

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Al Muratsuchi, Chair

WEDNESDAY, APRIL 2, 2014

4:00 PM - STATE CAPITOL ROOM 126

VOTE-ONLY CALENDAR

ITEM	DESCRIPTION	PAGE
6870	CALIFORNIA COMMUNITY COLLEGES	2
ISSUE 1	CAPITAL OUTLAY PROPOSALS	2
ISSUE 2	REDEVELOPMENT AGENCY BACKFILL PROCESS	3

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
6870	CALIFORNIA COMMUNITY COLLEGES	4
ISSUE 1	ENROLLMENT GROWTH	4
ISSUE 2	STUDENT SUCCESS PROPOSALS	6
ISSUE 3	ONLINE INITIATIVE	10
ISSUE 4	COST-OF-LIVING ADJUSTMENT	12
ISSUE 5	PHYSICAL PLANT AND INSTRUCTIONAL SUPPORT	13
ISSUE 6	STATEWIDE PERFORMANCE MEASUREMENT AND LOCAL ASSISTANCE	14
ISSUE 7	DEFERRALS	16

VOTE-ONLY ITEMS

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: CAPITAL OUTLAY PROPOSALS

The Governor's Budget provides funding for seven capital outlay projects. The projects, the amounts requested, and the fund source are described in the table below.

Project	Project Phase	Amount Requested	Fund Source
College of the Redwoods, Utility Infrastructure Replacement/Seismic Strengthening	Preliminary Plans and Working Drawings	\$3.4 Million	2006 California Community College Capital Outlay Bond Fund
Solano College, Theater Building Renovation	Construction	\$12.6 Million	2006 California Community College Capital Outlay Bond Fund
Santa Barbara City College, Campus Center Seismic and Code Upgrades	Preliminary Plans and Working Drawings	\$1.6 Million	2006 California Community College Capital Outlay Bond Fund
El Camino College Compton Center, Instructional Building 1 Replacement	Preliminary Plans and Working Drawings	\$782,000	2006 California Community College Capital Outlay Bond Fund
Mt. San Jacinto College, Fire Alarm System	Preliminary Plans and Working Drawings	\$413,000	2004 Higher Education Capital Outlay Bond Fund
Los Rios Community College District, Davis Center, Davis Center Phase 2	Preliminary Plans and Working Drawings	\$207,000	2006 California Community College Capital Outlay Bond Fund
Citrus College, Hayden Hall #12 Renovation	Preliminary Plans and Working Drawings	\$147,000	2004 Higher Education Capital Outlay Bond Fund

All of these projects were included in the Department of Finance's Five-Year Infrastructure Plan released earlier this year, and all have been approved by the Chancellor's Office. Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted

ISSUE 2: REDEVELOPMENT AGENCY FUNDING AND BACKFILL PROCESS

The Governor's Budget proposes an increase of \$38.4 million Proposition 98 General Fund in the current year and \$35.6 million Proposition 98 General Fund in the budget year to backfill the difference between estimated revenues from the dissolution of redevelopment agencies and the actual amounts the community colleges will receive.

Additionally, the Governor proposes trailer bill language that would move up the timing in which the Department of Finance provides funding for the backfill process to allow colleges to receive funding during the fiscal year. The current process has not provided final funding until the next fiscal year, which has caused accounting problems. This change does not increase or decrease funding; it only alters the timing of payments from the state to colleges.

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

ITEMS TO BE HEARD

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: ENROLLMENT GROWTH

The Subcommittee will review the Governor's proposal to fund 3% enrollment growth for community colleges. In addition, the Governor has proposed requiring the Board of Governors to adopt a new growth formula that would distribute more funding to districts with higher need, based on specific criteria outlined in trailer bill language.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

The Governor's Budget proposes \$155.2 million Proposition 98 General Fund to allow 3% enrollment growth for community colleges, which would add about 70,000 students, or about 34,000 Full-Time Equivalent Students (FTES), to the community college system.

The Governor's Budget also includes budget bill and trailer bill language directing the Board of Governors to change the growth formula to distribute this new funding beginning in 2014-15. Specifically, trailer bill language requires the board to create a new formula that distributes funding based on local needs, including:

- The need for basic skills and remedial education, which could be measured by the level of preparedness for transfer-level coursework of local high school students, the number of adults without high school diplomas, and adults who are English-language learners;
- The need for workforce development and training, which could be measured by the unemployment level and current and future demand for employment;
- The need for preparing students to transfer to four-year universities, which could be measured by the number of adults without bachelor's degrees;
- The age of the population; and,
- Other indicators developed by the Board of Governors.

This new formula would replace a historical model that has allocated funds based largely on year-to-year changes in local high school graduation rates and adult population rates. Trailer bill language ensures that all districts would be eligible to receive at least some additional growth funding.

STAFF COMMENTS/QUESTIONS

Community college enrollment dropped significantly during the Great Recession, as the state slashed funding and colleges were forced to reduce class offerings. Colleges served about 500,000 fewer students in 2012-13 than they did in 2008-09, according to the Chancellor's Office.

The 2013 Budget Act provided \$89.4 million in Proposition 98 General Fund to allow colleges to grow by 1.6 percent. Based on initial enrollment figures released in March, 25 of the 72 community college districts were not on track to meet this enrollment growth target. College officials note that after several years of declining enrollment, many are struggling to reverse course and add faculty, classes and students.

Based on the current numbers, the Chancellor's Office, the Community College League of California, and the Faculty Association of California Community Colleges all have suggested that 3% growth for 2014-15 may be too much. The Legislative Analyst also suggests the proposed growth target may be too high for many colleges. (Colleges that do not meet their growth targets do not receive growth funding.) Some larger, urban districts do support this amount of growth, however, as they believe they can increase enrollments by 3% or even more.

More accurate enrollment data for the current school year will be released in May, which may give the Subcommittee better information as it determines an appropriate growth level for 2014-15.

A new growth formula is needed. Regulations governing growth funding have expired, and the Board of Governors is currently working on new regulations. But the Governor's proposal to implement a new formula beginning July 1 of this year may be difficult to implement, as colleges likely will require more time to understand proposed changes before they can plan their school year.

Both the Chancellor's Office and the LAO suggest implementing a new growth formula for the 2015-16 budget year, which would allow colleges time to understand the changes heading into a new school year. Additionally, the LAO notes that the Legislature, Administration and community colleges will be working on changes to the adult education system for 2015-16, including a new funding formula. The LAO believes that a new growth formula and adult education formula may be better implemented at the same time and thus recommends rejecting the proposed language regarding a new growth formula.

The Chancellor's Office also notes that the trailer bill language proposed by the Governor is more overly-prescriptive than may be needed, and would not allow for future changes should demographics or state priorities alter. Others have suggested growth formulas that incentivize colleges to enroll low-income students, or students from neighborhoods with high needs for postsecondary degrees.

The Subcommittee may wish to wait until after the May Revise to determine appropriate growth funding and to allow more discussion on a new growth formula and when it should be implemented.

Staff Recommendation: Hold Open the Enrollment Growth Amount and the Proposed Growth Formula until the May Revise.

ISSUE 2: STUDENT SUCCESS PROPOSALS

The Subcommittee will review three proposals from the Governor regarding student support and student success.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office
- Helen Benjamin, Chancellor, Contra Costa Community College District

BACKGROUND

The Governor's Budget allocates \$100 million in new Proposition 98 General Fund for the Student Success and Support Program, \$100 million in new Proposition 98 General Fund to support community colleges' Student Equity Plans, and proposes to allow districts to reallocate up to 25% of funds from three categorical programs - CalWORKS, Extended Opportunity Programs and Services, and Basic Skills - to be used to support Student Equity Plans. Below is a description of each proposal.

Student Success categorical. The Student Success and Support Program (SSSP) was created by SB 1456, Lowenthal (Chapter 624, Statutes of 2012) as a categorical program to replace what had been called the Matriculation categorical. The program provides funding for orientation for new students, assessment for new students, and student counseling; all services that have been shown to improve student completion rates. The legislation requires students to be assessed as they enter community college, receive an orientation program and develop an educational plan to ensure they have goals and understand the classes needed to achieve those goals. These requirements will be enacted in Fall 2015 for all incoming students as long as the Legislature provides adequate funding to the colleges for these purposes. The 2013 Budget Act provided \$50 million in additional Proposition 98 General Fund for this categorical, bringing current state spending on the program to \$99.2 million. The Governor's proposal would essentially double this amount. As part of the regulations developed by the Board of Governors for this proposal, colleges are required to provide a 3:1 match for credit SSSP funds and a 1:1 match for noncredit SSSP funds.

Student Equity Plans. Student Equity Plans were created in 1996 by the Board of Governors to help ensure that historically underrepresented students have equal opportunity for access, success and transfer at colleges. Colleges are required to develop plans to examine specific student populations, determine if they are achieving access, success and transfer rates at the same level as other students, and develop strategies for improving these results if needed. For example, if a college finds that a specific racial minority is underrepresented in its student body based on local demographics, it develops an outreach plan in its Student Equity Plan. Plans were not required between 2008-09 and 2012-13 due to statewide budget cuts. SB 1456, Lowenthal (Chapter 624, Statutes of 2012) requires colleges who receive Student Success and Support Program funding to coordinate their funding with their Student Equity Plans.

CalWORKS, Extended Opportunity Programs and Services (EOPS), and Basic Skills categoricals. Budget bill language allows a district governor board to use up to 25% of funding for the CalWORKS, EOPS and Basic Skills categoricals for other federal, state or local programs that serve high-need student populations as identified in Student Equity Plans. The table below provides a description of each of these programs, current funding levels and the number of students served.

Program	Description	2013-14 Funding	Students Served
CalWORKS	Provides support services for CalWORKS recipients attending college, including child care, work study programs and counseling.	\$34.5 Million	31,359
EOPS	Provides counseling, tutoring and textbook purchase assistance for low-income students	\$88.6 Million	74,238
Basic Skills	Provides counseling and tutoring for students needing remedial classes; also provides professional development for basic skills faculty	\$20 Million	

Note: Students served numbers are based on 2012-13 school year, the most current data available. The number of students served by the Basic Skills categorical is not available.

STAFF COMMENTS/QUESTIONS

The Administration, Legislature and Chancellor's Office are generally in agreement that student completion at community colleges must be improved. About 49% of students complete a degree or certificate, or transfer to a 4-year university after six years, according to data compiled by the Chancellor's Office. And given that legislation passed in 2012 requires student orientation, assessment and educational planning by Fall 2015, the Governor's proposal to boost funding for the SSSP categorical seems appropriate.

The second two pieces of this proposal, to fund Student Equity Plans and to allow reductions in three other categoricals, warrant more scrutiny, and allow the Subcommittee to consider other alternatives to improving student success. Below are concerns and questions regarding the Governor's proposals, and information about other well-established community college programs aimed at supporting students as they seek to achieve educational goals.

Should the Legislature appropriate \$100 million into plans that are currently not developed? Student Equity Plans have never received specific funding. The plans are only mentioned in state statute in reference to the SSSP categorical; there is no specific statute outlining what the plans should entail, how funding should be used to implement plan goals, or any accountability structure to determine how money was spent and whether it led to improvements. Because colleges were not required to update plans during recent years due to budget constraints, most colleges' plans are out of date. In addition, budget language directs the Chancellor's Office to direct more student equity funding to districts with a greater proportion of high-need students, as defined by the Chancellor's Office. The Subcommittee may wish to ask the following questions:

- How would the chancellor's office define high-need students, and how would they determine how to distribute this funding based on proposal?
- How will the Legislature know how colleges are spending this funding?
- If this proposal were to be adopted, should colleges be required to track results in some way and report back to the state?
- Should statute be created to further define state definitions and goals for student equity before major funding is appropriated?
- How do Student Equity Plans tie into other college planning processes, including the Student Success planning process and master plan process? Should there be a greater link?

The programs proposed for potential reduction are aimed at student success. The CalWORKS, EOPS and Basic Skills programs are all aimed at supporting specific groups of students. A 2012 study of EOPS students compared to non-EOPS students of similar backgrounds found, for example, that EOPS students had higher retention and completion rates, and Basic Skills funding has evolved in recent years to focus on best practices such as specialized tutoring and counseling for remedial students. The CalWORKS program provides more than 6,000 work-study jobs annually for CalWORKS recipients on campuses. It is unclear why allowing colleges to reduce funding for these categoricals by as much as 25% would lead to better student outcomes. The Governor's proposal to flex these programs would be the first time a categorical flex would be enacted that is not tied to budget cuts; this seems to be a major policy change. If the Administration does not believe these programs are effective or worthy, it should propose eliminating them.

Many well-established programs support students. The Subcommittee can consider other avenues for supporting students. Many programs, including the three categoricals already mentioned and several others, help students stay in school, complete programs and become employed, and have received significant funding cuts in recent years that have not been restored.

The table on the next page indicates several programs that provide student support and job training, and their funding levels in 2007-08 and now.

Program	Description	2007-08 Funding	2013-14 Funding
Fund for Student Success	Provides counseling and mentoring to low-income or underrepresented students seeking to transfer to a four-year college	\$6.2 Million	\$3.8 Million
Disabled Students Programs and Services	Provides educational accommodations, such as sign language interpreters or materials in braille, to disabled students. Colleges are required by law to accommodate disabled students	\$115 Million	\$84.2 Million
EOPS	Provides counseling, tutoring and textbook purchase assistance for low-income students	\$106.8 Million	\$88.6 Million
CalWORKS	Provides support services for CalWORKS recipients attending college, including child care, work study programs and counseling	\$43.6 Million	\$34.5 Million
Apprenticeship	Provides apprenticeship programs in fields such as firefighting and construction	\$15.2 Million	\$7.2 Million
Part-Time Faculty Office Hours	Pays part-time faculty to hold office hours to meet with students. Part-time faculty comprise about 44% of community college faculty	\$7.2 Million	\$3.5 Million
Campus Child Care Support	Provides child care services to low-income students with children	\$6.8 Million	\$3.4 Million
Financial Aid Administration	Provides financial aid counseling to students	\$51.6 Million	\$67.9 Million
Basic Skills	Provides counseling and tutoring for students needing remedial classes; also provides professional development for basic skills faculty	\$33.1 Million	\$20 Million
Economic and Workforce Development	Funds staffing and regional consortia to develop career technical education programs aligned with regional workforce needs	\$46.8 Million	\$22.9 Million

The LAO recommends the Legislature create a student support block grant that would allow colleges to consolidate student support programs. Under this proposal, funds would be distributed on a per-student basis, with additional funds for Pell Grant students.

The Subcommittee may wish to hold this issue open for more discussion about the appropriate ways to boost student success at community colleges, and until final Proposition 98 revenues are known.

Staff Recommendation: Hold Open the Student Success proposals for more discussion and until total Proposition 98 funding is known.

ISSUE 3: ONLINE INITIATIVE

The Subcommittee will review the Online Initiative launched last year and the Governor's proposal to provide \$10 million Proposition 98 General Fund to continue the initiative.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

Per the Governor's proposal, the 2013 Budget Act included \$16.9 million Proposition 98 General Fund to use technology to increase the number of online courses and to ensure that online courses are available to students system wide, regardless of the campus where they are enrolled. Budget bill language required the Chancellor's Office to report to the Legislature in March 2014 on the progress of this initiative. The Governor proposes to allocate \$10 million in 2014-15 to continue this initiative, and require a subsequent progress report in March 2015.

The project will support the development of a so-called common management system, which will allow for system wide, online classes that look similar and have similar features for students. Classes that can be used for students seeking to transfer to a four-year university will be a priority.

The Chancellor's Office has selected the Foothill-De Anza and Butte-Glenn districts to manage the project. A steering committee has been formed and staff are being hired. A request-for-proposal is expected to be released late this year or early next year to hire a common management system vendor, and the first classes offered via this system will be offered in Fall 2015.

Below is a breakdown of the major planned expenditures in 2013-14 and 2014-15:

Expense Item	Description	2013-14 Projected Amount	2014-15 Proposed Amount
Staff Salaries and Benefits	Executive director, project managers, deans, admin staff (17 staff + interns)	\$1.1 million	\$2 million
Common Management System	Provides systemwide online class platform	\$4.3 million	\$1.8 million
Courseware Development	Develops videos, ebooks and other components of classes	\$6 million	\$3 million
Faculty Work	Develops curriculum and classes	\$3.2 million	\$400,000
Other	Supplies, Travel, Marketing	\$2.3 million	\$2.8 million
Total		\$16.9 million	\$10 million

STAFF COMMENTS/QUESTIONS

This is a worthy effort. Using technology to allow students more access to classes across the state should help decrease the amount of time it takes to complete a degree or transfer to a four-year university. Even without the new funding, the community college system was moving in this direction: about 10% of currently funded FTES in the system is through online classes.

Staff does note that most of the 2013-14 funding will not be spent this year, as the development and procurement process is not expected to result in a hired vendor for the common management system until the 2014-15 fiscal year. Thus the Subcommittee may wish to consider how much funding is truly needed in 2014-15.

Staff notes one other concern with this issue. The report submitted to the Legislature in March includes no narrative discussion of what the funding will buy, and is therefore of very little value to the Legislature or public. The Subcommittee may wish to rewrite the budget bill language to provide more direction to the Chancellor's Office on subsequent reports.

Staff Recommendation: Hold Open until the May Revise

ISSUE 4: COST-OF-LIVING ADJUSTMENT

The Subcommittee will review the Governor's proposal to provide a cost-of-living adjustment of .86% to community college apportionment funding.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

The Governor's Budget proposes \$48.5 million Proposition 98 General Fund to provide a .86% cost-of-living adjustment (COLA). COLAs increase per-student funding for community colleges, and this COLA will increase per-student rates for credit classes to \$4,676, per-student rates for non-credit classes to \$2,812, and per-student rates for enhanced non-credit classes to \$3,311.

The percentage amount of the COLA increase proposed by the Governor follows a statutory price index, and is identical to a proposed COLA for K-12 categoricals. (K-12 COLAs for apportionment funding are now folded into the Local Control Funding Formula.)

STAFF COMMENTS/QUESTIONS

COLAs provide additional funding for faculty and staff salaries and many other college costs, including information technology, utilities and health care. Community colleges did not receive any COLA in four of the last five budget years, which the Chancellor's Office notes is a 16.3% loss in purchasing power. This freeze is potentially one factor in the increase of part-time faculty at colleges at the expense of full-time faculty: In Fall 2013, the system reported that only 56% of faculty were full-time.

The Board of Governors in the Fall requested a COLA of 4.4%, which would cost about \$248 million. The Chancellor's Office notes that increasing COLA would allow districts flexibility as they seek to restore and improve programs.

The Subcommittee may wish to hold this issue open until final Proposition 98 numbers are released in May.

Staff Recommendation: Hold Open until the May Revise.

ISSUE 5: PHYSICAL PLANT AND INSTRUCTIONAL SUPPORT

The Subcommittee will review the Governor's proposal for one-time funding of \$175 million Proposition 98 General Fund to support deferred maintenance and instructional equipment costs.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

The Governor's Budget proposes \$175 million Proposition 98 General Fund for the Physical Plant and Instructional Support categorical program. Budget bill language specifies that the spending be broken down like this:

- Half of the funding would go to deferred maintenance issues, and be distributed on a per-student basis established by the Chancellor's Office, with a minimum amount for smaller districts. Districts would be required to provide a 1:1 funding match.
- Half of the funding would go to replace instructional equipment, including workforce development equipment, and library materials. The funds also would be distributed on a per-student basis with a minimum amount established. Districts are required to provide \$1 for every \$3 in state funding as a match.

STAFF COMMENTS/QUESTIONS

Prior to the 2013 Budget Act, when the Legislature provided \$30 million for this categorical, the state had not provided funding for deferred maintenance and instructional materials since 2007-08. Community colleges have identified more than \$1 billion in deferred maintenance needs in their 5-year capital outlay plans submitted to the Chancellor's Office. The Chancellor's Office notes that the majority of the colleges' physical plant is more than 30 years old.

The Chancellor's Office also notes that in an era of rapid technological change, colleges need continual funding for instructional materials. This is also an issue in accreditation review.

Finally, staff notes that a continuing issue facing colleges seeking to offer more and improved career technical education classes is the high cost of equipment for these classes. The high cost of CTE classes and equipment is one factor in CTE reductions at colleges during the past 10 years: In 2001-02, about 32% of Full-Time Equivalent Students in community colleges were in CTE classes; that number was reduced to about 30% in 2010-11, according to data provided by the Chancellor's Office. This categorical is one way colleges could replenish high-cost instructional equipment for CTE classes.

The Subcommittee may wish to hold this issue open until final Proposition 98 numbers are released in May.

Staff Recommendation: Hold Open until the May Revise.

ISSUE 6: STATEWIDE PERFORMANCE MEASUREMENT AND LOCAL ASSISTANCE

The Subcommittee will review the Governor's proposal to provide \$1.1 million non-Proposition 98 General Fund to support nine new positions in the Chancellor's Office to develop indicators of student success and to monitor districts' performance. The proposal also includes \$2.5 million in Proposition 98 General Fund to be used to assist underperforming districts.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

Community colleges are operated by 72 districts. Each district is governed by a locally elected Board of Trustees, which has significant autonomy in matters such as determining course offerings, hiring and compensating campus staff, and managing district property.

The Board of Governors oversees the statewide system and appoints a Chancellor to run day-to-day operations and make recommendations to the board on policy matters. The Chancellor's Office is organized into nine divisions (Academic Affairs; Student Services; Workforce and Economic Development; Finance and Facilities Planning; Technology, Research, and Information Systems; Communications; Governmental Relations; Internal Operations; and Legal Affairs). In 2013-14, the Chancellor's Office is budgeted at about \$22 million and has 152 staff. The Chancellor's Office's largest single funding source is non-Proposition 98 General Fund (\$10.5 million).

The Governor proposes a \$1.1 million non-Proposition 98 General Fund augmentation to add nine permanent positions at the Chancellor's Office. According to the administration, the overarching purpose of these new positions is to enhance the Chancellor's Office's ability to measure performance and coordinate local technical assistance so as to improve student outcomes. These positions would have various roles and responsibilities. Specifically:

- Four positions (one each in Academic Affairs, Student Services, Workforce and Economic Development, and Finance and Facilities Planning) to develop new performance measures for districts and colleges in each of the four areas (such as measures of local fiscal stability for Finance and Facilities Planning) and identify and disseminate best practices.
- Two positions (one each in Academic Affairs and Student Services) to assist districts and colleges with improving their performance in areas such as transfer and basic skills (remedial) education and student support services.

- Three positions assigned to the Technology, Research, and Information Systems Division to: (1) provide data in support of the above positions, (2) help to develop systemwide and college-level goals for each of the measures in the existing Student Success Scorecard (such as graduation and transfer rates), and (3) handle the logistics of assembling technical assistance teams.

Trailer bill language requires the Chancellor's Office to work with stakeholders to develop leading indicators of success and best practices across all areas of community college operations, and requires the Board of Governors would adopt these indicators and practices by the beginning of the 2015-16 year. The Chancellor's Office also would annually post system wide goals and district goals for student outcomes.

The Governor's proposal provides an additional \$2.5 million in Proposition 98 General Fund to provide technical assistance to local colleges in the areas of academic affairs, student services, workforce and economic development, and finance. Under the Governor's proposal, districts or colleges could request assistance directly or the Chancellor's Office could initiate an intervention on its own. If they asked for assistance, community colleges would be required to provide a local match (\$1 for every \$2 in state support). If the Chancellor's Office initiated the intervention, no fee or match would be required. In either case, the Governor describes a general approach whereby Chancellor's Office staff would contract with teams of community college experts (such as leading faculty and budget officers) to consult with districts or colleges in need of help.

The budget bill includes provisional language that requires the Chancellor's Office to provide an annual report beginning in 2015-16 to account for how the funding is spent.

STAFF COMMENTS/QUESTIONS

As the Legislature and other stakeholders have pushed community colleges to focus more on improving student outcomes, it does seem appropriate to strengthen the ability of the Chancellor's Office to define goals and provide assistance to colleges to reach those goals. The Chancellor's Office already has made strides toward this, by producing new performance measurement tools such as the Student Success Scorecard, which provides district and statewide information on student persistence and outcomes, and the Salary Surfer, which uses student data and income data provided by the Employment Development Department to track the wages related to specific certificates and degrees.

It also should be noted that Chancellor's Office has significantly reduced its staffing in the last 10 years; it had 236 positions in 2001, compared to 151 now. Staff believes a slight increase in staffing appears warranted.

The LAO, however, states that Chancellor's Office already receives significant funding from the state to perform statewide administrative duties and recommends that the Department of Finance and Chancellor's Office provide more detail regarding the need for additional resources.

The LAO also believes more detail is needed as to how the \$2.5 million in Proposition 98 General Fund would be spent. Staff shares this concern: this is funding that otherwise would go to fund classes, and therefore, the Subcommittee may wish for a fuller discussion about where and how the money would actually be spent, and how the Chancellor's Office would determine which districts receive the money. The Subcommittee may wish to ask the following questions:

- How would the Chancellor's Office prioritize the assistance? Would it focus on colleges with financial shortcomings or poor student performance?
- Would the funding be spent on for-profit consulting firms, or who would actually be paid with the money?
- Is \$2.5 million the appropriate amount for this initiative? How would the Chancellor's Office determine how much funding is needed for each low-performing district?
- How would the Chancellor's Office determine that the funding was used successfully?
- Should the Legislature require a more thorough annual or occasional report on the outcomes of this initiative?

Staff Recommendation: Hold Open for More Discussion.

ISSUE 7: DEFERRALS

The Subcommittee will review the Governor's proposal to use \$592 million to eliminate all deferrals accrued during the Great Recession.

PANELISTS

- Mario Rodriguez, Budget Analyst, Department of Finance
- Paul Steenhausen, Higher Education Analyst, Legislative Analyst's Office
- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office

BACKGROUND

Inter-year deferrals became common during the recession as the state faced significant cash shortages. Deferred amounts for community colleges reached \$961 million in 2011-12. Deferrals caused districts to reduce class offerings or incur substantial borrowing costs.

The Governor proposes to use \$194 million in 2012-13 funds, \$163 million in 2013-14 funds, and \$236 million in 2014-15 to eliminate deferral debt to community colleges.

STAFF COMMENTS/QUESTIONS

The Governor's proposal is a departure from his 2013-14 Budget plan, when he proposed a slower pay down of deferral debt that would have eliminated the debt by 2016-17. While eliminating the debt is a worthy priority, these funds could also be used for other one-time priorities within the community college system, including deferred maintenance and high-cost instructional equipment for career technical education programs.

The Subcommittee may wish to hold this issue open until final Proposition 98 numbers are released in May, thus allowing a more complete discussion of the total funds available for deferral pay down, program expansion, and other one-time needs.

Staff Recommendation: Hold Open until the May Revise.
