

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE****ASSEMBLYMEMBER SUSAN BONILLA, CHAIR****WEDNESDAY, APRIL 10, 2013****3 P.M. - STATE CAPITOL ROOM 126****THE GOVERNOR'S PROPOSED FUNDING FOR THE CALIFORNIA COMMUNITY COLLEGE SYSTEM****VOTE-ONLY CALENDAR**

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**VOTE-ONLY****6870 CALIFORNIA COMMUNITY COLLEGES**

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**VOTE-ONLY ISSUE 1: CAPITAL OUTLAY – SOLANO CITY COMMUNITY COLLEGE DISTRICT, BUILDING 1200 THEATER MODERNIZATION**

The Governor proposes \$1.2 million in general-obligation bond funding to begin renovation of the theater at Solano Community College. The current building suffers from a number of deficiencies, including noncompliance with state seismic codes, lack of accessibility for persons with disabilities, and bat and rodent infestations. The project is currently the California Community College (CCC) Chancellor's Office's highest priority "health and safety" project.

The proposed funding is for preliminary plans and working drawings. The CCC Chancellor's Office estimates the construction phase of the project would cost \$12.5 million--for a total project cost of \$13.7 million. The CCC Chancellor's Office has indicated that the system has enough bond funds to complete the construction phase of project (scheduled to be completed by July 2016).

**STAFF COMMENTS/QUESTIONS**

Staff has no concerns with this proposal, and the LAO recommends approval.

**VOTE-ONLY ISSUE 2: BACKFILL OF REDEVELOPMENT AGENCY REVENUES**

The Governor's Budget includes proposed trailer bill language that provides a General Fund backfill for community colleges to the extent that expected property tax revenue from the dissolution of Redevelopment Agencies does not materialize in the current year and budget year. This is similar to trailer bill language approved as part of the 2012 Budget Act.

Redevelopment Agency funding is built into the community colleges' base apportionment funding, and less-than-expected revenue leaves districts with budget shortages. The Department of Finance has projected that community colleges would receive \$451.2 million combined in 2011-12 and 2012-13 from Redevelopment Agency proceeds. The actual numbers will be known after the May Revision. The estimate for 2013-14 is \$147 million.

**STAFF COMMENTS/QUESTIONS**

Staff has no concerns with this proposal. Without the language, community colleges could face major budget shortages.

**VOTE-ONLY ISSUE 3: BACKFILL OF EDUCATION PROTECTION ACCOUNT REVENUES**

The Governor's Budget includes proposed trailer bill language that provides a General Fund backfill for community colleges to the extent that expected revenue from the Education Protection Account does not materialize in the current year or budget year. The Education Protection Account was created by Proposition 30.

This is similar to trailer bill language related to the backfill of Redevelopment Agency revenue, and the rationale for the language is the same. The Department of Finance estimates that community colleges will receive \$828 million from the Education Protection Account in 2012-13 and \$668.3 million in 2013-14.

**STAFF COMMENTS/QUESTIONS**

Staff has no concerns with this proposal.

## ITEMS TO BE HEARD

### 6870 CALIFORNIA COMMUNITY COLLEGES

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#### ISSUE 1: GOVERNOR'S 2013-14 BUDGET PROPOSAL: FUNDING INCREASES

The Governor's Budget proposes to increase funding to the community college system above 2012-13 levels in multiple ways. For this hearing, the Subcommittee will focus on three proposals:

- 1) Increase base apportionment funding to the community college system by \$196.9 million Proposition 98 General Fund. The proposal would allow the California Community Colleges Board of Governors to determine how the funding should be distributed throughout the system.
- 2) Use \$179 million Proposition 98 General Fund to reduce deferral debt owed to the community college system.
- 3) Provide \$16.9 million in Proposition 98 General Fund to the Chancellor's Office to increase the number of on-line courses in the community college system.

The issues for this Subcommittee to consider are the specific proposals by the Governor and legislative priorities for this \$392.5 million in additional funding for the community college system.

#### PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California Community Colleges Chancellor's Office

**BACKGROUND**

California's recession and subsequent state budget crisis have led to significant volatility and reductions in state community college funding, as the LAO chart below indicates.

**Community College Core Funding (Dollars in Millions)**

<b>Fund Source</b>	<b>2007-08 Actual</b>	<b>2008-09 Actual</b>	<b>2009-10 Actual</b>	<b>2010-11 Actual</b>	<b>2011-12 Revised</b>	<b>2012-13 Revised</b>
General Fund	\$4,367	\$4,194	\$4,030	\$4,242	\$3,606	\$3,821
Local Property Tax	\$1,971	\$2,029	\$1,993	\$1,965	\$1,974	\$2,256
Fees	\$291	\$303	\$354	\$317	\$361	\$387
ARRA	\$0	\$0	\$35	\$4	\$0	\$0
Lottery	\$169	\$149	\$163	\$173	\$197	\$186
<b>Total</b>	<b>\$6,798</b>	<b>\$6,674</b>	<b>\$6,574</b>	<b>\$6,701</b>	<b>\$6,138</b>	<b>\$6,649</b>

"General Fund" includes Proposition 98 General Fund, general obligation bond debt service and support for the chancellor's office.

"ARRA" is the American Recovery and Reinvestment Act

Funding for categorical programs with strong legislative interest, such as support services for disabled students or disadvantaged students, have been reduced by more than 40 percent since 2007-08. Colleges have cut classes by between 5 and 15 percent, resulting in about 470,000 fewer students served. To offset some of the state reductions, fees have risen from \$20 per unit in 2008-09 to \$46 per unit, a 130 percent increase.

The passage of Proposition 30 and an improving state budget situation allow the Legislature the opportunity to determine the appropriate avenues to re-invest in community colleges. The administration's community college funding proposals are in-line with his proposals for the other higher education segments and the K-12 system, in that they seek to shift decision-making away from the Legislature, pay down debt, and invest in technology to improve student outcomes. The Subcommittee must weigh the governor's proposals in the context of legislative priorities. The following provides descriptions of the three proposals for funding increases, staff comment and possible questions regarding the proposals and other issues for consideration.

**Governor's Proposal - Apportionment Increase.** The Governor's budget proposes an increase of \$196.9 million Proposition 98 General Fund, representing a 3.6 percent increase in general-purpose funding over 2012-13 levels. The administration has not proposed any specific issue, such as enrollment growth, cost-of-living-adjustments, or categorical programs, to be addressed with this increased funding. Instead, the proposal would allow the Community College Board of Governors to work with local districts to determine how to distribute the funding.

**STAFF COMMENTS/QUESTIONS**

The proposal is a major change from past practice, in which the Legislature has specified statewide goals for funding increases, such as cost-of-living-adjustments or enrollment growth. The LAO notes that the funding increases proposed for all three higher education segments, including community colleges would not necessarily lead to spending on state priorities or improved efficiencies in the systems. The LAO recommends that the Legislature steer additional funding to its priorities.

The Chancellor's Office states that it supports a balanced approach for allocating new funds, including supporting the new student success program, enrollment growth and cost-of-living increases to allow districts to keep pace with rising costs.

**Suggested Questions**

1. What are the most pressing problems for community colleges, and how should new funding be used to address those problems?
2. Does the Department of Finance support additional funding for the new Student Success and Support Program?
3. Does the Department of Finance have specific expectations for outcomes associated with new funding, such as improved transfer rates, AA degrees earned, etc?

**Governor's Proposal - Deferral Pay Down.** The Governor's budget proposes \$179 million Proposition 98 General Fund to pay down Proposition 98 deferrals owed to community colleges. This proposal is part of a multiyear plan for paying off the state's outstanding one-time education obligations. The state currently owes community colleges \$801 million. Under the plan, the Governor proposes to dedicate roughly half of available Proposition 98 funds toward additional deferral pay downs during the next four years, with all deferrals eliminated by the end of 2016-17.

If adopted, this proposal would decrease the amount owed to community colleges to \$622 million.

**STAFF COMMENTS/QUESTIONS**

The Governor has proposed an aggressive pay down of deferrals, which is in line with his overall budget goal of reducing state debt. The LAO states that the governor's stance on reducing debt is reasonable, but also notes there is no one right approach to balancing the need to address debt with the need for ongoing support for services.

Under the Governor's approach, deferrals to community colleges would be paid off in four years. The Subcommittee may wish to consider whether this schedule is overly aggressive, given the significant cuts the community college system has endured in recent years. These cuts have led to far less access to classes and fewer support services for students. It should be noted that the Chancellor's Office, in its budget proposal to the administration last Fall,

requested \$80 million to go toward deferral pay down, as opposed to the \$179 million proposed by the Governor.

**Suggested Questions**

1. For the Chancellor's Office, why was your proposal to pay down debt \$80 million? What is the right mix between paying down debt and funding ongoing services?
2. What would the impact be on the community college system if the deferral pay down took longer than the four years proposed by the Governor?

**Governor's Proposal - Technology Enhancement.** The Governor's budget proposes \$16.9 million Proposition 98 General Fund to expand the delivery of courses through technology. Budget language states the funding would be distributed to the Chancellor's Office and shall be used "for those courses that have the highest demand, fill quickly, and are prerequisites for many different degrees."

The Chancellor's Office has released a proposal for the \$16.9 million that the Department of Finance supports. Under the proposal, the majority of the funding would go to develop a software application that would allow for the centralized administration and operation of online courses. Campuses could use the system, referred to as a Learning Management System, or LMS, at minimal or no charge and it would enable students and faculty across the system to take classes that have a similar look and feel to other classes throughout the system.

Other expenditures would include developing new courses, particularly courses required to transfer to the University of California or California State University systems; developing a system that would allow students to test out of classes or submit information that could allow them to get credit for a course; centralized, around-the-clock technical and course content support for students; training for faculty in developing and teaching online courses; and an expansion of the California Virtual Campus (CVC), an existing program that would be upgraded to allow students across the system to access online courses offered by any community college. Below is a breakdown of the components of the plan and the costs:

<b>Component</b>	<b>One-Time Expenditure, 13-14</b>	<b>Ongoing Annual Expenditures</b>
Common Learning Management System	\$12.9 million	\$7.25 million
Course Development Activities	\$1 million	\$750,000
Credit by Exam Enterprise	\$1 million	\$500,000
Centralized 24/7 Support	\$500,000	\$500,000
Professional Development Activities	\$1 million	\$500,000
CVC Portal	\$500,000	\$500,000
<b>Total</b>	<b>\$16.9 million</b>	<b>\$10 million</b>

**STAFF COMMENTS/QUESTIONS**

Improving the use of technology throughout the community college system may be a worthy endeavor. Online courses could help more students take the classes they need in a more efficient manner. However, there are numerous issues to discuss before funding new technology projects.

In its report, the Student Success Task Force called for the development of a system wide online support and advisement system that would help students build an online profile and access guidance and planning resources. The Task Force suggested the system could help steer students toward appropriate courses for their skill set and educational goals. This system could be used as a tool by students, counselors and advisors to push students toward better academic choices and to reduce excess unit accumulations, the subject of another proposal by the Governor. It does not appear that the current proposal from the Chancellor's Office would create such a system.

The LAO notes that in 2011-12, the community college system spent approximately \$500 million serving more than 100,000 Full-Time Equivalent Students (FTES) through online education, or about 10 percent of total instruction. Thus, the LAO is not convinced new funding is needed to create more online courses – the system is already providing a large number. Similarly, the LAO states that the community college system already uses Learning Management Systems (LMS), although campuses use different systems. The LAO does not believe new funding is necessary, and instead recommends that the system use existing funding to develop a common LMS.

There are many other issues to consider, including the involvement of faculty in developing online courses, which types of courses are appropriate for online instruction, and what outcomes the state hopes to achieve through this new funding? The Governor's proposal does not require any subsequent report on outcomes, or even how funding was actually spent. It should be noted that there is some evidence that student outcomes related to online courses are troubling. A study conducted by professors at Columbia University and published last month found that while “all types of students in the study suffered decrements in performance in online courses, some struggled more than others to adapt: males, younger students, Black students, and students with lower grade point averages. In particular, students struggled in subject areas such as English and social science...” The study, which looked at outcomes of nearly 500,000 classes taken by 40,000 community and technical college students in Washington State, concluded that increasing online education could increase achievement gaps and educational inequality.

**Suggested Questions**

1. What outcomes are the Department of Finance hoping to achieve through this initiative? How will we know if those outcomes are achieved?
2. Is Department of Finance comfortable with providing \$10 million in annual funding for this project?

3. How certain is the Chancellor's Office in its projected costs for its plan?
4. Why isn't the Chancellor's Office proposing the creation of an online guidance system as recommended by the Student Success Task Force?
5. What courses are not being offered online currently that could be offered through this plan?
6. Is the Department of Finance or the Chancellor's Office aware of studies or data indicating which types of online classes have the best student success rates?

The Chancellor's Office plan proposes centralized, around-the-clock support for students, including regarding content-related questions. Will that proposal require hiring centralized staff that would act as tutors? Community colleges are included in the Governor's multi-year funding plan for higher education, which ties increased funding over the next four years to tuition freezes and as-yet undefined performance improvements. In the Budget Summary, the Governor states that "all institutions will be expected to use these increases to implement reforms that will make available the courses students need and help them progress through college efficiently, using technology to deliver quality education to greater numbers of students in high-demand courses, improving course management and planning, using faculty more effectively, and increasing use of summer sessions."

**Other Legislative Considerations.** In these three proposals, the Administration has provided \$392.5 million in new funding for the community college system. In considering the Governor's Budget, the Subcommittee may also wish to consider legislative priorities as it determines appropriate levels of community college funding. Other issues to consider include:

- **Access to community colleges has been impacted by reduced funding.** A hallmark of the state's community college system has been its availability to all Californians, regardless of background. Cutbacks in course offerings have reduced community college enrollment by 470,000 students, or 16 percent. More than 30 community colleges, including Alameda, Sacramento City College and West Los Angeles, have cut course offerings by more than 20 percent since 2008. The Subcommittee may wish to consider whether enrollment growth is a key priority and therefore should be specifically funded.
- **The Legislature has prioritized services that support student success.** Legislation in 2010 (SB 1143, Chapter 409, Statutes of 2010) created a 20-person Student Success Task Force to develop statewide strategies to ensure that more community college students earned degrees, transferred to four-year universities or otherwise succeeded in accomplishing educational goals. Subsequent legislation (SB 1456, Chapter 624, Statutes of 2012) sought to place into statute some recommendations of the task force, including the creation of the Student Success and Support Program. The program is intended to fund services proven to improve student completion, such as orientation, assessment, and counseling. The

Subcommittee may wish to consider whether additional funding for this program is warranted.

- **Categorical programs with strong legislative support have been dramatically reduced in recent years.** Community college categorical programs, which provide numerous student services and funding for critical programs, have been cut by more than 40 percent on average since 2008. These programs allow for everything from ensuring legally mandated accommodations for disabled students to providing support services for low-income or otherwise educationally disadvantaged students to funding office hours for part-time faculty to meet with students.

The chart below indicates funding levels for these programs in 2007-08 and 2012-13. The Subcommittee may wish to consider whether some of these programs should receive further funding.

BUDGET ITEMS	2007-08	2012-13	Dollar	Percent
<i>(Dollars in Thousands)</i>	<b>Budget Act</b>	<b>Budget Act</b>	<b>Change</b>	<b>Change</b>
<b>Categorical Funding</b>				
Student Financial Aid Administration	51,640	71,025	19,385	37.54%
Foster Care Education Program	5,254	5254	0	0.00%
Career Technical Education	20,000	0	-20000	-100.00%
CTE in Quality Education Investment Act	0	0	0	0.00%
CalWORKs	43,580	26,695	(16,885)	-38.74%
Fund for Student Success	6,158	3,792	(2,366)	-38.42%
Student Success Initiative - Basic Skills	33,100	20,037	(13,063)	-39.47%
Nursing Support	22,100	13,378	(8,722)	-39.47%
Disabled Students Programs and Services	115,011	69,223	(45,788)	-39.81%
Extended Opportunity Programs & Services	106,786	64,273	(42,513)	-39.81%
Telecom & Technology Services	26,197	15,290	(10,907)	-41.63%
Academic Senate	467	318	(149)	-31.91%
Childcare Tax Bail Out	6,836	3,350	(3,486)	-50.99%
Equal Employment Opportunity	1747	767	(980)	-56.10%
Economic Development	46,790	22,929	(23,861)	-51.00%
Apprenticeship	15,229	7,174	(8,055)	-52.89%
Part-time Faculty Office Hours	7,172	3,514	(3,658)	-51.00%
Part-time Faculty Health Insurance	1,000	490	(510)	-51.00%
Part-time Faculty Compensation	50,828	24,907	(25,921)	-51.00%
Transfer Education and Articulation	1,424	698	(726)	-50.98%
Matriculation	101,803	49,183	(52,620)	-51.69%
Physical Plant and Instructional Support	27,345	0	(27,345)	-100.00%
<b>Total Categorical Funding</b>	<b>690,467</b>	<b>402,297</b>	<b>(288,170)</b>	<b>-41.74%</b>

Actions on these items should be taken after the May Revision, when the Subcommittee has a better understanding of Proposition 98 revenues.

**ISSUE 2: CENSUS FUNDING**

The issue for the Subcommittee to consider is the Governor's proposal to change the way community colleges receive funding for students served. Currently, community colleges receive per-student funding based on the number of students enrolled in classes after 20 percent of the term has been completed. The proposal calls for a 5-year phase-in period leading to payments to community colleges based on the number of students in classes at the end of the term.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Community Colleges Chancellor's Office

**BACKGROUND**

Community colleges receive apportionment funding based on the number of students enrolled in classes after 20 percent of the term has been completed, typically the 3<sup>rd</sup> or 4<sup>th</sup> week of a term. If a student drops a course after this date, the college still earns full payment for that student. Funding community colleges this way creates a positive incentive for colleges to provide students with access to instruction, a cornerstone of California's approach to higher education.

This funding approach has been criticized, however, for not creating a strong incentive for colleges to help student's complete courses or fulfill their broader academic objectives.

**Governor's Proposal.** The Governor's Budget includes trailer bill language that would dramatically change this funding structure. Beginning in 2013-14, the Governor proposes to add a second census date at the end of each term. Over a five-year period, there would be a gradual shift in the relative weight of these census dates for purposes of calculating district enrollment. By 2017-18, community colleges would be funded exclusively on the number of students still enrolled in their courses at the end of each term.

The proposal also states that any reduction in a district's apportionment monies resulting from this policy change would be automatically redirected to that district's Student Success and Support Program, which funds assessment and counseling services. Districts that do not show improvement in course completions after a certain period of time (as defined by the Board of Governors) would have this redirected funding swept and reallocated to other colleges. According to the Governor, the purpose of his proposal is to "more appropriately apportion funding by focusing on completion" as well as to provide community colleges with incentives to ensure appropriate student placement and good course management. This proposal is budget neutral, with no costs or savings reflected in the budget.

**STAFF COMMENTS/QUESTIONS**

Changing community college apportionment funding has been a highly discussed issue in recent years. Multiple pieces of legislation have proposed similar changes but have not survived the legislative process. The Student Success Task Force, created by 2010 legislation, debated this issue vigorously but did not ultimately adopt a recommendation to change the census date, instead recommending that the Chancellor's Office "continue to monitor implementation of outcomes-based funding in other states and model how various formulas might work in California."

The Chancellor's Office has monitored similar efforts in other states, and notes that 14 of 26 states that enacted similar funding models have abandoned their efforts. The Chancellor's Office opposes this proposal.

The LAO also opposes this proposal. The LAO notes that system wide course completion is actually quite high at community colleges - the system wide average course retention is about 85 percent. Thus, it is unclear if the problem the Governor is seeking to solve with this proposal is actually a problem.

The LAO also raises a concern that, if implemented, the Governor's proposed funding model could create perverse incentives for community colleges. While average course retention rates are 85 percent, rates vary considerably by discipline and program. For example, according to data from the Chancellor's Office, course completion for general mathematics courses are lower (79 percent) than the system wide average, as are other science classes: computer science classes have a 80 percent completion rate and anatomy and physiology classes have a 79 percent completion rate. If the system were to be funded based on course completions, the LAO notes, colleges would have a perverse incentive to de-emphasize core programs with relatively low retention rates and increase offerings of noncore programs (such as physical education) with relatively high retention rates. Moreover, the LAO worries that if the state were to adopt this proposal, faculty might feel pressure to reduce course rigor or inflate grades to reduce the number of students who drop classes before the end of the term.

Finally, the LAO states that the Governor's proposal also has a weak justification for redirecting any reduction in a districts' apportionment funds relating from the shift to course retention to that districts' Student Success and Support Program. In effect, the Governor presupposes that students do not complete their courses because of inadequate assessment or counseling services, but course retention problems also can stem from a poorly designed or taught class. Yet, if the Governor's proposal were adopted, the primary funds that support local professional development (apportionments) would be automatically shifted to a categorical program that has an unrelated purpose. Such a redirection of funds actually could serve to undermine a college's efforts to improve student outcomes, according to the LAO.

The LAO offers an alternative proposal that would base funding on both student access, via enrollment, and student success, as measured by specific performance indicators, such as graduation and transfer rates.

**Suggested Questions**

1. Based on data that shows the average course completion rate at community colleges is 85 percent, what problem is the Department of Finance seeking to solve with this proposal?
2. Is Department of Finance concerned that the proposal might lead community colleges to provide less rigorous courses?
3. What is the rationale for re-directing apportionment funding lost by districts through this proposal into a categorical program? How would that re-direction affect colleges' overall funding?

**ISSUE 3: UNIT CAPS ON STATE-SUBSIDIZED COURSES**

The issue for the Subcommittee to consider is proposed trailer bill language to cap the number of semester units students can take at 90 units, beginning in 2013-14. Students who exceeded this cap would be required to pay a much higher rate for classes.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Community Colleges Chancellor's Office

**BACKGROUND**

Currently there are no limits on the number of units a student can take at community colleges. Typically, an associate's degree or associate's degree for transfer to the University of California or California State University requires 60 units.

**Governor's Proposal.** The Governor's Budget proposes trailer bill language that would require any student that exceeds 90 units to pay the nonresident cost of tuition per unit, which is between \$180 and \$200, compared to resident fees of \$46. In calculating the 90 units, the following units would be excluded: remedial courses; advanced placement or international baccalaureate units obtained in high school or another secondary school program; and dual-enrollment, college-level units obtained by a student before receiving a high school diploma.

The Board of Governors would be allowed to develop regulations that could be used to grant waivers on a case-by-case basis to students who have exceeded the unit cap due to "factors beyond their control," allowing these students to continue paying the lower unit fees. However, community college districts would be ineligible to receive apportionment funding for the students that were granted waivers.

This unit cap would begin 2013-14 and apply to all students, including those who have attended classes prior to 2013-14. The proposal would limit students to 90 credit units in community colleges for their entire life.

The Governor has offered a similar unit cap proposal for the UC and CSU systems, and believes this cap will shorten students' time-to-degree, reduce costs for students and the state, and increase access to more courses for other students. The Administration notes that 90 units is 150 percent of the 60 units required for most degrees.

**STAFF COMMENTS/QUESTIONS**

According to information provided by the Chancellor's Office, 84,194 students, or 4.2 percent of the community college student body, had exceeded 90 units in the 2011-12 school year. This number grew from 3.3 percent of the student body in 2009-10.

There are no reports or specific studies on why students would take more units than required to earn a degree or transfer, but there are many possibilities. The Chancellor's Office notes that some majors, particularly in the STEM (science, technology, education, and mathematics) fields, require more than the typical 60 units. In addition, community colleges have traditionally attracted students who are returning to college later in life to change careers, and they may have earned a previous degree.

Finally, due to the significant course reductions during the previous few years, students may have been forced to take other courses to maintain full-time status while waiting to enroll in courses needed for completion. In fact, until recently, students with a higher number of units received priority status in enrolling in courses, which created an incentive for students to have a large number of units. These two factors may explain why the percentage of 90+ unit students increased between 2009-10 and 2011-12, the key period in which community colleges reduced course offerings.

The LAO notes that in recent years, the Board of Governors has adopted several new regulations intended to reduce excess course-taking by students. In July 2011, the board approved a regulation that limits the number of times community colleges are eligible to receive state support for students who fail to pass a course (or enroll but then drop the course). In July 2012, the board adopted another regulation that prohibits community colleges from receiving state support for student re-enrollments in certain "activity" courses (such as physical education). The board also adopted a regulation, which goes into effect in fall 2014, prohibiting community colleges from giving enrollment priority to students who have accumulated 100 or more degree-applicable CCC units.

The LAO does recommend adopting a unit cap policy, but states that the Governor's proposal is vague and needs to be further developed.

**Suggested Questions**

1. What situations is the Department of Finance envisioning that would allow a waiver to students based on "factors beyond their control?"
2. How likely would colleges be to grant waivers, given that they would receive no state funding for serving these students?
3. Isn't this unfair to current students, as it changes the rules for them amid a period in which enrolling in certain classes has been extremely difficult?

**ISSUE 4: BOARD OF GOVERNOR'S FEE WAIVER PROGRAM CHANGE**

The issue for the Subcommittee to consider is proposed trailer bill language that would require most students applying for a Board of Governor's Fee Waiver to fill out a federal student aid application. In addition, the proposed language would alter long-standing state policies on determining student financial need and income that would reduce the number of students who qualify for the fee waiver.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Community Colleges Chancellor's Office

**BACKGROUND**

The Board of Governor's (BOG) Fee Waiver Program exempts students who meet specific criteria from paying per-unit fees. Students fill out an application developed by the Board of Governors, and they qualify for the program by meeting one of the following criteria:

- At the time of enrollment, the student is a recipient of benefits under the Temporary Assistance for Needy Families program, the Supplemental Security Income/State Supplementary Payment Program, or a general assistance program.
- The student is determined to be a low-income or disadvantaged student, based on guidelines determined by the Board of Governors.
- The student demonstrates financial need based on standards established through the Free Application for Federal Student Aid (FAFSA) form, or a California Dream Act application.

As unit fees have more than doubled during the past four years, and with growth in unemployment and financial need, use of the BOG Fee Waiver has increased, as shown in the table below.

	<b>2007-08</b>	<b>2011-12</b>	<b>Percent Change</b>
Fee Levels	\$20 per unit	\$46 per unit	130%
No. of BOG Fee Waivers	761,968	1,087,583	43%

**Governor's Proposal.** The Governor's Budget proposes trailer bill language that would require students applying for the BOG Fee Waiver to fill out a FAFSA form, or a California Dream Act form (California Dream Act students are not eligible for federal financial aid.) This would essentially eliminate the current state BOG Fee Waiver form, and replace it with the FAFSA, beginning in the fall 2013 semester.

The proposal also makes two other changes to current state practice in determining eligibility for the fee waiver. First, it would require student income to be included in determining family income for dependent students. Current practice, established by Board of Governors regulations, does not require that student income be included. Second, the proposal would use federal guidelines for determining whether a student is dependent or independent. Current state guidelines, also established by the Board of Governors, allow more students to be considered independent than federal guidelines.

#### STAFF COMMENTS/QUESTIONS

The Governor's rationale for this proposal appears to be twofold: he notes in his Budget Summary that the current fee waiver program provides financial aid to students with limited verification of financial need. The FAFSA is a more rigorous document to fill out than the BOG Fee Waiver Program document, and federal guidelines do require random verification of information provided on the FAFSA, in essence providing more scrutiny on the information provided by students. The Governor also notes that requiring the FAFSA for all students seeking the fee waiver could allow more community college students to receive federal financial aid.

While it is possible that this proposal could lead to slightly more federal aid for California students, California community college financial aid officials note that about 80 percent of BOG Fee Waiver recipients already fill out a FAFSA. In addition, neither the Department of Finance nor the community college system can point to any report or data indicating there is a large-scale fraud problem associated with the current program.

Thus, it is unclear whether this proposal is truly addressing a relevant problem.

Additionally, there is concern that the processing time related to the FAFSA process is longer than the current BOG Fee Waiver Program, which may impede students from entering community college in a timely manner. Community college officials also note that the BOG Fee Waiver Program document for the 2013-14 school year has already been published for students, making it difficult to enact this change for the fall.

The second piece of this proposal, which would alter current student income and dependency status, should be considered seriously by the Subcommittee. Community college officials estimate that at least as many as 100,000 students who currently qualify for a fee waiver would not qualify for the waiver should the federal guideline for determining independent status be enacted. State guidelines use the same list of criteria as the federal government for determining independent status for students but also allow two other situations: those who are in a registered domestic partnership and students who do not live with their parents and were not claimed as a tax exemption by their parents in the prior year.

The state guidelines essentially allow self-supporting students who are not aided by their parents to qualify for a fee waiver; many of these students would have to claim parental income under the federal guidelines even though they do not receive financial support from their parents. They in turn would be ineligible for the fee waiver because parental income would be included in their financial need calculations, even though in reality they see no benefit from that parental income.

This is a major policy change that would reduce the number of students who qualify for the fee waiver. In addition, the change would tie this policy in statute to federal policy, limiting California's ability to set its own state-specific policies.

### **Suggested Questions**

1. Does the Department of Finance believe there is a widespread problem associated with the BOG Fee Waiver Program, such as students misrepresenting their financial situations?
2. What is the rationale for tying the state's definition of an independent student to the federal guidelines?
3. For the Chancellor's Office, how would eliminating the current document and instead using the FAFSA affect workload? How would FAFSA processing times impact students, particularly those seeking to enroll just as a semester is beginning?

Moving more students toward the FAFSA process has been a continuing discussion in the Legislature. AB 91 (Portantino) in 2011 sought to create a pilot program at 10 community college campuses to increase the number of students who complete a FAFSA and to otherwise encourage students to seek financial aid. The bill was approved by the Legislature but vetoed by Gov. Brown, who noted in his veto message that community colleges could handle the issue on their own.

Currently, AB 606 (Williams) also would establish a pilot program to increase the use of the FAFSA and other financial aid.

**ISSUE 5: ENROLLMENT PRIORITY FOR CALWORKS RECIPIENTS**

The issue for the Subcommittee to consider is whether CalWORKs recipients, who are on a new, 24-month time clock to receive supportive services and benefits, should receive priority status for enrollment in community college classes.

**PANELISTS**

- Department of Finance
- Legislative Analyst’s Office
- California Community Colleges Chancellor's Office

**BACKGROUND**

Education Code Sections 66025.8 and 66205.9 require that community colleges grant priority enrollment status to any member or former member of the Armed Forces of the United States, and foster youth or former foster youth. This allows veterans and foster youth to sign up for classes' days or weeks before other students.

In addition, the Board of Governors has adopted regulations granting priority enrollment status to two other categories of students: students participating in the Disabled Student Programs and Services (DSPS) program, and students participating in the Extended Opportunity Programs and Services (EOPS) program. EOPS provides support services for low-income and educationally disadvantaged students.

The board also recently adopted new regulations that give priority enrollment status to students not on academic or progress probation for two consecutive terms and first-time students who have completed orientation, assessment and developed student education plans. These changes were based on a recommendation by the Student Success Task Force and are designed to reward students who are successfully advancing toward an associate's degree, vocational certificate or transfer to the UC or CSU systems.

The table below indicates the number of students in each group in the 2010-11 school year and the percent of the student body each group represents.

<b>Student Category</b>	<b>Number of Students</b>	<b>% of Student Body</b>
Veterans	44,731	1.6 %
Foster Youth	6,962	0.3 %
Disabled Student Programs and Services	112,574	4.1 %
Extended Opportunity Programs and Services	61,530	2.2 %
<b>Total Students</b>	<b>2,745,141</b>	<b>100 %</b>

**STAFF COMMENTS/QUESTIONS**

The 2012 Budget Act made significant changes to the state's CalWORKs program, which is the state's version of the federal Temporary Assistance for Needy Families (TANF) program and provides cash assistance and welfare-to-work services to eligible low-income families with children. Previously, CalWORKs provided supportive services for up to 48 months to beneficiaries that include child care, transportation, educational activities, and mental health, substance abuse and domestic violence counseling. Within this supportive services window, CalWORKs clients can be supported in the program in their attendance at community colleges.

The 2012 Budget Act cut the amount of time for these support services in half: recipients now have only 24 months of these fuller support services and educational activities. This raises the question of whether CalWORKs recipients who have only a short time on aid should be given enrollment priority status at community colleges.

Between Fall 2008 and Fall 2011, community colleges cut 13.8 percent of classes statewide. More than 30 colleges cut over 20 percent of classes. These reductions have made it more difficult for students to enroll in specific classes they need to achieve an associate's degree, vocational certificate or to transfer to the UC or CSU system. Many students have to wait to get into limited classes.

For CalWORKs recipients on this new benefits clock, waiting for classes may mean they will lose benefits before attaining their educational goals. Thus, students seeking to improve their educational status, which could ultimately reduce their need for CalWORKs support, may miss their opportunity at completing their community college coursework.

According to data provided by the Chancellor's Office, there were 28,747 CalWORKs students enrolled in community colleges across the state in 2010-11, or about 1 percent of the overall student body.

**Suggested Questions**

1. Has the Chancellor's Office and the Department of Finance considered giving enrollment priority status to CalWORKs students, particularly given the new limitations on the amount of time they receive support services?
2. Does the LAO have a recommendation for the best manner – through statute or regulations, or otherwise – to grant enrollment priority to CalWORKs students, if the Legislature chose to do so?

The Subcommittee may wish to continue discussing this issue before making a decision.