund to the Middle Class Scholarship Fund for annual appropriation to the Student Aid Commission for allocation for purposes of the bill. The bill, beginning with the 2014–15 fiscal year, would require the Department of Finance to include in the Governor’s Budget proposal a fund condition statement for the Middle Class Scholarship Fund for the fiscal year of the proposed budget and the 2 immediately preceding fiscal years.*

*(3) Existing law establishes the California State University, under the administration of the Trustees of the California State University, as one of the segments of public postsecondary education in this state.*

*This bill would require the California State University to report biennially to the Legislature and the Department of Finance, beginning on or before October 1, 2014, and on or before October 1 of each even-numbered year through 2020, on the total costs of education at the university on a systemwide and campus-by-campus basis, as specified.*

*This bill, commencing with the 2013–14 academic year, would require the California State University to report, by March 1 of each year, on specified performance measures, including various calculations of graduation rates and amounts spent per degree, for the preceding academic year.*

*This bill would require the contributions of the California State University to the Public Employees' Retirement Fund to be based on pensionable compensation and the rates set forth in the annual Budget Act and to be paid out of the total appropriation of the university in the annual Budget Act. The bill would specify that, beginning in the 2013–14 fiscal year and each fiscal year thereafter, annual adjustments to the appropriation for the pension contributions of the California State University would be based on the university's pensionable payroll for the 2013–14 fiscal year, as identified by the Controller's office.*

*This bill would authorize the Director of Finance to defer payment of General Fund moneys, in a cumulative amount not to exceed \$250,000,000 annually, appropriated to the California State University in the annual Budget Act, for payment in May or June of the same fiscal year for which the original payment would have been made.*

*(4) Existing law creates the University of California, administered by the Regents of the University of California, as one of the segments of public postsecondary education in the state. The University of California operates campuses at Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz.*

*Existing law authorizes the University of California to issue revenue bonds, secured by a specified pledge of revenues.*

*This bill would authorize the University of California to pledge its annual General Fund support appropriation, less certain amounts, to secure the payment of its general revenue bonds or commercial paper associated with the general revenue bond program. The bill would authorize the university to fund debt service for capital expenditures, as defined, from its General Fund support appropriation, as specified. The bill would provide that these provisions do not require the Legislature to make an appropriation from the General Fund to the university in any specific amount. The bill would also authorize the university to fund pay-as-you-go capital outlay projects from its General Fund support appropriation, as specified.*

*This bill would require the University of California, if it is able to reduce annual debt service costs by refunding, defeasing, or retiring general obligation bonds or State Public Works Board lease revenue bonds pursuant to these provisions, to annually contribute an equal amount to reduce the existing unfunded liability of the University of California Retirement Plan.*

*This bill would require the University of California to report to the Joint Legislative Budget Committee and the Department of Finance if it plans to use any of its support appropriation for capital outlay projects in each fiscal year, as specified. The bill would require the committee and the department to review the report by specified dates, and would authorize the department to approve capital outlay projects pursuant to specified procedures. The bill would also require the university to submit a progress report by April 1 of each year to the committee and the department detailing the scope and funding of each project.*

*The bill would require the university to manage its general revenue bond program so that not more than 15% of its General Fund support appropriation, less a prescribed amount, is used for the total of the following: debt service for specified capital expenditures, pay-as-you-go capital outlay, and State Public Works Board rental payments.*

*This bill would require the University of California to report biennially to the Legislature and the Department of Finance, beginning on or before October 1, 2014, and on or before October 1 of each even-numbered year through 2020, on the total costs of education at the university on a systemwide and campus-by-campus basis, as specified.*

*This bill, commencing with the 2013–14 academic year, would require the University of California to report, by March 1 of each year, on specified performance measures, including various calculations of graduation rates and amounts spent per degree, for the preceding academic year.*

*This bill would appropriate \$375,000 from the 1996 Higher Education Capital Outlay Bond Fund to the University of California for the purpose of funding the equipment phase of the Science and Engineering Building at the Merced campus, as specified, during the 2013–14 fiscal year, with the appropriation available for encumbrance until June 30, 2016, subject to the enactment of a resolution by the Regents of the University of California requiring the payment of prevailing wage rates by the contractors and subcontractors working on this project, and all other capital outlay projects undertaken by the University of California that are funded using nonstate funds or are otherwise not financed with the funds appropriated for this project, during the 2013–14 fiscal year.*

*This bill would require the University of California to allocate and encumber from a specified appropriation the amount necessary to pay in full all amounts that are reasonably anticipated to become due and payable during the 2013–14 fiscal year for lease revenue and general*

*obligation bond debt service. The bill would require the Controller to transfer funds from the specified appropriation in accordance with specified schedules.*

*This bill would allocate \$15,000,000 from a specified appropriation in the Budget Act of 2013 to the Regents of the University of California for the School of Medicine at the University of California, Riverside, for specified purposes.*

*The bill would require, on or before April 1 of each year, the University of California to provide progress reports and specified information consistent with the published mission and vision of the University of California, Riverside, School of Medicine to the relevant policy and fiscal committees of the Legislature pertaining to funding, recruitment, hiring, and outcomes for the University of California, Riverside, School of Medicine.*

*The bill would declare that the absence of language in the Budget Act of 2013 specifying that the University of California and the Hastings College of the Law shall use budgeted funds for retirement costs is not an indication of legislative support for, or acceptance of, increased retirement costs being paid for by employees of the University of California and the Hastings College of the Law.*

*(5) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.*

~~*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2013.*~~

*Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.*

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 69515.5 is added to the Education Code,*  
 2     *to read:*  
 3     *69515.5. (a) The commission may enter into an agreement*  
 4     *with a public agency of a state other than California, or a private*  
 5     *entity related to an agency of another state, to assist the other*  
 6     *agency or entity in implementing student financial aid programs,*  
 7     *including providing assistance with processing grants, fellowships,*  
 8     *and loans through the use of automated information systems. The*  
 9     *commission may receive payment, reimbursement, or other*  
 10    *resources as consideration for services provided pursuant to*  
 11    *agreements entered into under this section.*

1 (b) *The commission shall establish fees for services it provides*  
2 *pursuant to this section in order to recover, at a minimum, the full*  
3 *costs of providing those services, including all direct and indirect*  
4 *costs.*

5 (c) *The Financial Aid Technical Assistance Fund is hereby*  
6 *created in the State Treasury, and moneys in the fund shall be*  
7 *available, upon appropriation by the Legislature to the commission,*  
8 *for the direct and indirect costs of providing assistance to agencies*  
9 *and entities of other states with implementation of Dream Act*  
10 *programs and to improve financial aid services for California.*  
11 *The commission shall deposit the proceeds of the fees established*  
12 *under this section into the fund. Only the moneys received for*  
13 *purposes of this section shall be deposited into the fund. The fund*  
14 *shall be credited with all of the investment income earned by the*  
15 *moneys deposited in the fund. Moneys in the fund are not part of*  
16 *the General Fund as defined in Section 16300 of the Government*  
17 *Code.*

18 (d) *The commission shall use moneys deposited in the fund for*  
19 *all costs associated with providing technical assistance to agencies*  
20 *of states other than California, and related private entities,*  
21 *pursuant to this section, and moneys remaining in the fund after*  
22 *those costs are retired shall be used to improve student financial*  
23 *aid services for California. Prior to the expenditure of these*  
24 *residual funds, the commission shall submit a detailed expenditure*  
25 *plan for approval by the Department of Finance as part of the*  
26 *annual budget process.*

27 (e) *Beginning October 1, 2014, the commission shall submit an*  
28 *annual report to the Department of Finance and the Joint*  
29 *Legislative Budget Committee detailing the total revenues collected*  
30 *in the fund, by service provided and applicable fee collected, and*  
31 *the use of the moneys in the fund.*

32 *SEC. 2. Article 22 (commencing with Section 70020) is added*  
33 *to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education*  
34 *Code, to read:*

35  
36 *Article 22. Middle Class Scholarship Program*

37  
38 *70020. The Middle Class Scholarship Fund is hereby*  
39 *established in the State Treasury. Moneys in the fund shall be*

1 *allocated, in accordance with this article, to make higher education*  
2 *more affordable.*

3 *70021. The Middle Class Scholarship Program is hereby*  
4 *established under the administration of the Student Aid*  
5 *Commission. For purposes of this article, “commission” means*  
6 *the Student Aid Commission.*

7 *70022. (a) (1) Subject to an available and sufficient*  
8 *appropriation, commencing with the 2014–15 academic year, an*  
9 *undergraduate student enrolled in the California State University*  
10 *or the University of California who meets the requirements of*  
11 *paragraph (2) is eligible for a scholarship award as described in*  
12 *that paragraph.*

13 *(2) Each academic year, except as provided in paragraphs (3)*  
14 *and (4), a student shall receive a scholarship award in an amount*  
15 *that, combined with other publicly funded student financial aid*  
16 *received by an eligible student, is up to 40 percent of the amount*  
17 *charged to that student in that academic year for mandatory*  
18 *systemwide tuition, if all of the following requirements are met:*

19 *(A) The student’s annual household income does not exceed*  
20 *one hundred fifty thousand dollars (\$150,000). For purposes of*  
21 *this article, annual household income shall be calculated in a*  
22 *manner that is consistent with the requirements applicable to the*  
23 *Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program*  
24 *(Chapter 1.7 (commencing with Section 69430)) and Section 69506.*

25 *(B) The student satisfies the eligibility requirements for a Cal*  
26 *Grant award pursuant to Section 69433.9, except that a student*  
27 *who is exempt from nonresident tuition under Section 68130.5*  
28 *shall not be required to satisfy the requirements of subdivision (a)*  
29 *of Section 69433.9.*

30 *(C) The student is exempt from paying nonresident tuition.*

31 *(D) The student completes and submits a Free Application for*  
32 *Federal Student Aid (FAFSA) application. If the student is not able*  
33 *to complete a FAFSA application, the student submits an*  
34 *application determined by the commission to be equivalent to the*  
35 *FAFSA application for purposes of this article.*

36 *(E) The student makes a timely application or applications for*  
37 *publicly funded student financial aid from programs for which he*  
38 *or she is eligible, other than the program established by this article.*  
39 *For purposes of this article, “publicly funded student financial*

1 aid” shall be defined as the federal Pell Grant Program, the Cal  
2 Grant Program, and institutional need-based grants.

3 (F) The student maintains at least a 2.0 grade point average in  
4 a manner that is consistent with the requirements applicable to  
5 the Ortiz-Pacheco-Poohigian-Vasconcellos Cal Grant Program  
6 (Chapter 1.7 (commencing with Section 69430)).

7 (3) The scholarship award under this article to a student whose  
8 annual household income is greater than one hundred thousand  
9 dollars (\$100,000), and who otherwise meets the requirements of  
10 paragraph (2), shall be reduced by 0.6-percent increments, from  
11 a maximum 40 percent of mandatory systemwide tuition for an  
12 academic year to a minimum 10 percent of mandatory systemwide  
13 tuition for an academic year, per one thousand dollars (\$1,000)  
14 of annual household income in excess of one hundred thousand  
15 dollars (\$100,000), provided that no scholarship award shall be  
16 provided to a student with an annual household income of one  
17 hundred fifty thousand dollars (\$150,000) or more. This reduction  
18 shall be in addition to any reduction required by subdivision (e)  
19 of Section 70023.

20 (4) For the 2014–15, 2015–16, and 2016–17 academic years,  
21 the maximum amount of a student’s scholarship award shall be  
22 35 percent, 50 percent, and 75 percent, respectively, of the total  
23 scholarship award amount that the student would otherwise be  
24 eligible to receive.

25 (b) In order for students enrolled in their respective segments  
26 to remain eligible to receive a scholarship under this article, the  
27 University of California and the California State University shall  
28 maintain their respective institutional need-based grant program  
29 policies, and shall maintain their funding amounts at a level that,  
30 at a minimum, is equal to the level maintained during the 2013–14  
31 academic year.

32 (c) The University of California and the California State  
33 University shall report on the implementation of this article as  
34 part of the report made pursuant to Section 66021.1.

35 70023. (a) For each academic year, the commission shall  
36 determine an amount sufficient, when combined with Cal Grants,  
37 Pell Grants, and institutional need-based grants received by  
38 eligible students from other sources, to provide scholarships to  
39 eligible students in the amounts described in paragraphs (2) and  
40 (3) of subdivision (a) of Section 70022. The University of California

1 *and the California State University shall provide the commission*  
2 *with any financial aid data that are necessary for the determination*  
3 *of these amounts.*

4 *(b) The commission shall annually determine if the amounts*  
5 *appropriated under this section in each fiscal year are sufficient*  
6 *to cover the costs of the scholarships as projected to be awarded*  
7 *pursuant to the program. If those amounts are not sufficient for*  
8 *this purpose, the scholarships shall be reduced proportionately*  
9 *by an equal percentage for all recipients of scholarships under*  
10 *this article.*

11 *(c) The commission may adopt regulations necessary to carry*  
12 *out the purposes of this article under subdivision (b) as emergency*  
13 *regulations in accordance with Chapter 3.5 (commencing with*  
14 *Section 11340) of Part 1 of Division 3 of Title 2 of the Government*  
15 *Code. For purposes of the Administrative Procedure Act, including*  
16 *Section 11349.6 of the Government Code, the adoption of those*  
17 *regulations shall be deemed to be an emergency and necessary*  
18 *for the immediate preservation of the public peace, health and*  
19 *safety, or general welfare, notwithstanding subdivision (e) of*  
20 *Section 11346.1 of the Government Code. Notwithstanding*  
21 *subdivision (e) of Section 11346.1 of the Government Code, any*  
22 *regulation adopted pursuant to this section shall not remain in*  
23 *effect more than 180 days unless the commission complies with*  
24 *all provisions of Chapter 3.5 (commencing with Section 11340)*  
25 *of Part 1 of Division 3 of Title 2 of the Government Code, as*  
26 *required by subdivision (e) of Section 11346.1 of the Government*  
27 *Code.*

28 *(d) The unencumbered balance, as of June 30 of each fiscal*  
29 *year, of the amount appropriated from the Middle Class*  
30 *Scholarship Fund pursuant to paragraph (1) of subdivision (e)*  
31 *shall revert to the General Fund.*

32 *(e) (1) Upon order of the Director of Finance, the following*  
33 *amounts shall be transferred from the General Fund to the Middle*  
34 *Class Scholarship Fund, and are hereby appropriated to the*  
35 *commission for allocation pursuant to this article:*

36 *(A) For the 2014–15 fiscal year, one hundred seven million*  
37 *dollars (\$107,000,000).*

38 *(B) For the 2015–16 fiscal year, one hundred fifty-two million*  
39 *dollars (\$152,000,000).*

1 (C) For the 2016–17 fiscal year, two hundred twenty-eight  
2 million dollars (\$228,000,000).

3 (D) For the 2017–18 fiscal year and for each fiscal year  
4 thereafter, three hundred five million dollars (\$305,000,000).

5 (2) An annual appropriation to the commission is hereby  
6 established in the amounts and for the fiscal years described in  
7 paragraph (1) to carry out the purposes of this section and Section  
8 70022.

9 (3) The funds transferred and appropriated pursuant to  
10 paragraph (1) shall only be available for encumbrance in the fiscal  
11 year in which they are transferred, and the General Fund shall  
12 have no liability or any obligation beyond the transfers explicitly  
13 authorized in paragraph (1) unless a subsequent transfer or  
14 allocation is required pursuant to statute.

15 (4) In any fiscal year, additional appropriations may be enacted  
16 pursuant to statute to carry out the purposes of this article.

17 (5) (A) Beginning with the Governor’s Budget proposal for the  
18 2014–15 fiscal year, and in the Governor’s Budget for each fiscal  
19 year thereafter, the Department of Finance shall include a fund  
20 condition statement for the Middle Class Scholarship Fund for the  
21 fiscal year of the proposed budget and the two immediately  
22 preceding fiscal years prepared in accordance with existing law.

23 (B) Upon order of the Director of Finance and commencing  
24 with the 2013–14 fiscal year, if the May Revision projects a budget  
25 deficit for the next fiscal year, the amount specified in paragraph  
26 (1) for the fiscal year for which the budget deficit is projected may  
27 be reduced by up to 33 percent. Upon order of the Director of  
28 Finance, beginning with the 2016–17 fiscal year, and each year  
29 thereafter, if the May Revision projects a deficit for the next fiscal  
30 year, the amount specified in paragraph (1) may be reduced to an  
31 amount greater than or equal to two hundred million dollars  
32 (\$200,000,000).

33 (f) Subject to an appropriation in the annual Budget Act for its  
34 purposes, the commission may begin implementation of, and  
35 establish outreach services relating to, this article.

36 SEC. 3. Article 10 (commencing with Section 89290) is added  
37 to Chapter 2 of Part 55 of Division 8 of Title 3 of the Education  
38 Code, to read:



1            *Article 10.5. Reporting of Performance Measures*

2  
3        89295. (a) *For purposes of this section, the following terms*  
4 *are defined as follows:*

5        (1) *The “four-year graduation rate” means the percentage of*  
6 *a cohort that entered the university as freshmen that successfully*  
7 *graduated within four years.*

8        (2) *The “six-year graduation rate” means the percentage of a*  
9 *cohort that entered the university as freshmen that successfully*  
10 *graduated within six years.*

11        (3) *The “two-year transfer graduation rate” means the*  
12 *percentage of a cohort that entered the university as junior-level*  
13 *transfer students from the California Community Colleges that*  
14 *successfully graduated within two years.*

15        (4) *The “three-year transfer graduation rate” means the*  
16 *percentage of a cohort that entered the university as junior-level*  
17 *transfer students from the California Community Colleges that*  
18 *successfully graduated within three years.*

19        (5) *“Low-income students” means students who receive a Pell*  
20 *Grant at any time during their matriculation at the institution.*

21        (b) *Commencing with the 2013–14 academic year, the California*  
22 *State University shall report, by March 1 of each year, on the*  
23 *following performance measures for the preceding academic year,*  
24 *to inform budget and policy decisions and promote the effective*  
25 *and efficient use of available resources:*

26        (1) *The number of transfer students enrolled annually from the*  
27 *California Community Colleges, and the percentage of transfer*  
28 *students as a proportion of the total undergraduate student*  
29 *population.*

30        (2) *The number of low-income students enrolled annually and*  
31 *the percentage of low-income students as a proportion of the total*  
32 *student population.*

33        (3) *The systemwide four-year and six-year graduation rates for*  
34 *each cohort of students and, separately, for low-income students.*

35        (4) *The systemwide two-year and three-year transfer graduation*  
36 *rates for each cohort of students and, separately, for each cohort*  
37 *of low-income students.*

38        (5) *The number of degree completions annually, in total and*  
39 *for the following categories:*

40        (A) *Freshman entrants.*

1 (B) *Transfer students.*

2 (C) *Graduate students.*

3 (D) *Low-income students.*

4 (6) *The percentage of first-year undergraduates who have*  
5 *earned sufficient course credits by the end of their first year of*  
6 *enrollment to indicate they will complete a degree in four years.*

7 (7) *For all students, the total amount of funds received from all*  
8 *sources identified in subdivision (c) of Section 89290 for the year,*  
9 *divided by the number of degrees awarded that same year.*

10 (8) *For undergraduate students, the total amount of funds*  
11 *received from all sources identified in subdivision (c) of Section*  
12 *89290 for the year expended for undergraduate education, divided*  
13 *by the number of undergraduate degrees awarded that same year.*

14 (9) *The average number of course credits accumulated by*  
15 *students at the time they complete their degrees, disaggregated by*  
16 *freshman entrants and transfers.*

17 (10) (A) *The number of degree completions in science,*  
18 *technology, engineering, and mathematics (STEM) fields,*  
19 *disaggregated by undergraduate students, graduate students, and*  
20 *low-income students.*

21 (B) *For purposes of subparagraph (A), “STEM fields” include,*  
22 *but are not necessarily limited to, all of the following: computer*  
23 *and information sciences, engineering and engineering*  
24 *technologies, biological and biomedical sciences, mathematics*  
25 *and statistics, physical sciences, and science technologies.*

26 SEC. 5. *Section 89762 is added to the Education Code, to read:*  
27 *89762. (a) The contributions of the California State University*  
28 *to the Public Employees’ Retirement Fund, as provided by Section*  
29 *20822 of the Government Code, shall be based on pensionable*  
30 *compensation and the rates set forth in the Budget Act, and shall*  
31 *be paid out of the California State University total appropriation*  
32 *in the annual Budget Act.*

33 (b) *Beginning in the 2013–14 fiscal year and each fiscal year*  
34 *thereafter, annual adjustments to the budget allocation for*  
35 *California State University pension contributions shall be based*  
36 *on the university’s actual 2013–14 fiscal year pensionable payroll,*  
37 *as identified by the Controller’s office, by funding source and state*  
38 *member categories, and the incremental change in the rates set*  
39 *forth in the annual Budget Act.*

1 (c) Budget adjustments under this section shall not be made for  
2 subsequent changes in payroll.

3 (d) Pension funding for the university shall be identified  
4 annually in the Budget Act.

5 SEC. 6. Section 92493 is added to the Education Code, to read:

6 92493. (a) The University of California may pledge, along  
7 with its other revenues, its annual General Fund support  
8 appropriation less the amount of that appropriation that is required  
9 to fund general obligation bond payments and the State Public  
10 Works Board rental payments, to secure the payment of any of the  
11 university's general revenue bonds or commercial paper associated  
12 with the general revenue bond program. To the extent the university  
13 pledges any part of its support appropriation as a source of  
14 revenue securing any obligation, it shall provide that this  
15 commitment of revenue is subject to annual appropriation by the  
16 Legislature. The university may fund debt service for capital  
17 expenditures defined in subdivision (b) from its General Fund  
18 support appropriation pursuant to Sections 92495 and 92495.5.  
19 The state hereby covenants with the holders of the university's  
20 obligations secured by the pledge of the university permitted by  
21 this section that, so long as any of the obligations referred to in  
22 this subdivision remain outstanding, the state will not impair or  
23 restrict the ability of the university to pledge any support  
24 appropriation or support appropriations that may be enacted for  
25 the university. The university may include this covenant of the state  
26 in the agreements or other documents underlying the university's  
27 obligations to this effect.

28 (b) For purposes of this section, "capital expenditures" shall  
29 mean (1) the costs to design, construct, or equip academic facilities  
30 to address seismic and life safety needs, enrollment growth, or  
31 modernization of out-of-date facilities, and renewal or expansion  
32 of infrastructure to serve academic programs, or (2) the debt  
33 service amount associated with refunding, defeasing, or retiring  
34 State Public Works Board lease revenue bonds.

35 (c) Nothing in this section shall require the Legislature to make  
36 an appropriation from the General Fund in any specific amount  
37 to support the University of California.

38 (d) The ability to utilize its support appropriation as stated in  
39 this section shall not be used as a justification for future increases

1 *in student tuition, additional employee layoffs, or reductions in*  
2 *employee compensation at the University of California.*

3 *SEC. 7. Section 92494 is added to the Education Code, to read:*  
4 *92494. (a) The University of California may fund*  
5 *pay-as-you-go capital outlay projects from its General Fund*  
6 *support appropriation pursuant to Sections 92495 and 92495.5.*

7 *(b) For purposes of this section, “capital outlay project” shall*  
8 *mean the costs to design, construct, or equip academic facilities*  
9 *to address seismic and life safety needs, enrollment growth, or*  
10 *modernization of out-of-date facilities, and renewal or expansion*  
11 *of infrastructure to serve academic programs.*

12 *SEC. 8. Section 92495 is added to the Education Code, to read:*  
13 *92495. (a) Commencing with the 2013–14 fiscal year and for*  
14 *each fiscal year thereafter, if the University of California plans to*  
15 *use any of its support appropriation in the annual budget for the*  
16 *subsequent fiscal year for capital expenditures pursuant to Section*  
17 *92493, as defined in paragraph (1) of subdivision (b) of that*  
18 *section, or for capital outlay projects pursuant to Section 92494,*  
19 *it shall simultaneously submit, on or before September 1 nine*  
20 *months before the commencement of that fiscal year, a report to*  
21 *the Joint Legislative Budget Committee and the Department of*  
22 *Finance. This report shall detail the scope of each capital outlay*  
23 *project or expenditure and how it will be funded, and it shall*  
24 *provide the same level of detail as a capital outlay budget change*  
25 *proposal. The Department of Finance shall review the report and*  
26 *submit a list of preliminarily approved projects to the Joint*  
27 *Legislative Budget Committee by February 1. The Department of*  
28 *Finance shall submit a final list of approved projects to the*  
29 *University of California no earlier than April 1, three months*  
30 *before the commencement of the fiscal year of the planned*  
31 *expenditures. The University of California shall not proceed with*  
32 *any capital expenditures pursuant to Section 92493, as defined in*  
33 *paragraph (1) of subdivision (b) of that section, or capital outlay*  
34 *projects pursuant to Section 92494, prior to receiving approval*  
35 *from the Department of Finance pursuant to this subdivision.*

36 *(b) For the 2013–14 fiscal year only, if the University of*  
37 *California plans to use any of its support appropriation in the*  
38 *annual budget for the 2013–14 fiscal year for capital expenditures*  
39 *pursuant to Section 92493, as defined in paragraph (1) of*  
40 *subdivision (b) of that section, or for capital outlay projects*

1 pursuant to Section 92494, it shall simultaneously submit, on or  
2 before August 1 of that fiscal year, a report to the Joint Legislative  
3 Budget Committee and the Department of Finance. This report  
4 shall detail the scope of each capital outlay project or expenditure  
5 and how it will be funded, and it shall provide the same level of  
6 detail as a capital outlay budget change proposal. The Department  
7 of Finance shall review the report and submit a list of preliminarily  
8 approved projects to the Joint Legislative Budget Committee by  
9 November 1 of that fiscal year. The Department of Finance shall  
10 submit a final list of approved projects to the University of  
11 California no earlier than December 1 of that fiscal year. The  
12 University of California shall not proceed with any capital  
13 expenditures pursuant to Section 92493, as defined in paragraph  
14 (1) of subdivision (b) of that section, or capital outlay projects  
15 pursuant to Section 92494, prior to receiving approval from the  
16 Department of Finance pursuant to this subdivision.

17 (c) Notwithstanding subdivision (b), the University of California  
18 may use the authority provided in Section 92493 for the Merced  
19 Classroom and Academic Office Building, as specified in Provision  
20 3 of Item 6440-001-0001 of Section 2.00 of the Budget Act of 2013.

21 (d) Notwithstanding Section 10231.5 of the Government Code,  
22 commencing with the 2014–15 fiscal year, on or before February  
23 1 of each fiscal year, the University of California shall  
24 simultaneously submit a progress report to the Joint Legislative  
25 Budget Committee and the Department of Finance detailing the  
26 scope, funding, and current status of each capital expenditure  
27 undertaken pursuant to Section 92493, as defined in paragraph  
28 (1) of subdivision (b) of that section, and for each capital outlay  
29 project undertaken pursuant to Section 92494.

30 SEC. 9. Section 92495.5 is added to the Education Code, to  
31 read:

32 92495.5. The university shall manage its general revenue bond  
33 program in a manner so that not more than 15 percent of its  
34 General Fund support appropriation, less the amount of that  
35 appropriation that is required to fund general obligation bond  
36 payments and State Public Works Board rental payments, is used  
37 for the total of all of the following:

38 (a) Debt service for capital expenditures pursuant to Section  
39 92493.

40 (b) Pay-as-you-go capital outlay pursuant to Section 92494.

1 (c) *State Public Works Board rental payments.*

2 *SEC. 10. Section 92496 is added to the Education Code, to*  
3 *read:*

4 *92496. If the university is able to reduce annual debt service*  
5 *costs by refunding, defeasing, or retiring general obligation bonds*  
6 *or State Public Works Board lease revenue bonds, as described*  
7 *in Section 92493, the university shall annually contribute an equal*  
8 *amount to reduce the existing unfunded liability of the University*  
9 *of California Retirement Plan.*

10 *SEC. 11. Article 7.5 (commencing with Section 92670) is added*  
11 *to Chapter 6 of Part 57 of Division 9 of Title 3 of the Education*  
12 *Code, to read:*

13  
14 *Article 7.5. Expenditures for Undergraduate and Graduate*  
15 *Instruction and Research Activities*

16  
17 *92670. (a) The University of California shall report biennially*  
18 *to the Legislature and the Department of Finance, on or before*  
19 *October 1, 2014, and on or before October 1 of each*  
20 *even-numbered year thereafter, on the total costs of education at*  
21 *the University of California.*

22 *(b) The report shall identify the costs of undergraduate*  
23 *education, graduate academic education, graduate professional*  
24 *education, and research activities. All four categories listed in this*  
25 *subdivision shall be reported in total and disaggregated separately*  
26 *by health sciences disciplines, disciplines included in paragraph*  
27 *(10) of subdivision (b) of Section 92675, and all other disciplines.*  
28 *For purposes of this report, research for which a student earns*  
29 *credit toward his or her degree program shall be identified as*  
30 *undergraduate education or graduate education.*

31 *(c) The costs shall also be reported by fund source, including*  
32 *all of the following:*

33 *(1) State General Fund.*

34 *(2) Systemwide tuition and fees.*

35 *(3) Nonresident tuition and fees and other student fees.*

36 *(4) University of California General Funds, including interest*  
37 *on General Fund balances and the portion of indirect cost recovery*  
38 *and patent royalty income used for core educational purposes.*

39 *(d) For any report submitted under this section before January*  
40 *1, 2017, the costs shall, at a minimum, be reported on a systemwide*

1 *basis. For any report submitted under this section on or after*  
2 *January 1, 2017, the costs shall be reported on both a systemwide*  
3 *and campus-by-campus basis.*

4 *(e) A report to be submitted pursuant to this section shall be*  
5 *submitted in compliance with Section 9795 of the Government*  
6 *Code.*

7 *(f) Pursuant to Section 10231.5 of the Government Code, the*  
8 *requirement for submitting a report under this section shall be*  
9 *inoperative on January 1, 2021, pursuant to Section 10231.5 of*  
10 *the Government Code.*

11 *SEC. 12. Article 7.7 (commencing with Section 92675) is added*  
12 *to Chapter 6 of Part 57 of Division 9 of Title 3 of the Education*  
13 *Code, to read:*

14

15 *Article 7.7. Reporting of Performance Measures*

16

17 *92675. (a) For purposes of this section, the following terms*  
18 *are defined as follows:*

19 *(1) The “four-year graduation rate” means the percentage of*  
20 *a cohort that entered the university as freshmen that successfully*  
21 *graduated within four years.*

22 *(2) The “two-year transfer graduation rate” means the*  
23 *percentage of a cohort that entered the university as junior-level*  
24 *transfer students from the California Community Colleges that*  
25 *successfully graduated within two years.*

26 *(3) “Low-income students” means students who receive a Pell*  
27 *Grant at any time during their matriculation at the institution.*

28 *(b) Commencing with the 2013–14 academic year, the University*  
29 *of California shall report, by March 1 of each year, on the*  
30 *following performance measures for the preceding academic year,*  
31 *to inform budget and policy decisions and promote the effective*  
32 *and efficient use of available resources:*

33 *(1) The number of transfer students enrolled annually from the*  
34 *California Community Colleges, and the percentage of transfer*  
35 *students as a proportion of the total undergraduate student*  
36 *population.*

37 *(2) The number of low-income students enrolled annually and*  
38 *the percentage of low-income students as a proportion of the total*  
39 *student population.*

- 1     (3) *The systemwide four-year graduation rates for each cohort*  
2 *of students and, separately, for each cohort of low-income students.*
- 3     (4) *The systemwide two-year transfer graduation rates for each*  
4 *cohort of students and, separately, for each cohort of low-income*  
5 *students.*
- 6     (5) *The number of degree completions annually, in total and*  
7 *for the following categories:*
- 8       (A) *Freshman entrants.*  
9       (B) *Transfer students.*  
10      (C) *Graduate students.*  
11      (D) *Low-income students.*
- 12     (6) *The percentage of first-year undergraduates who have*  
13 *earned sufficient course credits by the end of their first year of*  
14 *enrollment to indicate they will complete a degree in four years.*
- 15     (7) *For all students, the total amount of funds received from all*  
16 *sources identified in subdivision (c) of Section 92670 for the year,*  
17 *divided by the number of degrees awarded that same year.*
- 18     (8) *For undergraduate students, the total amount of funds*  
19 *received from the sources identified in subdivision (c) of Section*  
20 *92670 for the year expended for undergraduate education, divided*  
21 *by the number of undergraduate degrees awarded that same year.*
- 22     (9) *The average number of course credits accumulated by*  
23 *students at the time they complete their degrees, disaggregated by*  
24 *freshman entrants and transfers.*
- 25     (10) (A) *The number of degree completions in science,*  
26 *technology, engineering, and mathematics (STEM) fields,*  
27 *disaggregated by undergraduate students, graduate students, and*  
28 *low-income students.*
- 29       (B) *For purposes of subparagraph (A), “STEM fields” include,*  
30 *but are not necessarily limited to, all of the following: computer*  
31 *and information sciences, engineering and engineering*  
32 *technologies, biological and biomedical sciences, mathematics*  
33 *and statistics, physical sciences, and science technologies.*
- 34     SEC. 13. *Section 13313 is added to the Government Code, to*  
35 *read:*
- 36       13313. (a) *Notwithstanding any other law, in order to achieve*  
37 *effective cash management of state resources, the Director of*  
38 *Finance may defer payment of General Fund moneys, in a*  
39 *cumulative amount not to exceed two hundred fifty million dollars*

1 (\$250,000,000) annually, appropriated to the California State  
2 University in the annual Budget Act.

3 (b) The payment of the amount deferred shall be in May or June,  
4 as established by the Director of Finance, of the same fiscal year  
5 that the original payment would have been made.

6 SEC. 14. (a) Three hundred seventy-five thousand dollars  
7 (\$375,000) is hereby appropriated from the 1996 Higher Education  
8 Capital Outlay Bond Fund to the University of California for the  
9 purpose of funding the Merced Campus (1) 99.11.050-Science and  
10 Engineering Building 2—Equipment phase during the 2013–14  
11 fiscal year, with this appropriation to be available for encumbrance  
12 until June 30, 2016, if the requirements of subdivision (b) are met.

13 (b) The funds appropriated under subdivision (a) shall only be  
14 available for expenditure if the Regents of University of California  
15 act, by resolution, to require the payment of prevailing wage rates  
16 by the contractors and subcontractors working on this project,  
17 and all other capital outlay projects undertaken by the University  
18 of California that are funded using nonstate funds or are otherwise  
19 not financed with the funds appropriated for this project, during  
20 the 2013–14 fiscal year.

21 SEC. 15. (a) The University of California shall allocate and  
22 encumber from the appropriation made pursuant to Item  
23 6440-001-0001 of Section 2.00 of the Budget Act of 2013 the  
24 amount necessary to pay in full all amounts that are reasonably  
25 anticipated to become due and payable during the fiscal year for  
26 lease revenue and general obligation bond debt service.

27 (b) Notwithstanding Section 16326 of the Government Code,  
28 the Controller shall transfer funds appropriated pursuant to Item  
29 6440-001-0001 of Section 2.00 of the Budget Act of 2013 in  
30 accordance with schedules to be submitted as follows:

31 (1) The State Public Works Board shall submit a schedule or  
32 schedules for rental, fees, and insurance associated with its lease  
33 revenue bonds issued on behalf of the University of California.  
34 Notwithstanding the payment dates in any related facility lease or  
35 indenture, a schedule may provide for an earlier transfer of funds  
36 to ensure debt requirements are met and base rental payments are  
37 paid in full when due.

38 (2) (A) The Department of Finance shall submit a schedule or  
39 schedules to reimburse the General Fund in an amount equal to  
40 the required general obligation bond debt service costs attributed

1 to the University of California. Notwithstanding the payment dates  
2 in any related debt service schedule for a bond issuance, a schedule  
3 submitted by the Department of Finance may provide for an earlier  
4 transfer of funds to ensure debt requirements are paid in full when  
5 due.

6 (B) The Department of Finance shall submit a revised schedule  
7 of reimbursements, as needed, to authorize the return of any funds  
8 to Item 6440-001-0001 of Section 2.00 of the Budget Act of 2013  
9 that were previously transferred pursuant to this act and that are  
10 not needed to fully reimburse debt service costs in the 2013–14  
11 fiscal year. Any funds returned pursuant to this subparagraph may  
12 be carried over and expended in the 2014–15 fiscal year.

13 SEC. 16. (a) Of the moneys appropriated in Item  
14 6440–001–0001 of Section 2.00 of the Budget Act of 2013, the sum  
15 of fifteen million dollars (\$15,000,000) is allocated to the Regents  
16 of the University of California for the School of Medicine at the  
17 University of California, Riverside.

18 (b) Funds provided pursuant to subdivision (a) shall be available  
19 for planning and startup costs associated with academic programs  
20 to be offered by the School of Medicine at the University of  
21 California, Riverside, including all of the following:

22 (1) Academic planning activities, support of academic program  
23 offerings, and faculty recruitment.

24 (2) The acquisition of instructional materials and equipment.

25 (3) Ongoing operating support for faculty, staff, and other  
26 annual operating expenses for the School of Medicine at the  
27 University of California, Riverside.

28 (c) The additional funds provided by this section for the School  
29 of Medicine at the University of California, Riverside, shall only  
30 be used for the purposes specified in subdivision (b), and shall not  
31 be redirected or otherwise expended, nor shall these funds be used  
32 to supplant other funding of that school.

33 (d) On or before April 1 of each year, the University of  
34 California shall provide progress reports to the relevant policy  
35 and fiscal committees of the Legislature pertaining to funding,  
36 recruitment, hiring, and outcomes for the School of Medicine at  
37 the University of California, Riverside. Specifically, the report  
38 shall include, but not be limited to, information consistent with  
39 the published mission and vision for the School of Medicine at the  
40 University of California, Riverside, in all of the following areas:

1 (1) *The number of students who have applied, been admitted,*  
2 *or been enrolled, broken out by race, ethnicity, and gender.*

3 (2) *The number of full-time faculty, part-time faculty, and*  
4 *administration, broken out by race, ethnicity, and gender.*

5 (3) *Funding and progress of ongoing medical education pipeline*  
6 *programs, including the UCR/UCLA Thomas Haider Program in*  
7 *Biomedical Sciences.*

8 (4) *Operating and capital budgets, including detail by funding*  
9 *source. The operating budget shall include a breakdown of*  
10 *research activities, instruction costs, administration, and executive*  
11 *management.*

12 (5) *Efforts to meet the health care delivery needs of California*  
13 *and the inland empire region of the state, including, but not limited*  
14 *to, the percentage of clinical placements, graduate medical*  
15 *education slots, and medical school graduates in primary care*  
16 *specialties who are providing service within California's medically*  
17 *underserved areas and populations.*

18 (6) *A description of faculty research activities, including*  
19 *information regarding the diversity of doctoral candidates, and*  
20 *identifying activities that focus on high priority research needs*  
21 *with respect to addressing California's medically underserved*  
22 *areas and populations.*

23 *SEC. 17. The absence of language in the Budget Act of 2013*  
24 *specifying that the University of California and the Hastings*  
25 *College of the Law shall use budgeted funds for retirement costs*  
26 *is not an indication of legislative support for, or acceptance of,*  
27 *increased retirement costs being paid for by employees of the*  
28 *University of California and the Hastings College of the Law.*

29 *SEC. 18. This act is a bill providing for appropriations related*  
30 *to the Budget Bill within the meaning of subdivision (e) of Section*  
31 *12 of Article IV of the California Constitution, has been identified*  
32 *as related to the budget in the Budget Bill, and shall take effect*  
33 *immediately.*

34 ~~*SECTION 1. It is the intent of the Legislature to enact statutory*~~  
35 ~~*changes relating to the Budget Act of 2013.*~~

- 1
- 2 **CORRECTIONS:**
- 3 **Text—Page 23.**
- 4

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