

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

WEDNESDAY, APRIL 8, 2015

4 PM - STATE CAPITOL ROOM 126

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ISSUES TO BE HEARD

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: CAPITAL OUTLAY PROPOSALS

The Subcommittee will consider the Governor's Budget proposal for seven capital outlay projects.

PANELISTS

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

BACKGROUND

Each year, community college districts submit applications to the Chancellor's Office and Board of Governors to access capital outlay funding from statewide general obligations bonds. While voters have not approved any new general obligation bonds for community colleges since 2006, some funding is still available. The board has developed the following funding priorities:

- Health and Safety Projects, which are ranked according to the number of people threatened or affected by the condition of a facility or site;
- Instructional Space Growth, which are ranked based on a site's need for space, projected enrollment growth, the extent to which the proposed solution provided the needed space, and the extent to which local funds directly mitigate state costs of the project;
- Instructional Space Modernization, which are ranked based in the age and condition of a facility and the extent to which local funds mitigate state costs;
- Complete Campus, which are projects such as child care centers, performing arts centers, or other facilities that enhance the campus.

The Governor's 2015-16 Budget

The Governor's proposed budget supports seven capital outlay projects using funding from the 1998 Higher Education Capital Outlay Bond Fund and the 2006 California Community College Capital Outlay Bond Fund. The table below describes the project, the project phase, the amount requested and the fund source.

LAO Recommendation

LAO notes that early phases of these projects have previously been approved by the Legislature, and proposed construction costs appear to be in line with previous estimates. The LAO has no concerns.

Project	Project Phase	Amount Requested	Fund Source
College of the Redwoods, Utility Infrastructure Replacement/Seismic Strengthening	Construction	\$33.1 Million	2006 California Community College Capital Outlay Bond Fund
Rio Hondo College, L Tower Seismic and Code Upgrades	Construction	\$20.1 Million	2006 California Community College Capital Outlay Bond Fund
Santa Barbara City College, Campus Center Seismic and Code Upgrades	Construction	\$18.8 Million	2006 California Community College Capital Outlay Bond Fund
El Camino College Compton Center, Instructional Building 1 Replacement	Construction	\$13.4 million	2006 California Community College Capital Outlay Bond Fund
Mt. San Jacinto College, Fire Alarm System Replacement	Construction	\$4 Million	1998 Higher Education Capital Outlay Bond Fund
Los Rios Community College District, Davis Center, Davis Center Phase 2	Construction	\$8.4 Million	2006 California Community College Capital Outlay Bond Fund
Citrus College, Hayden Hall #12 Renovation	Construction	\$1.7 Million	1998 Higher Education Capital Outlay Bond Fund

STAFF COMMENTS/QUESTIONS

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 Board of Governors based on the board's funding priorities. Additionally, preliminary planning and working drawings phases of these projects all have been previously approved by the Legislature.

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted

ISSUE 2: STUDENT SUCCESS AND EQUITY PROGRAMS

The Subcommittee will review the Governor's Budget proposal to provide an additional \$100 million Proposition 98 General Fund for the Student Success and Support Program and an additional \$100 million Proposition 98 General Fund for Student Equity Plans.

The Subcommittee also will discuss other ways to improve student completion rates at community colleges. Professor Estela Bensimon will provide a review of student equity planning at community colleges; Barbara Baran will discuss efforts to improve basic skills education; and Fabio Gonzalez will discuss the Extended Opportunity Programs and Services categorical program.

PANEL 1: GOVERNOR'S PROPOSALS

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

PANEL 2: OTHER PERSPECTIVES ON STUDENT SUCCESS AND STUDENT EQUITY

- Estela Mara Bensimon, Professor of Education and Co-Director of the Center for Urban Education, University of Southern California
- Barbara Baran, California EDGE Coalition
- Fabio Gonzalez, Counselor, San Jose City College; President, Extended Opportunity Programs and Services Association

BACKGROUND

Many categorical programs exist in the community college system to support students as they seek to achieve educational goals. Programs support specific types of students, such as disabled students, low-income students, or students who are participating in the CalWORKS program, or provide a specific type of service that benefits students, such as financial aid administration or funding and support for part-time faculty.

In an effort to improve completion rates among community college students, 2010 legislation required the Community Colleges Board of Governors (BOG) to adopt and implement a comprehensive plan for improving student success. To meet this requirement, the BOG formed a "Student Success Task Force" that ultimately produced a report containing 22 recommendations, all of which were adopted by the board in early 2012.

To provide statutory authority for the CCC system to implement four key task force recommendations, the Legislature passed SB 1456 (Lowenthal), Chapter 624, Statutes of

2012, which (1) requires the BOG to establish policies around mandatory assessment, orientation, and education planning for incoming students; (2) permits the BOG to set a time or unit limit for students to declare a major or other specific educational goal; (3) authorizes the BOG to establish minimum academic standards for financially needy students who receive enrollment fee waivers; and (4) establishes the Student Success and Support Program (SSSP). Chapter 624 also includes intent language emphasizing that students not be “unfairly impacted” by the resulting policies adopted by the board.

The Legislature, Administration and community college system have made significant investment and enacted statutory changes in recent years regarding student success, including:

- Funding for the Student Success and Support Program.** The chart below indicates state funding levels for SSSP during the past three years. SSSP is intended to provide students with orientation, assessment, counseling and educational planning services. Colleges also are required to provide matching funds for state dollars. Matching requirements are determined by the Board of Governors.

	2012-13 Actual	2013-14 Actual	2014-15 Authorized	% Change, 2012-13 to 2014-15
Student Success and Support Program	\$49.2 Million	\$99.2 Million	\$199.2 Million	305%

Note: SSSP was called Matriculation before SB 1456 refocused the program and changed its name

- Funding and Statutory Changes to support Student Equity Plans.** The 2014 Budget Act included statutory language establishing Student Equity Plans. In order to receive SSSP funding, colleges are required to develop plans that identify inequities in access and completion among differing student groups, including low-income students, student with disabilities, foster youth, veterans, and students in various ethnic and racial categories. Plans also must include goals for improving access and completion rates for these groups and all students, strategies for achieving these goals, and plans for coordinating all student support categorical programs. The budget also included \$70 million Proposition 98 General Fund for colleges to spend to achieve goals; the Chancellor's Office is distributing the funding based in part on a funding formula that considers a district's poverty and unemployment rates and number of low-income students.
- Creation of the Institutional Effectiveness Partnership Initiative.** The 2014 Budget Act also provided \$2.5 million Proposition 98 General Fund for technical assistance to colleges in the areas of academic affairs, student services, workforce development and finance. Under the new initiative, the Chancellor's Office can contract with teams of community college experts (such as leading faculty) to consult with colleges in need of help in these areas. The Budget Act also provided \$1.1 million General Fund to add nine permanent positions at the Chancellor's Office in support of this initiative. Statutory language also requires the development of performance measures for districts and colleges in the areas of academic affairs, student services, workforce development, and finance.

The Board of Governors adopted systemwide targets at its July 2014 meeting. The chart below, prepared by the Legislative Analyst's Office, indicates performance metrics, recent performance and some goals that have been set.

Figure 9
CCC Systemwide Performance Measures and Targets

Metric	Recent Performance ^a	Target
Completion Rate. Completion defined as: (1) earning an associate degree or credit certificate, (2) transferring to a four-year institution, or (3) completing 60 UC/CSU transferable units with a GPA of at least 2.0 within 6 years of entry.	41% for underprepared 70% for prepared 48% overall	Increase rate by 1 percent (of rate) annually.
Remedial Progress Rate. Success in college-level English or math class for students who took remedial English, remedial math, or English as a second language.	31% in math 44% in English	To be determined.
CTE Completion Rate. CTE students who completed a degree, certificate, or 60 transferable units, or transferred.	54%	To be determined.
Associate Degrees for Transfer. Number of these degrees completed annually.	5,365	Increase number by 5 percent annually for 5 years.
Equity Rate. Index showing whether a subgroup's completion rate is low compared with overall completion rate. An index of less than 1.0 indicates underperformance.	0.78 African American 0.78 American Indian 0.81 Hispanic 0.89 Pacific Islander 1.09 White 1.29 Asian	Increase annually until all indices are 0.80 or above.
Education Plan Rate. Share of students who have an education plan.	To be determined.	To be determined.
FTE Years Per Completion. A measure of efficiency showing amount of instruction, on average, required for each completion. (A student completing 60 units, the standard length of an associate degree or preparation for transfer, would generate two FTE years.)	5.21 for underprepared 2.84 for prepared 4.33 overall	Decrease measure (increase efficiency).
Participation Rate. Number of students ages 18-24 attending a community college per 1,000 California residents in the same age group.	261	Increase participation rate each year.
Participation Among Subgroups. Index comparing a subgroup's share of enrollment with its share of the state population. An index of less than 1.0 indicates underrepresentation.	0.87 White 1.01 Hispanic 1.01 African American 1.22 Asian	Maintain index above 0.80 for all subgroups.

^a 2012-13 for annual data and 2007-08 cohort for cohort data unless otherwise specified.
 CTE = career technical education and FTE = full-time equivalent.

The Governor's 2015-16 Budget

The Governor's proposed budget provides an additional \$100 million Proposition 98 General Fund for the Student Success and Support Program, which would bring state funding for this program to \$299.2 million. The budget also proposes an additional \$100 million Proposition 98 General Fund to support Student Equity Plans, and another \$2.5 million Proposition 98 General Fund for the Institutional Effectiveness Partnership Initiative. There are no new policy changes related to these funding proposals.

LAO Recommendations

The LAO recommends the Legislature approve the funding increase related to these programs but not limit it only to the kinds of student support services offered through SSSP.

Instead of limiting the funds only for SSSP, the LAO recommends the Legislature consolidate seven student support categorical programs into a new Student Support block grant.

Funding would be allocated to districts primarily on a per-student basis, under the LAO's proposal, with some allowance potentially made for districts with high percentages of financial aid recipients or students with other indicators of need. The Legislature also could consider a district's performance—such as meeting goals for improving overall outcomes and reducing disparities in achievement—as a factor in the allocation of student support funding.

STAFF COMMENTS/QUESTIONS

The Legislature, Administration and Chancellor's Office have agreed in recent years on the need for increased funding for the Student Success and Support Program to help implement the goals outlined by the Student Success Task Force. Student equity planning and the institutional effectiveness funding also support the general goal of improving student success. Given this widespread agreement and the increasing availability of Proposition 98 revenues for the 2015-16 budget year, some level of increased or sustained funding for these programs seems appropriate. However, other issues can be considered as the Subcommittee develops its funding package for community colleges.

What is the right amount of funding for SSSP? The Governor's proposal would bring total state spending on SSSP to nearly \$300 million, a massive increase from just a few years ago. The Chancellor's Office reports that colleges have used funding to hire counselors and other student support staff and invested in technology to help with student orientation, assessment and planning.

As part of the student success effort, the Board of Governors has passed regulations requiring students to complete education plans, which identify a specific educational goal, such as earning an associate's degree or completing a certificate program. Beginning this fall, districts may place a hold on registration for students who do not have a completed education plan after completing 15 units or before the end of their third semester, whichever comes first.

It is imperative that there is enough funding in the program to allow students easy access to counselors and other support staff who can assist students in completing their plans. However, the Legislative Analyst has noted that the system is having difficulty spending the rapidly increasing funding. The LAO states that in part due to the lead time necessary to hire counselors and other student support personnel, community colleges have been unable to fully expend these funds in the years they were appropriated. A six-month extension approved by the Chancellor's Office, along with some reallocation to districts that could use funds more quickly, permitted colleges to spend most of the 2013-14 funds. The Chancellor's Office plans to approve a similar extension for 2014-15 funds.

Student Equity efforts just getting underway. While the Board of Governors established Student Equity Plans through 1996 regulations, they were not funded or required in statute until last year's budget actions. Thus, many colleges did not complete or update their plans until January 2015. The Chancellor's Office has received the plans and states that it will post executive summaries of each college's plan on its website by April 15. Professor Estela

Bensimon of the University of Southern California will present testimony at this hearing regarding the plans.

There can be many benefits to this process: colleges for the first time are being funded to identify access and achievement gaps, and then make changes to address them. However, this is a new program and the statutes leave much discretion to colleges in terms of both execution and accountability. For example, some stakeholders have indicated that districts believe they cannot use student equity funding to support existing categorical programs. This is not the case; the statute clearly states that equity planning should consider existing categoricals as it determines appropriate measures to address inequity. Student equity funding can be used to increase overall funding for other categorical programs.

The Subcommittee will need to continue monitoring this process to determine if it is working to narrow access and achievement gaps; more specific direction may be required.

Other categorical programs that support student success remain underfunded. While increasing funding for SSSP is critical, other existing student support programs remain stuck at funding levels enacted during the recession. The table on the next page shows some categorical programs and their funding levels both before the recession and currently. Many of these programs were cut by as much as 40% during the recession. All of these programs provide support to specific student populations or provide specific services that can benefit student completion rates.

While the Administration proposes a 1.58% Cost-of-Living Adjustment (COLA) for community college apportionment funding, and the significant increase to the SSSP categorical, it provides no increases to other programs. The Subcommittee may wish to consider whether increased funding for some or all of these programs could also help improve student success.

Program	Description	2007-08 Funding	2015-16 Proposed Funding	% Change
Fund for Student Success	Provides counseling and mentoring to low-income or underrepresented students seeking to transfer to a four-year college. Supports MESA and PUENTE programs.	\$6.2 Million	\$3.8 Million	-39%
Extended Opportunity Programs and Services	Provides counseling, tutoring and textbook purchase assistance for low-income students	\$106.8 Million	\$88.6 Million	-17%
CalWORKS	Provides support services for CalWORKS recipients attending college, including child care, work study programs and counseling	\$43.6 Million	\$34.5 Million	-21%
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	-51%
Campus Child Care Support	Funds child care centers at 25 districts	\$6.8 Million	\$3.4 Million	-50%
Basic Skills	Provides counseling and tutoring for students needing remedial classes; also provides professional development for basic skills faculty	\$33.1 Million	\$20 Million	-40%
Student Financial Aid Administration	Seeks to increase student awareness of financial aid and assists students in applying for financial aid	\$51.6 Million	\$69.4 Million	35%

Other ideas for improving student outcomes deserve consideration. In addition to existing categorical programs, the Subcommittee could consider investing in other research-backed strategies that improve student outcomes.

- **Full-Time Faculty.** For example, there is significant research indicating that increasing the number of full-time faculty at colleges leads to better results. The Legislature has long recognized that full-time faculty are critical to student outcomes, as they are easier for students to meet with and are more likely to be engaged in campus and educational improvement efforts. Legislation approved in 1988 outlines a state goal that 75% of credit hours at community colleges be taught by full-time faculty. Despite this goal, currently only about 56% of credit hours are taught by full-time faculty. In its fall budget proposal, the Board of Governors proposed that \$70 million be spent to increase full-time faculty throughout the system.
- **Basic Skills Improvements.** While the Basic Skills categorical program provides counseling, tutoring and other support for remedial students, a growing body of research indicates that restructuring the way basic skills courses and sequences are designed and taught can significantly improve outcomes. For example, a 2014 study showed that redesigned math and English courses that accelerated remediation by at least a semester and aligned remediation with college-level requirements greatly improved a students' odds of completing college-level math and English courses. Other strategies to integrate basic skills coursework into career technical education courses also show promising results.

With success rates of remedial students much lower than students who enter community college as "college-ready," the Subcommittee could consider funding options that incentivize colleges to redesign basic skills programs toward evidence-based practices.

- **Support for Foster Youth.** SB 1023 (Liu), Chapter 771, Statutes of 2014, authorizes the Chancellor's Office to enter into agreements with up to 10 community college districts to improve outcomes for foster youth by creating a specific support program within the Extended Opportunity Programs and Services program. Programs similar to these have been shown to increase the retention rate in college of foster youth by as much as 300 percent. Although the Governor signed this legislation last year, he did not provide any funding for the program in his budget proposal. Costs are estimated to be between \$4 and \$7 million.

Suggested Questions

- Why doesn't the administration support increased funding for other categorical programs that support student success?
- Should categorical programs at least receive the same Cost of Living Adjustment that the administration proposes for apportionment funding?
- Has the state provided enough guidance for colleges on implementing Student Equity Plans?
- What are the most common types of actions colleges are undertaking to achieve student equity?

- Does the Chancellor's Office or Department of Finance believe that \$300 million is the appropriate amount of funding for SSSP? Will we see future proposals for large increases?
- Would the Administration support funding to increase the number of full-time faculty?
- Would the Administration support funding to incentivize colleges to improve basic skills programs?

The Subcommittee may wish to hold this item open until the May Revise to determine Proposition 98 funding levels.

Staff Recommendation: Hold Open Until May Revise

ISSUE 3: BASE ALLOCATION INCREASE

The Subcommittee will consider the Governor's budget proposal to provide community colleges with \$125 million Proposition 98 General Fund to increase base allocation funding. This proposal would essentially provide increased funding to each college, which would have discretion as to how to spend the additional money.

PANELISTS

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

BACKGROUND

Community colleges receive most of their state funding through apportionments, which provide money for basic college needs and are largely based on the number of students served, and through categorical programs.

The Governor's 2015-16 Budget

The Governor's proposed budget provides \$2.3 billion in apportionment funding to colleges. Included in this proposal is a \$125 million increase that the Governor's Budget Summary notes is "in recognition increased community college operating expenses in the areas of facilities, retirement benefits, professional development, converting part time to full-time faculty, and other general expenses."

Budget language does not explicitly direct this money to those issues, however, leaving colleges with wide discretion as to how they use the increase.

LAO Recommendations

The LAO notes that along with this \$125 million increase, the Governor's Budget includes an additional \$170 million Proposition 98 General Fund that is intended for community colleges but undesignated. The Administration has stated it will provide a proposal for the \$170 million at May Revise.

The LAO notes that including these two figures, the Legislature has a considerable amount of funding available to dedicate to its priorities. The Legislature could consider increases for ongoing or one-time purposes. (One-time initiatives would help minimize the risk of cutting ongoing programs in 2016-17 were the stock market or economy to sour.) Regardless of whether the initiatives are ongoing or one time, the LAO recommends the Legislature use the Proposition 98 funds to help meet overarching state education goals, such as streamlining transfer pathways or funding deferred maintenance.

STAFF COMMENTS/QUESTIONS

The Chancellor's Office notes that foregone Cost-of-Living Adjustments during the recession likely cost the system \$900 million. Upcoming retirement costs, split between the CAISTRS and CalPERS systems, will add \$400 million annually to college costs.

Thus, the Chancellor's Office argues that this proposal for an undesignated funding increase can help colleges handle retirement costs and other mandatory costs like utilities, health care, and information technology needs.

Staff acknowledges the need for increased funding for various local needs, particularly issues like retirement and health care costs. However, the Governor's Budget also leaves unaddressed many legislative priorities, such as increasing funding for categorical programs that support students and improving the number of full-time faculty on campuses.

As the LAO recommends, the Subcommittee may wish to designate some or all of this funding for specific purposes, both to address legislative priorities and provide more transparency as to how state funds are spent.

Suggested Questions

- How would the Chancellor's Office distribute this increased funding under the Governor's proposal?
- What type of direction would the Chancellor's Office provide to districts as to how to spend this money?

The Subcommittee may wish to hold this open until the May Revise to determine total funding available to community colleges and to create an overall community college budget package.

Staff Recommendation: Hold Open Until May Revise

ISSUE 4: ENROLLMENT GROWTH

The Subcommittee will consider the Governor's budget proposal to provide \$107 million Proposition 98 General Fund to support 2% enrollment growth in 2015-16.

PANELISTS

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

BACKGROUND

Community colleges dramatically limited access during the recession, and finished the 2012-13 school year serving 500,000 fewer students than they had in 2008-09. These cutbacks were devastating to students, who couldn't get into colleges or found it difficult to get the classes they needed to complete a certificate or degree program.

Beginning in 2012-13, the state began providing enrollment growth funding again to colleges, but student headcounts remain below pre-recession levels and demand in some regions – particularly the urban coastal areas – is high. Colleges served about 2.3 million students in 2013-14.

The 2014 Budget Act included two significant actions related to enrollment growth:

- The budget provided \$140 million Proposition 98 General Fund to support 2.75% enrollment growth, or about 60,000 students.
- The budget also provided statutory direction to the Chancellor's Office to implement a new growth formula before the 2015-16 year. Per statute, the new formula requires that funding be directed to better meet a local community's need for educational services, and that it should take into account issues such as local educational attainment levels and unemployment and poverty rates.

Based on preliminary student counts for Fall 2014, systemwide enrollment has grown by about 1.9%; although growth is much higher at some colleges, while one-third of districts are not growing. The data indicate a wide range of growth among the districts, with some districts reporting reduced enrollment and some districts showing double-digit growth.

The Governor's 2015-16 Budget

The Governor's budget proposes \$107 million Proposition 98 General Fund to support 2% enrollment growth, or about 50,000 additional students. The proposal also folds the traditional enrollment growth schedule in the budget bill into the main apportionment

schedule, and makes a change in enrollment restoration funding that reduces community college funding by \$47 million.

LAO Recommendations

The LAO states that current enrollment trends suggest that 2% enrollment growth may be appropriate for 2015-16, but notes that more information about current-year enrollment will be available in May. That information could help the Legislature better determine the proper amount of enrollment growth funding.

The LAO also recommends that the Legislature restore the enrollment growth schedule in the budget bill to ensure transparency and accountability, and notes that the proposal to change enrollment restoration funding needs more consideration. The Administration has agreed to consider this further and may have an alternative proposal in May.

STAFF COMMENTS/QUESTIONS

Access to higher education has long been an Assembly priority. Staff concurs with the LAO recommendation that May data should give the Legislature better information on which to base 2015-16 enrollment growth. It should be noted that systemwide enrollment targets are very difficult to determine, and some funding does flow to colleges that grow beyond enrollment targets, with less going to colleges that attract fewer students than targeted.

Staff also agrees with LAO concerns regarding how enrollment growth is displayed in the budget bill. Enrollment growth is an important issue that should be easily tracked; the Administration's proposal would make that more difficult.

Regarding the new enrollment growth funding formula, the Chancellor's Office reports that it has developed a new formula that addresses the educational needs of an area, as called for in the 2014 Budget Act. Stakeholders appear to be comfortable with the new formula as well.

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?
- Why does the Administration support specific enrollment funding at community colleges but not at the University of California or California State University? Are transfer students able to find spots at UC or CSU?

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
