

# The 2023-24 Budget: Student Housing

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## SUMMARY

**Removing Student Housing Funds Would Add to Budget Solutions List.** The Governor proposes delaying \$250 million for the Higher Education Student Housing Grant program from 2023-24 to 2024-25 (leaving \$500 million available for the program in 2023-24) and delaying the start date for the California Student Housing Revolving Loan Program from 2023-24 to 2024-25. For the loan program, instead of providing \$900 million for two consecutive years, the Governor proposes providing \$650 million in 2024-25 and \$1.15 billion in 2025-26. Rather than delaying program funds, the Legislature could remove funding for these programs in response to the state's projected budget deficits over the next few years. The housing project proposals are in early planning phases, no data is yet available on the impact of the first round of housing grants, the state's role in subsidizing on-campus housing remains unclear, and other state programs might provide more effective avenues for improving college affordability and reducing student housing insecurity.

**Options Exist for Prioritizing Among Projects if One-Time Funding Is Available.** Despite these considerations, were the Legislature to provide one-time funding for student housing, it could prioritize loans over grants and university projects over community college projects. The loan program is likely to be able to provide more new affordable beds over time than the grant program. Moreover, the benefit to campuses of zero-cost financing might be sufficient to make many on-campus housing projects financially viable. Regarding the types of projects to fund, universities have more experience developing, financing, and operating student housing programs than community colleges, such that university projects have a greater probability of being successfully implemented. Additionally, a greater share of university students live away from home, making on-campus housing more attractive for them than community college students.

## INTRODUCTION

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**Brief Focuses on Student Housing.** The state recently created two housing programs to help college and university campuses build more housing units. One program provides grants and the other provides zero-interest loans to campuses primarily for the construction of new housing facilities. Campuses at the three public higher education segments—the California Community Colleges (CCC), the California State University (CSU), and the University of California (UC)—are eligible to participate in these programs. This brief

has four main sections. The first section provides background on campus housing facilities and recent state higher education housing initiatives. The second section describes the Governor's proposals to delay certain student housing funds. The last two sections assess those proposals and provide associated recommendations. This brief is part of our series of higher education budget analyses. All of our [2023-24 budget reports](#) can be accessed online.

## BACKGROUND

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In this section, we describe the way campuses traditionally have funded student housing projects and highlight the new student housing programs that the state recently created.

### Campus Housing Programs

***Historically, Campus Housing Facilities Have Been Self-Supporting.*** In contrast to state-supported academic facilities, all three of the higher education segments operate self-supporting facilities. These types of facilities generate their own fee revenue, which is intended to cover the capital and operating costs of those facilities. All three public higher education segments have self-supporting parking structures, certain athletic venues, and student unions. In addition, both CSU and UC have longstanding student housing programs, with all of their campuses offering some level of student housing. By comparison, most community colleges do not have student housing programs. In 2022-23, 12 community colleges (of the 115 that have physical locations) were providing on-campus student housing.

***Self-Supporting Campus Housing Projects Are Reviewed by Governing Boards.*** To get a self-supported student housing project approved, a CSU or UC campus develops a proposal and submits it for board approval at the system level. That is, a CSU campus submits a new student housing project proposal to the CSU Chancellor's Office for subsequent approval by the CSU Board of Trustees. A UC campus submits its housing proposals to the UC Office of the President for approval by the UC Board of Regents. By comparison, a community college submits its proposal to its local governing board, with no approval required by the systemwide Board of Governors.

***To Be Approved, Student Housing Projects Must Be Financially Viable.*** Personnel at the campus level as well as at the universities' central offices review each project for several factors, including its financial viability. Financial viability has two key components. First, housing projects must show that revenue generated from student housing

charges will be sufficient over time to support debt service, operations, and facility maintenance. Second, the student housing charge needs to be sufficiently low to attract students and ideally achieve 100 percent building occupancy. Some housing projects find achieving financial viability difficult, as the housing charge needed to cover associated costs could be higher than students and their families want to pay. In these cases, central offices can work with campuses to redesign their housing projects to lower associated costs, and, in turn, lower the housing charges.

***Campus Housing Projects Typically Are Debt Financed.*** Similar to large academic projects for which the state uses debt-financing to spread the costs over many years, campuses typically debt-finance their self-supporting projects, including their student housing projects. At the universities, CSU and UC may sell university bonds. Community colleges may sell local general obligation bonds or lease revenue bonds. Campuses across all three segments also may engage in public-private partnerships. Though public-private partnerships can be structured in various ways, in some cases, the private partner is responsible for debt-financing the housing project. In all of these cases, debt service is retired over time using revenue raised from student housing charges.

***Share of Students Living in On-Campus Housing Varies Notably Across Campuses.*** Systemwide, UC houses the greatest share of its students (more than one-third). Among UC campuses, the share of students housed in fall 2022 ranged from 21 percent (at the Berkeley campus) to 49 percent (at the Los Angeles campus). At CSU, the number of on-campus beds systemwide equated to 13 percent of all students in fall 2022, with the share ranging from 4 percent (at the Fresno campus) to 50 percent (at the Sonoma campus). (The CSU Maritime campus—designed as a primarily residential, on-site academic program—had enough beds for virtually all of its students.) At CCC, the number of on-campus beds systemwide in fall 2022 equated

to less than 0.5 percent of CCC headcount. Of the 12 colleges that have on-campus housing, beds as a share of headcount ranged from 0.7 percent (at the Sierra campus) to 17 percent (at the Feather River campus). Compared to UC students, students at CSU and CCC are much more likely to live at home with families or in off-campus housing.

**Recent State Initiatives**

**State Recently Expanded Financial Aid for Students’ Living Costs.** For many decades, the state’s primary strategy for promoting college affordability was to keep student tuition charges low across the public higher education segments, while also providing full tuition coverage for students with financial need through the Cal Grant program. Over the past several years, the state has begun providing more financial aid coverage for nontuition costs, including housing, food, and transportation costs. Specifically, for university students, the state recently revamped the Middle Class Scholarship (MCS) program to be based on total cost of attendance. The state is providing \$630 million ongoing non-Proposition 98 General Fund for the revamped program in 2022-23. As a result of the expansion, many more CSU and UC students are now receiving MCS awards to cover a portion of their living costs. For community college students, the state created the Student Success Completion Grant program in 2018-19 (building off a predecessor program). This program covers \$8,000 of living costs annually for students with financial need who are enrolled in 15 or more units per term and \$2,596 annually for students taking between 12 and 14 units per term. In 2022-23, the state is providing \$413 million ongoing Proposition 98 General Fund for this program. In addition to these efforts, the state has increased nontuition Cal Grant awards for students with dependent children and for foster youth. Funds permitting, the state has plans to further increase the size of MCS awards and further expand the Cal Grant program, including by pegging nontuition Cal Grant awards for community college students to inflation.

**State Also Created Rapid Rehousing and Basic Needs Programs.** In 2019-20, the state provided all three segments with ongoing General Fund augmentations to create

rapid rehousing programs in partnership with community organizations. As of 2022-23, the state is providing a total of \$29 million ongoing (\$19 million Proposition 98 General Fund and \$10 million non-Proposition 98 General Fund) for these programs. These programs provide students who are homeless or at risk of homelessness with various services, including case management, emergency housing, and emergency grants. Beyond rapid rehousing programs, all three public segments also have received ongoing state funds in recent years to address students’ basic needs, including food and housing insecurity. Basic needs assistance provided on each campus varies but can include on-campus food pantries, meal vouchers, hotel vouchers for short-term housing needs, on-campus emergency housing, security deposit assistance, rental subsidies, and a case manager to help students secure long-term housing. In 2022-23, the segments are receiving a total of \$80 million ongoing (\$40 million Proposition 98 General Fund and \$40 million non-Proposition 98 General Fund) for student basic needs.

**State Recently Created Student Housing Grant Program.** In addition to these ongoing program expansions, the state provided a substantial amount of one-time funding last year for the Higher Education Student Housing Grant program. As part of the 2022-23 budget agreement, the state provided a total of \$1.5 billion one-time non-Proposition 98 General Fund for the first round of student housing grants. As **Figure 1** shows,

Figure 1

**State Makes First Round of Student Housing Grants**

General Fund (In Millions)

	Grants <sup>a</sup>		
	Planning	Construction	Total
CCC	\$18	\$547	\$565
CSU	—	498	498
UC	—	389	389
<b>Totals</b>	<b>\$18</b>	<b>\$1,434</b>	<b>\$1,452<sup>b</sup></b>

<sup>a</sup> For intersegmental projects, the administration attributed the planning grants to CCC. The administration split construction grants evenly between the two participating segments.

<sup>b</sup> Funded from appropriations in 2021-22 (\$700 million) and 2022-23 (\$752 million).

\$565 million was provided for CCC projects, \$498 million for CSU projects, and \$389 million for UC projects. As **Figure 2** shows, the funding supported 25 student housing construction projects across the three segments—11 CCC projects, 8 CSU projects, 5 UC projects, and 1 intersegmental CCC/CSU project. The program also funded 75 community college planning grants (listed in this [EdBudget table](#)).

**Universities Recently Submitted New Housing Proposals.** Trailer legislation adopted last year included intent to appropriate an additional \$750 million for a second round of student housing grants in 2023-24. **Figure 3** shows the remaining allotments for each segment under the program’s statutory allocation rules. The segments were to submit project proposals for the 2023-24 round of student housing grants to the Legislature and administration by February 1, 2023.

CSU and UC submitted their proposals by the statutory deadline. As **Figure 3** shows, CSU submitted three project proposals totaling \$149 million in requested state funding—slightly less than its remaining grant funds. UC submitted six project proposals totaling \$499 million in state funding—far in excess of its remaining grant funds. (Rather than reflecting housing demand, the number and size of CSU’s and UC’s project proposals this year likely reflect their strategic planning decisions.) At the time of this writing, CCC had yet to submit their project proposals. The CCC Chancellor’s Office is likely to submit those proposals to the Legislature by the end of March 2023.

**New Project Proposals Vary in a Few Ways.** As **Figure 4** shows, many of the new university project proposals would use nonstate funds to expand their scope or further reduce their housing charges. Among CSU projects, nonstate contributions range from 35 percent of total project costs (at the Stanislaus campus) to 73 percent (at the San Jose campus). Among UC projects, two projects have no nonstate contributions whereas one project commits an 84 percent nonstate contribution (at the Riverside campus). The three CSU

Figure 2

**State Provides 25 First-Round Construction Grants**

2022-23 Grants (Dollars in Millions)

Campus	Funding		Beds	
	State	Nonstate	Affordable	Standard
<b>California Community Colleges</b>				
Sierra	\$80	—	354	—
Compton	80	—	250	—
Ventura	63	—	320	—
Canyons	62	—	100	—
Bakersfield	60	—	154	—
Cosumnes River	44	—	145	—
Lake Tahoe	39	—	100	—
Fresno City	34	—	360	—
Siskiyou	33	—	252	—
Napa Valley	31	\$97	124	404
Santa Rosa	15	63	70	282
Subtotals	(\$542)	(\$160)	(2,229)	(686)
<b>California State University</b>				
San Francisco	\$116	\$63	750	—
San Marcos	91	49	390	210
Fullerton	89	48	390	210
Long Beach	53	29	403	—
Dominguez Hills	49	26	238	127
Northridge	38	20	200	—
Fresno	31	17	175	—
Humboldt	27	15	138	—
Subtotals	(\$494)	(\$266)	(2,684)	(547)
<b>University of California</b>				
San Diego	\$100	\$236	1,100	208
Berkeley	100	212	310	803
Santa Cruz	89	—	320	—
Irvine	65	1	300	—
Los Angeles	35	29	358	—
Subtotals	(\$389)	(\$477)	(2,388)	(1,011)
<b>Intersegmental</b>				
Imperial Valley CCD/ CSU San Diego	\$9	\$5	78	—
<b>Totals</b>	<b>\$1,434</b>	<b>\$908</b>	<b>7,379</b>	<b>2,244</b>

CCD = Community College District.

projects would add 877 affordable beds, along with 535 standard-rent beds. The six UC projects (including the two proposed intersegmental projects) would add 3,738 affordable beds, along with 1,869 standard-rent beds.

**State Also Recently Created California Student Housing Revolving Loan Program.**

Trailer legislation adopted last year also included intent to provide \$1.8 billion one-time non-Proposition 98 General Fund over two years (\$900 million each in 2023-24 and 2024-25) for a new housing revolving loan program. The California School Finance Authority is to administer the program for community colleges, and California Educational Facilities Authority is to administer it for CSU and UC campuses. Under the program, these administering entities will give loans to campuses for new housing projects. Though the loans are interest free, campuses are required to repay the principal, which they would do using student housing charges. As loan repayments replenish the revolving loan fund, new loans would be made for additional housing projects.

Figure 3

**Universities Submit New Round of Project Proposals**

General Fund (Dollars in Millions)

	Remaining Allotment <sup>a</sup>	Project Proposals	
		Number of Proposals	Requested State Funding
CCC	\$545	— <sup>b</sup>	— <sup>b</sup>
CSU	157	3	\$149
UC	48	6	499
<b>Totals</b>	<b>\$750</b>	<b>9</b>	<b>\$649</b>

<sup>a</sup> Chapter 572 of 2022 (AB 190, Committee on Budget) sets forth allotments by segment. The Department of Finance implements those statutory provisions by first subtracting planning grant funds, then distributing remaining funds 50 percent to CCC, 30 percent to CSU, and 20 percent to UC. The Governor proposes to delay \$250 million of the statutory 2023-24 allotment to 2024-25.

<sup>b</sup> As of the time of this writing, CCC project proposals had not yet been submitted to the state.

Figure 4

**Universities Submitted Nine New Student Housing Construction Project Proposals**

2023-24 Project Proposals, Listed in Priority Order by Category (Dollars in Millions)

Campus	Funding		Beds	
	State Funds Requested	Nonstate Funds Committed	Affordable	Standard
<b>California State University</b>				
Sacramento	\$41	\$26	285	—
San Jose	89	245	517	490
Stanislaus	19	10	75	45
Subtotals	(\$149)	(\$281)	(877)	(535)
<b>University of California</b>				
San Diego	\$150	\$533	1,474	970
Merced (Undergraduate)	98	—	496	—
Davis	92	1	400	—
Merced (Graduate)	59	—	236	—
Subtotals	(\$398)	(\$534)	(2,606)	(970)
<b>Intersegmental</b>				
UC Riverside and Riverside CCD	\$51	\$261	654	899
UC Merced and Merced CCD	50	50	478	—
Subtotals	(\$101)	(\$311)	(1,132)	(899)
<b>Totals</b>	<b>\$649</b>	<b>\$1,125</b>	<b>4,615</b>	<b>2,404</b>

CCD = Community College District.



## GOVERNOR'S PROPOSALS

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**Governor Proposes to Delay Some Student Housing Grant Funding.** In response to a projected state budget deficit, the Governor proposes various budget solutions to achieve near-term General Fund savings. One set of budget solutions involves delaying certain funding to later years. Within higher education, one of the Governor's largest proposed funding delays is to move \$250 million in student housing grant funds from 2023-24 to 2024-25. Delaying this amount would leave \$500 million (of the originally intended \$750 million) available for new housing projects in 2023-24. The specific impact of the delay on each of the segments would depend upon how

much, if any, grant funding they receive in 2023-24. (Under statute, of total grant funding, 50 percent is for CCC, 30 percent is for CSU, and 20 percent is for UC.)

**Governor Also Proposes to Delay Revolving Loan Funds.** The Governor also proposes to delay the launch of the California Student Housing Revolving Loan Program by one year—pushing back the start from 2023-24 to 2024-25. Additionally, rather than providing program funds of \$900 million the first year and another \$900 million the following year, the Governor proposes providing \$650 million the first year (2024-25) and \$1.15 billion the next year (2025-26).

## ASSESSMENT

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**Proposed Housing Projects Are in Early Phases.** Most of the CSU and UC housing projects submitted for possible 2023-24 funding are in early planning phases. Though the CCC housing projects had not yet been submitted at the time of this writing, we suspect they too are in early planning phases. Even the projects the state funded as part of the first round generally remain in early planning phases. Moreover, if all future project phases go smoothly, most projects still take one or two years of planning and design work before entering the construction phase. Some projects take longer to reach the construction phase, as environmental issues, litigation, and the need to redesign, among other issues that are not fully within campuses' control, can arise during project development. Construction, in turn, can last a couple of years. Given these timing issues, delaying or removing funding for the segments' housing project proposals would have no near-term impact on students. (Delaying project funding, however, likely would contribute to construction cost escalation, as construction costs tend to increase over time.)

**Results of First-Round Grants Are Not Yet Available.** No housing units receiving Higher Education Student Housing Grant funds have yet been completed. The program, however, is

intended to reduce housing charges from what they otherwise would have been for those students eventually offered one of the newly constructed housing units. Data is not yet available on the impact of reduced housing charges on college affordability and student housing insecurity. Data also is not yet available on how state housing grant funds are affecting the overall housing supply on and off campus. Delaying additional housing funds would provide time for the state to assess the impact of the first round of grant funding.

**Need for State Subsidy Remains Unclear.** Prior to the state creating the Higher Education Student Housing Grant program, nearly all campus housing projects were self-supporting. Moreover, even without state support, construction of student housing generally outpaced enrollment growth over the past several years. Furthermore, campuses interested in expanding their housing capacity have ways to reduce project costs without state support. The most common way campuses contain their student housing costs are by redesigning facilities. For example, a project originally designed to contain more expensive apartments with individual kitchens and bathrooms might be redesigned to be a more traditional residential hall with common bathrooms and no kitchens.

**Other Programs Might Be More Effective Way of Promoting College Affordability and Housing Security.** Whereas the first-round Higher Education Student Housing Grant program is expected to provide affordable housing to fewer than 7,400 students, the state has hundreds of thousands of low-income students enrolled across the segments. Using the state's ongoing financial aid programs to assist with nontuition costs potentially could benefit many more students much more quickly than the housing grant program. Moreover, using the segments' rapid rehousing

programs might be a more targeted approach to helping those students who need immediate housing assistance. Compared to the one-time funding for the student housing grants, these kinds of programs rely on ongoing funds. The state, however, already has notably augmented ongoing funding for these programs in recent years. For example, the MCS program—just one of several ongoing financial aid programs expanded in recent years—is benefitting an estimated 217,000 more students in 2022-23 compared to 2021-22.

## RECOMMENDATIONS

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**Could Expand Budget Solutions List by Removing Student Housing Funds.** Given all these considerations, together with the state's budget condition, the Legislature could expand its budget solutions list by removing all \$750 million in scheduled Higher Education Student Housing Grants funds. Relative to the Governor's budget, this option provides an additional \$500 million in General Fund savings in 2023-24, while also providing an additional \$250 million in savings in 2024-25. As projects are in early phases and campuses have options for building student housing without state support, removing these grant funds could be one of the relatively less disruptive ways to achieve state budget solutions. These same basic points also can be made with the California Student Housing Revolving Loan Program. Rather than delaying funding, the Legislature could remove the \$1.8 billion proposed for this program over 2024-25 and 2025-26. Together, the two housing programs could generate as much as \$2.6 billion in additional General Fund savings over the 2023-24 through 2025-26 period.

**Could Prioritize Academic Facilities When One-Time Funds Are Available.** If the state were to have one-time funds available, it could prioritize renovating existing academic facilities. Many of the segments' academic facilities are decades old. Some of these facilities have building components that have reached the end of their useful life. Because funding has not kept pace with emerging capital renewal needs, the segments

have large and growing backlogs of academic facility projects. The latest estimates show systemwide capital renewal backlogs (also known as deferred maintenance) of roughly \$700 million at CCC, \$6.5 billion at CSU, and \$7.3 billion at UC. Unlike self-supporting facilities, academic facilities traditionally have relied primarily on state funding and do not have ready access to alternate means of funding. After the Legislature has ensured the segments' existing academic facilities are kept in good condition, it could consider facility expansions—either of academic or nonacademic space, as it deems warranted.

**Could Prioritize Revolving Loans Over Grants.** Were the Legislature to desire to provide one-time funds for student housing, the revolving loan program likely yields greater benefits. Under the loan program, campuses generally cover a much higher share of total project costs compared to the grant program. That is, under the grant program, the state is funding a relatively high share of costs (100 percent of costs for some projects), whereas campuses would be covering 100 percent of costs for all housing projects under the loan program (except for the financing costs, which would be free of charge). Moreover, the benefit of zero-cost financing might be sufficient to make many on-campus housing projects financially viable. CSU and UC already have expressed interest in participating in the program, and we understand at least some community colleges are interested. Particularly as interest rates rise within

the bond market, more campuses likely would turn to the revolving loan program as an attractive financing option. Furthermore, as campuses repay their loans, the state would be able to use the replenished account to issue new loans, likely allowing the state to support more affordable beds over time. The revolving loan program has the added benefit of being somewhat more flexible than the grant program, without a set split among the three segments. With this flexibility, the administering entities might be able to direct the financing benefit to those housing projects that are most likely to yield the greatest benefits regardless of segment.

***Could Prioritize University Projects Over Community College Projects.*** Were the Legislature to desire to provide one-time grant funds for housing projects in 2023-24, it could consider prioritizing university projects. The university project proposals were submitted on time. CSU and UC have much more experience developing, financing, and operating student housing programs than CCC. For these reasons,

university projects have a greater probability of being successfully implemented. In addition, more CSU and especially UC students live away from home compared to CCC students, likely making on-campus housing a more attractive option for university students. Were the Legislature to provide grant funds in 2023-24, it could proceed with a subset of the highest-payoff university projects submitted. The Legislature could prioritize among university project proposals consistent with the statutory prioritization criteria, which include unmet housing demand and the state cost per bed, among other factors. Based upon these criteria, the university projects with the greatest payoffs are those at CSU Sacramento (\$41 million), CSU San Jose (\$89 million), and UC San Diego (\$150 million). Together, these projects are requesting a total of \$280 million in state grant funding (less than the \$500 million available under the Governor's budget). (Approving the UC San Diego project, however, would put UC above its statutory program funding cap.)

## LAO PUBLICATIONS

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This report was prepared by Jennifer Pacella, with contributions from Ian Klein, Lisa Qing, and Paul Steenhausen, and reviewed by Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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