

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

TUESDAY, APRIL 5, 2016
9 AM, STATE CAPITOL, ROOM 444

CALIFORNIA COMMUNITY COLLEGES

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CALIFORNIA COMMUNITY COLLEGES

Community College Programs Funded by Proposition 98

(Dollars in Millions)

	2014-15 Revised	2015-16 Revised	2016-17 Proposed	Change From 2015-16	
				Amount	Percent
Apportionments					
General Fund	\$3,114	\$3,417	\$3,209	-\$208	-6%
Local property tax	2,302	2,624	2,812	188	7
Subtotals	(\$5,416)	(\$6,041)	(\$6,020)	(\$21 ^a)	(— ^b)
Categorical Programs and Other Appropriations					
Adult Education Block Grant	— ^c	\$500	\$500	—	—
Student Success and Support Program	\$199	299	299	—	—
Physical plant and instructional support (one time)	196	100	255 ^d	\$155	155%
Economic and Workforce Development	73	23	223	200	872
Student equity plan implementation	70	155	155	—	—
Extended Opportunity Programs and Services	89	123	124	1	— ^b
Disabled Students Program	114	115	116	1	— ^b
Financial aid administration	69	74	68	-5	-7
Student Success for Basic Skills Students	20	20	50	30	150
CTE Pathways Initiative	48 ^e	—	48	48	N/A
Lease revenue bond payments	65	56	47	-8	-15
Proposition 39 (grant and loan programs)	38	39	45	6	17
Cal Grant B supplemental grants	—	39	39	—	—
CalWORKs student services	35	35	35	— ^b	— ^b
Mandate block grant ^f	32	32	33	1	2
Apprenticeship (community colleges)	7	31	32	1	2
Institutional effectiveness initiative	3	18	28	10	57
Innovation awards (one time)	23	—	25	25	N/A
Part-time faculty compensation	25	25	25	—	—
Telecommunications and technology services	22	20	23	3	15
Apprenticeship (school districts)	16	20	22	1	5
Online course initiative	10	10	15	5	50
Nursing grants	13	13	13	—	—
Foster Parent Education Program	5	5	5	—	—
Fund for Student Success	4	4	4	—	—
Part-time faculty office hours	4	4	4	—	—
Campus child care support	3	3	3	— ^b	— ^b
Other ^g	3	3	3	—	—
Mandate backlog payment (one time)	446	190	—	-190	-100
Deferral pay down	158	—	—	—	—
Basic skills transformation grants (one time)	60 ^h	—	—	—	—
Basic skills partnership pilot (one time)	10 ^h	—	—	—	—
Baccalaureate degree pilot start-up	6	—	—	—	—
Subtotals	(\$1,865)	(\$1,956)	(\$2,238)	(\$282)	(14%)
Totals	\$7,281	\$7,997	\$8,259	\$262	3%

^a Enrollment growth and cost-of-living adjustments are offset by various technical adjustments.^b Less than \$500,000 or 0.5 percent.^c \$25 million provided in 2013-14 for planning grants was available for expenditure over 2013-14 and 2014-15 fiscal years.^d Budget provides an additional \$28 million in Proposition 98 set-up and \$6 million in unspent Proposition 98 prior-year funds for this purpose.^e 2014-15 amount is for 2015-16 program costs. State also provided \$48 million non-Proposition 98 General Fund in 2014-15 for expenditure in 2014-15.^f Includes \$17,000 in 2014-15 and 2015-16 and \$13,000 in 2016-17 for mandate reimbursements.^g Includes Equal Employment Opportunity, transfer education and articulation, district financial crisis oversight, part-time faculty health insurance, and Academic Senate.^h Districts have through 2017-18 to spend funds.

CTE = Career Technical Education.

Posted January 2016.

Highlights of 2015 Budget Act for community colleges. The 2015 Budget Act provided about \$9 billion in total revenue for California community colleges, including Proposition 98 General Fund, local property tax, enrollment fees and other revenue sources. Among the highlights were:

- \$157 million Proposition 98 General Fund to support 3% enrollment growth across the system, or about 30,000 new full-time equivalent students.
- \$267 million Proposition 98 General Fund for a general apportionment increase, which provided colleges with flexible funding they could use for any educational or operation purpose, such as retirement costs, professional development and facility maintenance.
- \$62 million Proposition 98 General Fund to incentivize colleges to hire more full-time faculty. This funding could allow for more than 660 new full-time faculty.
- Increases to the Student Success and Support Program, which provides orientation, assessment, counseling and advising, and educational planning services for students, and Student Equity Planning, which is designed to improve access and outcomes for disadvantaged student groups. Total funding for these two programs grew to \$472 million Proposition 98 General Fund.
- \$39 million Proposition 98 General Fund to create a new financial aid program for low-income, full-time community college students. The program provides about \$600 annually to Cal Grant B students taking 12 units or more of community college courses.
- \$60 million Proposition 98 General Fund to create the Basic Skills and Student Outcomes Program, which will provide grants to colleges to revamp basic skills programs based on evidence-based practices that improve outcomes.
- \$35 million Proposition 98 General Fund to restore the Extended Opportunity Programs and Services Program (EOPS) to pre-recession funding levels. This program provides counseling, financial aid and other support services for low-income students.

The following agenda focuses on new proposals in the Governor's 2016-17 Budget. It should be noted that funding for the Student Success and Support Program, Student Equity Planning, and financial aid for Cal Grant B students are included in the Governor's Budget but at the same funding level as the 2015 Budget Act. Funding for full-time faculty and a general apportionment increase are not included.

ISSUE 1: ENROLLMENT GROWTH

The Subcommittee will hear the Governor's Budget proposal to provide \$114.7 million Proposition 98 General Fund to support 2% enrollment growth, or about 23,000 full-time equivalent students.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

Community colleges saw significant enrollment reductions during the Great Recession, with about 470,000 fewer students (headcount) attending colleges in 2012-13, compared to 2008-09. The state has provided significant funding for enrollment growth during the past three years, however.

The state decides how much to provide for community college enrollment by considering (1) enrollment growth, (2) declining enrollment, and (3) enrollment restoration. In setting the CCC enrollment growth level, the state typically bases its decision on an estimate of the average enrollment growth rate that districts likely can support given student demand and available funding. The state's declining enrollment adjustment allows districts to claim the higher of their current-year or prior-year enrollment levels—effectively a one-year hold harmless provision. Districts have three years to earn back funding associated with enrollment declines. The third component, accordingly, is an estimate of the amount of enrollment districts likely will earn back (or “restore”) during the budget year.

Despite a 3% enrollment growth target for 2015-16, current numbers suggest about 1.53% enrollment growth across the system. Colleges served about 1.6 million full-time equivalent students in Fall 2015. This is a preliminary estimate however, and a better picture of enrollment will be available later this spring.

Similar to the last few years, current enrollment demand varies considerably across the state.

The Governor's 2016-17 Budget

The Governor's Budget proposes \$114.7 million Proposition 98 General Fund to support 2% enrollment growth. This is about 23,000 full-time equivalent students, or 50,000 students by headcount.

LAO Recommendation

The LAO notes that the recent trend in enrollment suggests the Governor's budget overstates enrollment in both the current year and the budget year. However, by the time of the May Revision, the Chancellor's Office will have received some updated 2015-16 attendance reports from districts. These data will show the extent to which districts are meeting, exceeding, or falling short of their enrollment targets in the current year. At that time, the Legislature will have better information to assess the extent to which colleges will use the 2015-16 enrollment growth funds and be able to grow in the budget year. If the Legislature decides the full amounts are not justified for one or both years, it could use any associated freed-up funds for other Proposition 98 priorities.

STAFF COMMENTS

Access to higher education has long been an Assembly priority. Setting an appropriate and achievable enrollment target, however, is critical, as funding should be balanced between addressing demand and other student support needs. Staff concurs with the LAO that data released in May will allow for a more informed decision as to an appropriate target.

Suggested Questions

- Are colleges currently meeting demand? Are there areas of the state in which it remains difficult to get into colleges, or for students to get appropriate courses to complete educational goals?
- How are colleges marketing themselves to ensure that potential students realize the benefits of community college?
- Why does the Administration support specific enrollment funding at community colleges but not at the University of California or California State University?

The Subcommittee may wish to hold this issue open until May to better determine the appropriate amount of enrollment funding.

Staff Recommendation: Hold Open until the May Revise

ISSUE 2: BASIC SKILLS FUNDING

The Subcommittee will hear the Governor's Budget proposal to augment support for Basic Skills students by \$30 million Proposition 98 General Fund, and to recast the Basic Skills categorical program and implement an element of performance-based funding.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

Many students need basic skills courses, but outcomes are poor. Almost 75% of entering California community college students are unprepared for college-level coursework in English and/or math. These students are referred to basic skills courses, which are intended to boost students' understanding of these key subjects. Most students are required to take basic skills courses before advancing to college-level courses needed for a certificate, degree or transfer program. Colleges enrolled more than 157,000 students, or nearly 128,000 full-time equivalent students, in basic skills courses in 2014-15.

Basic skills courses are significant at most community colleges, comprising about one-quarter of English and math classes.

Outcomes for students who begin in basic skills courses are poor. According to the 2015 Statewide Student Success Scorecard:

- Only 31% of students who took a basic skills math course completed a college level math course within six years;
- Only 43% of students who took a basic skills English course completed a college-level English course within six years;
- And only 39% of degree, certificate or transfer-seeking students who took a basic skills math or English course completed a degree or certificate program within six years.

Categorical program has sought to improve student success. The community college system and the state have sought to improve these outcomes in the past. Most notably, legislation in 2007 established the Basic Skills Initiative (BSI), which created a categorical program with ongoing funding to support basic skills programs and students. This funding supports program and curriculum planning and development, advisement, counseling and supplemental instruction for basic skills students, and professional

development for basic skills faculty. (Colleges also receive apportionment funding for basic skills courses.)

The program received about \$33 million Proposition 98 General Fund in its first year, but during the Great Recession, funding dropped to only about \$20 million, where it has remained. About \$1.2 million of this funding is specifically set aside for professional development.

Perhaps due to limited funding, the BSI has not significantly altered outcomes. A recent report on the program to the Board of Governors noted that over the past 5 years, the remedial math completion rate grew by 3%, while the remedial English completion rate grew by 2%. However, the program's professional development funding, which is distributed through the California Community Colleges Success Network, or 3CSN, has allowed some faculty and campuses to develop basic skills programs with better outcomes through small scale or pilot programs.

2015 Budget Act funded major new basic skills program. In an effort to scale up basic skills programs that yield better outcomes for students, the 2015 Budget Act provided \$60 million Proposition 98 General Fund for a one-time incentive grant program to improve community college remediation practices over the next three years. The Basic Skills and Student Outcomes Transformation Program's goals are to increase the number of basic skills students who complete a college-level English or math course, or both, within a sequence of three or fewer courses after enrollment, and/or increase the number of basic skills students who earn an industry-relevant college certificate or a degree within two years of beginning college-level courses.

Districts may apply for grants to help them adopt or expand the use of evidence-based models for basic skills assessment, placement, instruction, and student support. Eligible activities under the grant program include curriculum redesign, professional development, release time for faculty and staff, and data collection and reporting. The number of awards and grant amounts will depend on the number of successful applicants. Grants will likely be awarded by the Community College Board of Governors at its May meeting.

Statutory language requires the Legislative Analyst's Office to evaluate the program's effectiveness in interim and final reports to be issued by December 1, 2019 and December 1, 2021, respectively.

The 2015 Budget Act also included one other new basic skills program, which provides \$10 million Proposition 98 General Fund program to promote more and better collaboration in delivery of basic skills instruction among high schools, community colleges, and California State University (CSU) campuses. The Chancellor's Office will award five grants of \$2 million each. To qualify for awards, community college districts must collaborate with local school districts and CSU campuses to better articulate English and math instruction across segments. Participating CSU campuses must commit to directing their underprepared students—either currently enrolled or planning to enroll—to basic skills instruction at community colleges.

The Governor's 2016-17 Budget

The Governor's Budget proposes to add \$30 million in ongoing Proposition 98 General Fund to the Basic Skills Initiative, bringing total funding for this program to \$50 million annually. Trailer bill language also repeals the former program and creates a new one, which allows spending in five areas:

- Program and curriculum development, student assessment, advising and counseling, supplemental instruction and tutoring, articulation and instructional materials for basic skills programs;
- Implementing or expanding the evidence-based practices supported by the 2015 Basic Skills and Student Outcomes Transformation Program;
- Creation or use of Open Educational Resources for basic skills courses or programs;
- Collaboration with high schools and/or California State University campuses to better align programs and courses between local educational agencies, community colleges and CSU;
- Implementing assessment and placement practices that increase the likelihood that students are appropriately placed in college-level courses rather than remedial courses.

Colleges would be required to assess their programs annually and develop spending plans and performance targets. Additionally, the Administration proposes to ensure that each college receives at least the same amount of funding as they did previously, but also proposes performance-based funding for distributing the new money. The Chancellor's Office would distribute funds based on three main factors: (1) the percentage of basic skills English, math, or ESL students completing a college-level course in the same subject within one year and two years; (2) the percentage of incoming students (regardless of basic skills status) who complete college-level English and math courses within one year and two years of enrolling; and (3) a weighting factor of 20% for colleges participating in the Basic Skills and Student Outcomes Transformation Program, or implementing practices supported by that program.

The proposal also requires the Chancellor's Office to work with the Department of Finance and LAO to develop accountability measures for this program.

LAO Recommendation

The LAO recommends rejecting this proposal. The LAO notes that the transformation program is just underway, and it may be premature to add new, ongoing funding until the results of the 2015 program are better understood.

The LAO also makes other recommendations to alter the existing program without the new funding, including (1) expanding the allowable activities under the program as proposed and requiring that colleges engage in at least two evidence-based strategies, including working with other education agencies and institutions to articulate instruction; (2) adopting a revised funding allocation based primarily on the proposed performance factors; (3) adopting a short-term hold harmless provision for colleges that would phase out over no more than three years; and (4) not weighting the Basic Skills Initiative allocation toward colleges that already will be receiving funding from the transformation program.

STAFF COMMENTS

Poor outcomes in basic skills programs are a critical issue for community colleges, and one that the Assembly began to address in last year's budget. The transformation program is intended to support administration, faculty and staff as they revamp programs toward evidence-based practices. But that program is one-time funding; staff concurs with the Administration that more ongoing funding is needed to better support students and continue encouraging colleges to create improved programs. This funding increase could be seen as a logical next-step toward improving basic skills outcomes.

There is concern regarding performance-based funding, however. In a letter to the Committee, the Community College League of California states that adding a performance factor to courses such as English as a Second Language could have unintended consequences and provide a disincentive to serve basic skills students. The League suggests instead incentivizing the use of proven practices.

Staff notes that many colleges are in the process of transforming basic skills programs and it may be premature to begin penalizing colleges that have not fully updated their programs. It may be difficult for colleges with poor outcomes to improve their performance if they receive less funding. This funding mechanism requires further thought.

Staff also notes that trailer bill language could be amended to ensure that consultation with the Academic Senate occurs regarding planning for increased professional development.

Finally, the Subcommittee has received input from TechNet and CompTIA, two associations representing technology companies, that language could be added to encourage the use of technology in developing new curriculum and student services.

Suggested Questions

- Under the Administration's proposal, how would a poor-performing college improve, given that they could receive less funding?
- Could performance-funding provide a disincentive to serve students with significant remedial education needs?
- Can the Chancellor's Office provide an update on the transformation program?

The Subcommittee may wish to hold this issue open until May to determine an appropriate funding level for this program and to continue discussion on the best way in which to distribute funding.

Staff Recommendation: Hold Open until the May Revise

ISSUE 3: ZERO-COST-TEXTBOOK DEGREES

The Subcommittee will hear the Governor's Budget proposal to provide \$5 million one-time Proposition 98 General Fund to support the creation of degree programs with no textbook costs for students.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

Textbook and supply costs for California college students can be significant. The University of California estimates students spend about \$1,500 annually on books and supplies, for example, and information from the US Department of Education indicates California community college book-and-supply costs can be between \$1,500 and \$1,800 annually.

Open Educational Resources (OER) are intended to address this issue. OER is defined by the LAO as teaching, learning, and research resources that educators and others can freely use and repurpose. These resources range from course readings, modules, and tests, to full textbooks and courses to videos and software.

While the LAO notes that OER can reduce costs for students, increase access to instructional materials and improve teaching effectiveness and efficiency, it also notes that finding and selecting appropriate OER can be very time consuming for faculty.

The Legislature has sought to increase the use of OER on campuses. Legislation in 2012 created the California OER Council to create open textbooks for 50 high-enrollment courses across the three public higher education segments, establish an online library for these materials, and provided \$5 million General Fund to support these efforts. AB 798 (Bonilla) was approved in 2015 to use some of the existing funding to provide grants of up to \$50,000 for CSU and community college campuses wishing to create more OER. In addition, the LAO notes that CSU's Affordable Learning Solutions projects assists faculty in finding free and low-cost materials.

Virginia has expanded on the OER concept. In 2014, Tidewater Community College in Virginia created an OER degree pathway (called a Z-Degree) for students in business administration. The pathway includes both general education and business courses and permits a student to earn an associate degree with no textbook costs. The state has subsequently provided more funding to create more degree programs without textbook costs. Several other colleges around the country, including College of the Canyons in California, are developing similar programs.

The Governor's 2016-17 Budget

The Governor's Budget proposes \$5 million one-time Proposition 98 General Fund to incentivize community college campuses to create associate degree, certificate or credential programs with no textbook costs. Colleges would compete for grants of up to \$500,000 each. Priority would be given to developing a new degree from an existing transfer degree.

The funding would support expenses such as faculty release time or development of new OER materials.

Under the Governor's proposal, the Chancellor's Office could allocate up to 10% of this funding to a community college district to administer the program and provide technical assistance to participating colleges.

Grant winners would be required to post their new degree program online, so that other faculty and colleges could use the program as well. The Chancellor's Office would report to the Legislature by June 30, 2019 on the number of degrees implemented, the number of students who have completed the degree programs, the costs savings to students, and recommendations for improving and expanding the program.

LAO Recommendation

The LAO states that a zero-textbook-cost degree is a reasonable next step in the state's promotion of OER, but makes several recommendations to alter the Governor's proposal:

- Require that the Chancellor's Office work with the California OER Council and use the work already done to guide the new program;
- Provide as much as half of the funding allocated for technical assistance and professional development, as is recommended by officials in Virginia and others that have worked on these issues;
- Reduce the grant amounts to no more than \$100,000 each;
- Prioritize using existing high-quality OER instead of creating new OER;
- Establish clearer timelines for piloting, evaluating and offer OER courses and degrees;
- Prioritize proposals that involve faculty collaboration across colleges.

STAFF COMMENTS

This proposal does address a long-standing Assembly priority in ensuring that higher education is affordable for Californians. Developing OER has proved difficult in California, however, as finding appropriate materials is time-consuming and requires long-term collaboration and commitment to ensure that materials remain up to date and accurate. The Assembly must ensure that this funding leads to affordable, achievable outcomes for students, or determine if this funding could be otherwise used to better support college affordability.

The LAO raises several valid concerns with the Governor's proposal. The LAO notes that other states have found that professional development and technical assistance for faculty and support service departments, such as libraries and IT offices, is critical to program success. The LAO also found that collaborations among faculty at different campuses is beneficial, and that grants may not need to be as much as \$500,000. Virginia's grants for degrees programs were \$100,000.

Additionally, staff has received some input suggesting that instead of requiring programs to develop completely free materials, some focus also could be placed on low-cost materials, such as materials that are 50% to 75% less expensive than equivalent textbooks.

Suggested Questions

- Why does the Administration believe \$500,000 is the appropriate maximum amount for grants? Could that number be lowered to allow for more grants?
- Professional development appears to be a critical component to ensuring zero-textbook-degree programs are effective. Should this program have a specific set-aside for that purpose?
- Under this proposal, who would select winners? Does the Chancellor's Office envision selecting a district to administer the program?

The Subcommittee may wish to hold this issue open until May to determine if this new program is the best use of available funding, or if the proposal could be refined to ensure success.

Staff Recommendation: Hold Open until the May Revise

ISSUE 4: INNOVATION AWARDS

The Subcommittee will hear the Governor's Budget proposal to provide \$25 million in one-time Proposition 98 General Fund for Innovation Awards, which would award at least \$4 million each to colleges who propose innovations in six areas.

PANELISTS

- Brianna Bruns , Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

The 2014 Budget Act provided \$50 million in one-time General Fund for Innovation Awards at UC, CSU, and CCC campuses. Campuses that had undertaken initiatives to increase the number of bachelor's degrees awarded, improve four-year completion rates, or ease transfer across segments could apply for awards.

A committee of seven members - five Governor's appointees (one each representing DOF, the three segments, and the State Board of Education) as well as two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee, Respectively - made award decisions. In March 2015, the committee selected 14 applicants, including 6 community colleges, to receive awards. Winning applications included improving K-12 alignment to higher education standards and expectations, redesigning curriculum and teaching practices to improve outcomes, and using technology to expand access to courses.

The winners included individual institutions and teams of institutions, and each received from \$2.5 million to \$5 million in award funds. The winning institutions will report on the effectiveness of their strategies by January 1, 2018 and January 1, 2020.

A similar proposal in last year's budget was rejected by the Legislature and not included in the final 2015 Budget Act.

The Governor's 2016-17 Budget

The Governor's Budget proposes \$25 million Proposition 98 General Fund to provide six innovation awards of at least \$4 million each in 2016-17. According to the LAO, this proposal differs from the 2014-15 and 2015-16 proposals in four ways: (1) only community college districts would be able to apply for awards, which would be funded by Proposition 98 General Fund; (2) awards would be based on proposed activities instead of initiatives applicants already have implemented; (3) awards would need to focus specifically on effective articulation and transfer pathways, successful transitions from higher education into the workforce, and innovations in technology and data; and (4) the Governor would have more discretion in selecting his appointees to the awards

committee. (Members no longer would have to represent any of the higher education segments or the State Board of Education.)

Under the proposal, each applicant would apply to implement one of six innovations and the award committee would recommend one award in each of these areas:

- Concurrent enrollment permitting high school students to earn industry-recognized credentials or associate degrees for transfer while completing high school;
- Programs permitting college students to earn industry-recognized credentials and associate degrees for transfer concurrently;
- Use of prior learning assessment and competency-based credit to accelerate students' completion of industry-recognized credentials;
- Fully online courses for basic skills in English and mathematics;
- Fully online courses for completion of intersegmental general education requirements, using courses that articulate across the three public higher education segments;
- "Predominant" use of open educational resources (freely available instructional materials) in a college's course offerings.

LAO Recommendation

The LAO recommends rejecting this proposal. The LAO notes that the Administration proposes to provide relatively large sums of money to only a handful of colleges to implement local initiatives that may not necessarily have significant statewide value. The LAO also is concerned that this would add yet another community college program intended at improving student outcomes; the Legislature could instead focus on existing programs.

STAFF COMMENTS

This proposal is an improvement over past proposals. It targets more specific goals, for example, and allows for funding to be used to launch new programs, instead of rewarding already-existing ones.

But the Assembly has expressed significant concerns with this program since its inception, and some of those concerns are not alleviated in the new proposal. It remains difficult to determine the statewide impact of funding small, localized programs. Other community college programs, such as the basic skills transformation program discussed earlier, provide targeted funding addressing a specific state-wide goal; that program would seem more likely to provide improved outcomes at colleges throughout California. Perhaps reducing the award amount and targeting one of the six innovation areas might have more impact.

Additionally, it should be noted that one of the specific areas - creating fully online courses for basic skills math and English courses - may not be a wise use of funding, as there is significant data indicating online education is not successful in remedial education settings.

Finally, the Subcommittee has received input from TechNet and CompTIA, two associations representing technology companies, that language could be added to encourage or require the use of technology, where appropriate in developing new new programs.

Suggested Questions

- What does the Administration believe will be the statewide impact of this funding?
- Why are the award amounts so large? What does the Administration envision as uses for the funding?

The Subcommittee may wish to hold this issue open until May to determine whether funding levels are sufficient to support this program, or whether there are alternate ways to spend this money on statewide issues.

Staff Recommendation: Hold Open until the May Revise

ISSUE 5: DEFERRED MAINTENANCE AND INSTRUCTIONAL EQUIPMENT FUNDING

The Subcommittee will hear the Governor's Budget proposal to provide \$290 million in Proposition 98 General Fund for deferred maintenance and instructional equipment. While this is a one-time cost, most of this funding - \$255 million – is from ongoing revenue.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

The community college system has identified about \$6 billion in scheduled and deferred maintenance projects over the next five years, although it also has narrowed that amount to \$1 billion for the highest-priority projects.

The system addresses maintenance issues in a variety of ways, as colleges can use apportionment funding or other general purposes funding for this purpose. In some cases, local bond funds can be used. In addition, there is a categorical program that supports deferred maintenance and the replacement of instructional equipment and library materials, hazardous substances abatement, architectural barrier removal, and water conservation projects.

To use this categorical funding for maintenance and repairs, districts must adopt and submit to the Chancellor's Office a five-year plan of maintenance projects. Districts also must spend at least 0.5 percent of their current operating budgets on ongoing maintenance and at least as much on maintenance as they spent in 1995-96 (about \$300 million statewide) plus what they receive from the categorical program.

The 2014 Budget Act and the 2015 Budget Act each provided \$148 million for this categorical program. This program has typically received large appropriations when a large amount of one-time Proposition 98 funding is available and no appropriations in tight budget years. Historically, the budget allocated half of the program's funding for deferred maintenance and half for replacement of instructional equipment and library materials. In the 2014 Budget Act, the budget removed this split, leaving allocation decisions up to districts. Data are not available on how much of the 2014-15 and 2015-16 funding community colleges have spent on deferred maintenance. Data also are not available on how much the colleges expect to spend from other funds on maintenance.

The Governor's 2016-17 Budget

The Governor's Budget proposes \$290 million Proposition 98 General Fund for the deferred maintenance and instructional equipment categorical program. Of this funding, \$255 million is from 2016-17 funds, and is therefore ongoing, while the rest – about \$35 million – is from one-time sources. The proposal continues to allow colleges to determine how they will use the funding, instead of specifying the proportion that must be spent on each category.

LAO Recommendation

The LAO recommends approving this proposal with some additional language. The LAO states that the proposed funding would help address the system's large maintenance backlog and help update instructional equipment and materials. In addition, by dedicating \$255 million in 2016-17 Proposition 98 funding to one-time purposes, the proposal would provide a corresponding cushion against future revenue declines and drops in the Proposition 98 minimum guarantee.

The LAO also recommends that the Legislature require additional reporting as described in its February 2016 brief on various deferred maintenance funding proposals in the proposed budget. In that report, the LAO suggested collecting information about the factors that have led to the accumulation of maintenance backlogs and how institutions could address maintenance on an ongoing basis so that deferred maintenance does not continue to accumulate.

Finally, the LAO recommends that the Legislature allow up to \$1.1 million of this funding be allowed to update the FUSION system, which is the colleges' tool to assess and plan for maintenance issues. The system is outdated and needs to be updated.

STAFF COMMENTS

This proposal clearly addresses a pressing campus concern. However, the proposal uses a significant amount of ongoing funding for a one-time need.

The Subcommittee may wish to consider whether there are other, ongoing needs that could be addressed with some or all of this funding. For example, both the Chancellor's Office and the Community College League of California have requested a base funding increase to allow colleges more flexible, ongoing funding to handle increasing business costs. This is also requested by the Faculty Association of California Community Colleges. Of particular concern are rising pension costs, in both the CalPERS and STRS systems. The Chancellor's Office reports that colleges will face about \$400 million in additional pension costs by 2020.

Additionally, there are many categorical programs that provide critical student support that may be underfunded, as well as other student needs that are not being met. While the Legislature has successfully pushed in the last few years to increase support for important programs such as the Disabled Students Programs and Services (DSPS) and the Extended Opportunity Programs and Services (EOPS), there are many categoricals with funding support that remains far below pre-recession levels. In addition, other recent efforts to improve student outcomes are not included in the Governor's budget

proposal for 2016-17. Among the ongoing issues the Subcommittee could consider funding are:

- Categorical programs that support part-time faculty, who teach more than 40% of community college courses. Increased funding for part-time faculty office hours, for example, could allow more students to meet with faculty outside of class. The part-time faculty office hour program has remained at the same funding level – about \$4 million – for years. Increased funding for part-time faculty is a key priority for the Faculty Association of California Community Colleges, according to a letter to the Subcommittee.
- A categorical program that support students in the CalWORKS program. This categorical provides counseling, tutoring and other support for CalWORKS students. This program is scheduled to receive a cost-of-living adjustment in the 2016-17 budget but remains funded below pre-recession levels.
- A categorical program that provides child care for community college students as they attend classes. This program is scheduled to receive a cost-of-living adjustment in the 2016-17 budget but remains funded below pre-recession levels.
- A categorical program that supports the MESA, Puente and Middle College High Schools programs, which remains funded below pre-recession levels. MESA programs support financially and educationally disadvantaged students seeking majors in math and science based fields; Puente works to improve the transfer rate for underserved students; and the Middle College High School program enables high-potential, "at-risk" students to obtain a high school education while concurrently receiving direct and invaluable access to college courses and services.
- The 2015 Budget Act provided \$62.3 million Proposition 98 General Fund for the purpose of increasing the number of full-time faculty on campuses. This is a clear student-success issue: full-time faculty are more available to students, more able to work on improving and expanding curricula, and more likely to aid in campuswide efforts to increase student completion. There is no such proposal for the 2016-17 budget. Funding for full-time faculty is a key priority for the Faculty Association of California Community Colleges.
- The 2015 Budget Act created a new financial aid program for low-income, full-time community college students. The Full Time Student Success Grant, which provides about \$600 annually to students participating in the Cal Grant B program. This aid addresses books and other living expenses. The program is continued at the same amount for 2016-17 but could be increased.
- As discussed last week, the LAO has recommended increasing the stipend for Cal Grant C students attending community colleges. Increasing funding for this program by about \$9 million Proposition 98 General Fund would equalize the stipend Cal Grant C students receive with the amount received by Cal Grant B students.

Suggested Questions

- How did the Administration determine that \$290 million was the appropriate amount for deferred maintenance/instructional equipment? Why use so much ongoing funding for a one-time purpose?
- Would the Chancellor's Office support using some of this funding for other ongoing purposes?

The Subcommittee may wish to hold this issue open to continue discussion of the best purpose for ongoing funding.

Staff Recommendation: Hold Open until the May Revise

ISSUE 6: INSTITUTIONAL EFFECTIVENESS FUNDING

The Subcommittee will hear the Governor's Budget proposal to provide \$10 million in ongoing Proposition 98 General Fund to augment the Chancellor's Office Institutional Effectiveness Division's programs.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

The Institutional Effectiveness Partnership Initiative (IEPI) was created in 2014 to improve institutions' student outcomes, fiscal viability, and programmatic compliance with state and federal guidelines, as well as to significantly reduce the number of accreditation sanctions and negative audit findings for colleges. The 2014 Budget Act provided ongoing funding of \$2.5 million Proposition 98 General Fund for local assistance and \$1.1 million General Fund for state operations (nine positions) for the program. Trailer legislation that year required the Chancellor's Office to develop a set of effectiveness indicators. It also required colleges, as a condition of receiving Student Success and Support Program funds, to develop, adopt, and publicly post goals and performance outcomes using these indicators.

The budget directed the Chancellor's Office to provide technical assistance to districts that are not improving their performance outcomes, which led the Chancellor's Office to create the Institutional Effectiveness Division. The new division provides technical assistance teams to colleges who request help in areas such as fiscal controls, enrollment planning, and governance.

The 2015 Budget Act added ongoing funding of \$3 million Proposition 98 General Fund to expand partnership resource team activities and provided \$12 million Proposition 98 General Fund for a new statewide professional development component for faculty, staff, and administrators. The funding allows for workshops on practices that promote student success, improve college operations, develop leadership, and meet other statewide priorities; and to develop an online clearinghouse as a "one-stop shop" of effective practices, training materials, and other resources for faculty, staff, and administrators.

In 2014-15, more than 450 attendees from 104 colleges and 22 district offices attended six regional workshops on using the indicators and setting local performance goals. More than 100 subject-matter experts volunteered to participate in technical assistance teams, and the initiative deployed 46 of them in eight teams averaging six members each. Each team began working with a college or district that had requested assistance.

In the second year of implementation (2015-16), the pool of experts volunteering to serve on partnership resource teams increased to more than 230. Teams began working with 28 more colleges. The Chancellor's Office expects the professional development component to provide between 40 and 50 regional workshops in 2015-16, serving several thousand participants. The online clearinghouse, named the Professional Learning Network, went live in early 2016.

The Governor's 2016-17 Budget

The Governor's Budget proposes a \$10 million Proposition 98 General Fund augmentation the Institutional Effectiveness Division, for the following purposes:

- \$8 million for professional development, bringing total funding to \$20 million. This would allow for between 75 and 125 regional and statewide workshops; continued additions to the online Professional Learning Network; and, the development of communities of practice to bring faculty, staff and administrators together on specific issues.
- \$2 million for technical assistance, bringing total funding to \$7.5 million. This would expand technical assistance teams to more than 300 experts; allow these teams to respond to about 30 requests for assistance; develop communities of practice for institutions that recently received team visits; and develop "micro teams" of experts to provide short-term, follow-up technical assistance on specific topics.

The proposal also would require the Chancellor's Office to annually report on the use of professional development funds.

LAO Recommendation

The LAO states that demand for both technical assistance and professional development among the community college system appears to be strong, and therefore this proposal is worth considering. However, the LAO also notes that this initiative is relatively new and is growing very quickly, and that faculty, staff and administrators have limited time to devote to professional development.

The LAO also recommends amending the proposed reporting requirement to include information about all aspects of the program, not just professional development. In addition, a report also could include participating colleges' progress toward their goals.

STAFF COMMENTS

This division appears to be meeting a systemwide need. The Chancellor's Office reports more than 40 colleges have sought help from the division, and attendance at regional and statewide workshops seems strong. Staff also concurs with the LAO's concerns that the program is growing quickly; and it is difficult to determine the appropriate funding and staffing level. It is also somewhat difficult to determine yet how this program is impacting critical areas such as student and accreditation outcomes.

Should the Subcommittee approve this proposal, the LAO's recommendation on more thorough reporting seems appropriate. The Subcommittee may wish to hold this issue open until May Revise, when 2016-17 funding levels are better understood.

Staff Recommendation: Hold Open until the May Revise

ISSUE 7: DATA SECURITY FUNDING

The Subcommittee will hear the Governor's Budget proposal to provide \$3 million in ongoing Proposition 98 General Fund to improve data security within the community colleges' information technology systems.

PANELISTS

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

BACKGROUND

The state created the Telecommunications and Technology Infrastructure Program (TTIP), a categorical program, in the 1996 Budget Act to coordinate the system's technology activities. The 2015 Budget Act provided \$19.9 million Proposition 98 General Fund for the categorical. In addition, TTIP oversees \$14 million Proposition 98 General Fund under the Student Success and Support Program for e-transcript, e-planning, and common assessment tools; and \$10 million to expand the availability of courses through the use of technology.

This program includes the Community College Information Security Center. The Security Center coordinates information security for the colleges' local information systems and statewide technology projects. The center offers vulnerability scanning, server monitoring, and model policies and procedures for colleges. The center also promotes information security awareness and provides up-to-date information on new threats and solutions.

According to the LAO, a 2013 community college survey found that most colleges did not have a staff member dedicated to information security, did not have an information security awareness program, felt that their information security program was fledgling, and lacked sufficient information about data security policies. This comes as the system is ever-more reliant on data systems, including the Student Success Scorecard, Salary Surfer, and College Wage Tracker.

The Governor's 2016-17 Budget

The Governor's Budget proposes a \$3 million ongoing Proposition 98 General Fund augmentation that would support a range of technical services for community colleges and statewide projects through TTIP.

The Chancellor's Office reports that the proposed funding would enable the system to create a comprehensive suite of security services for community colleges and statewide technology projects. Services would include providing support for colleges in the event of a data breach, offering more in-depth vulnerability scans and risk analyses, promoting information security standards and creating incentives for institutions to meet

these standards, and enhancing security monitoring and “threat intelligence” (knowledge that helps individuals identify security threats). The funding also would support creation of a systemwide data sharing committee to ensure the security of personally identifiable information.

LAO Recommendation

While the LAO notes that the amount needed to adequately fund community college data security is unclear, this augmentation appears sensible. The LAO recommends approving this proposal.

STAFF COMMENTS

This proposal does appear to address a systemwide need. Increasing focus on student outcomes, as well as increasing reliance on information technology in general, can increase data security needs.

However, this is ongoing funding, and the Subcommittee may wish to wait until the May Revise to determine the Proposition 98 funding level for 2016-17, and then determine if this proposal can be funded along with other Assembly priorities.

Staff Recommendation: Hold Open until the May Revise
