

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

MONDAY, MAY 18, 2015

1:30 OR UPON ADJOURNMENT OF SESSION - STATE CAPITOL ROOM 447

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ISSUES TO BE HEARD**PART I: GOVERNOR'S MAY REVISION PROPOSALS IN
K-12 EDUCATION AND PROPOSITION 98****6100 AND 6110 DEPARTMENT OF EDUCATION
6360 COMMISSION ON TEACHER CREDENTIALING**

The Governor's May Revision proposal includes total funding of \$83 billion (\$49.7 billion General Fund and \$33.3 billion other funds) for all K-12 education programs. The Subcommittee will hear presentation on the Governor's May Revision proposals related to K-12 education and Proposition 98 from the following panelists:

- Department of Finance
- Legislative Analyst's Office
- Department of Education
- Commission on Teacher Credentialing
- Public Comment (on all subjects in K-12 Education and Prop. 98 at the end of this section)

PROPOSITION 98

The May Revision includes the following for Proposition 98:

- Provides \$6.1 billion more in Proposition 98 funds for K-12 schools, community colleges and preschool over the three-year period of 2013-14 to 2015-16 relative to the Governor's Budget, with the Local Control Funding Formula now allocating \$53.1 billion for 2015-16. Specifically, Prop. 98 Guarantee funding increases by \$241 million in 2013-14, \$3.1 billion in 2014-15, and \$2.7 billion in 2015-16. As a result of these changes, the revised Prop. 98 Guarantee levels at the May Revision for the 2013-14 through 2015-16 fiscal years are \$58.9 billion, \$66.3 billion, and \$68.4 billion, respectively.
- Maintains the repayment of all of the inter-year budgetary deferrals, while substantially increasing funding for the formula by providing an additional \$2.1 billion, building upon the more than \$4 billion provided in the Governor's Budget. In total, this \$6.1 billion investment in the formula will provide enough funding to close 53 percent of the remaining gap to full implementation of the Local Control Funding Formula (LCFF).

Proposition 98 Changes

| | January | May | Change |
|----------------------------------|---------------|---------------|--------------|
| 2013-14 Minimum Guarantee | 58,673 | 58,914 | 241 |
| By Segment: | | | |
| Schools | 51,675 | 51,898 | 223 |
| Community colleges | 6,413 | 6,431 | 18 |
| Preschool | 507 | 507 | 0 |
| Other* | 78 | 78 | 0 |
| By Fund Source: | | | |
| General Fund | 42,824 | 42,996 | 171 |
| Local property taxes | 15,849 | 15,918 | 70 |
| | | | |
| 2014-15 Minimum Guarantee | 63,153 | 66,303 | 3,150 |
| By Segment: | | | |
| Schools | 55,506 | 58,321 | 2,814 |
| Community colleges | 6,902 | 7,238 | 336 |
| Preschool | 664 | 664 | 0 |
| Other* | 80 | 80 | 0 |
| By Fund Source: | | | |
| General Fund | 46,648 | 49,608 | 2,960 |
| Local property taxes | 16,505 | 16,695 | 190 |
| | | | |
| 2015-16 Minimum Guarantee | 65,716 | 68,409 | 2,693 |
| By Segment: | | | |
| Schools | 57,348 | 59,744 | 2,396 |
| Community colleges | 7,630 | 7,914 | 283 |
| Preschool | 657 | 671 | 14 |
| Other* | 80 | 80 | 0 |
| By Fund Source: | | | |
| General Fund | 47,019 | 49,416 | 2,397 |
| Local property taxes | 18,697 | 18,993 | 296 |

Figure #**2015-16 Proposition 98 Spending Changes***(Dollars in Millions)*

| | Difference |
|---|----------------|
| Technical Adjustments | \$105 |
| K-12 Education | |
| Fund LCFF increase for school districts | \$2,127 |
| Increase services for infants and toddlers with disabilities | 30 |
| Provide preschool slots prioritizing children with disabilities | 12 |
| Increase part-day State Preschool rate by 1 percent | 6 |
| Expand special education alternative dispute resolution grants ^a | 2 |
| Provide funding for Tools of Tolerance training program | 2 |
| Provide COLA for select categorical programs ^b | -25 |
| Subtotal | (\$2,154) |
| California Community Colleges | |
| Provide apportionment increase (above growth and COLA) | \$142 |
| Provide physical plant and instructional equipment funding (one time) | 100 |
| Increase funding for full-time faculty | 75 |
| Fund enrollment growth ^c | 50 |
| Provide funds to restore enrollment earned back by districts | 42 |
| Fund CCC Innovation Awards (one time) | 25 |
| Fund implementation of local student equity plans | 15 |
| Fund dissemination of effective practices | 12 |
| Augment technical assistance for districts | 3 |
| Provide COLA for select categorical programs | 2 |
| Provide COLA for apportionments ^b | -31 |
| Subtotal | (\$434) |
| Total 2015-16 Changes | \$2,693 |

^a Provides backfill for redirection of federal funds.

^b Rate estimated at 1.58 percent in January, finalized at 1.02 percent in May.

^c Proposed 2 percent growth in January and proposes 3 percent growth in May.

LCFF = Local Control Funding Formula, COLA = cost-of-living adjustment, and CCC = California Community Colleges.

Figure #**2014-15 Proposition 98 Spending Changes^a***(In Millions)*

| | Difference |
|---|----------------|
| Technical Adjustments | \$176 |
| K-12 Education | |
| Pay down mandate backlog | \$2,415 |
| Increase funding for career technical education grants | 150 |
| Provide incentive grants to improve instruction | 10 |
| Fund partial QEIA program for districts with no concentration funding | 5 |
| Support for evaluation rubric workload ^b | — |
| Subtotal | (\$2,580) |
| California Community Colleges | |
| Pay down mandate backlog | \$261 |
| Provide funding for basic skills initiatives | 62 |
| Fund physical plant and instructional equipment | 48 |
| Fund California Community Colleges Innovation Awards | 23 |
| Subtotal | \$394 |
| Total 2014-15 Changes | \$3,150 |

^a All proposals shown, except for technical adjustments, reflect one-time spending.

^b Provides \$350,000 for State Board of Education.

QEIA = Quality Education Investment Act.

Updated May 2015.

**COMMON CORE/RECENTLY ADOPTED
STATE STANDARDS**

The May Revision proposes the following:

- Expands prior investments in implementation of the recently state-adopted academic standards for English Language Arts and Mathematics by proposing an additional \$2.4 billion in Proposition 98 resources. With more than \$3.5 billion in total discretionary funding, the Governor states that schools will be able to continue to make the necessary investments in professional development, provide teacher induction to beginning teachers, and purchase instructional materials and technology to prepare both students and teachers for success. Of this new total funding, \$40 million will be provided to county offices of education to assist schools in meeting new responsibilities required under the accountability structure of the formula.

SPECIAL EDUCATION

The May Revision proposes the following:

- Proposes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) in 2015-16 to implement selected program changes recommended by the California Statewide Special Education Taskforce, and makes targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education. More detail is below.
- Proposes augmenting the Early Education Program for Infants and Toddlers with Exceptional Needs, which identifies and provides early interventions for infants from birth to age two with special needs, by \$30 million Proposition 98 General Fund. Participation in the current program is limited to local educational agencies that have historically received state funding for this program. This investment will allow for new participation in the program, and provide an opportunity for the state to reassess the outdated funding model. Distribution of this funding will be determined in implementing trailer bill language.
- Proposes \$12.1 million Proposition 98 General Fund to provide access to an additional 2,500 children in State Preschool. Priority for this funding is for children with exceptional needs.
- Requires State Preschool programs to: (1) provide parents with information about accessing local resources for the screening and treatment of developmental disabilities, and (2) within existing professional development requirements, provide teachers with training on behavioral strategies and targeted interventions to improve kindergarten readiness. Proposes increasing State Preschool reimbursement rates by 1 percent (at a cost of \$6 million Proposition 98 General Fund) to reflect these changes.

- Proposes a one-time investment of \$10 million Proposition 98 General Fund to provide technical assistance and build statewide resources to assist local educational agencies interested in implementing school-wide, data-driven systems of support and intervention. School-wide tiered systems provide scientifically based practices and interventions that are proportional to a student's needs. The Governor states that research indicates that schools that have implemented tiered systems are more successful at improving disabled student outcomes.
- Proposes an increase of \$1.7 million federal Individuals with Disabilities Education Act (IDEA) state-level activity funds to expand the current Alternative Dispute Resolution Grant Program to all Special Education Local Plan Areas in the state. The Governor states that on a limited scale, this program has proven successful in resolving special education disputes at the local level. The Department of Finance technical letter on this item states that the CDE is able to absorb approximately \$1.7 million with existing federal funds, but \$1.89 million in additional funding is required to cover the higher contract costs. Budget bill language is also proposed for this item. The DOF letter includes several related technical changes conforming to this proposal.
- Proposes an increase of \$500,000 federal Individuals with Disabilities Education Act state-level activity funds to develop resources and provide technical assistance to local educational agencies for implementation of the federally required State Systemic Improvement Plan for students with disabilities.
- Proposes a non-Budget Act item for Special Education Adjustment for Redevelopment Agency Property Tax Revenues be decreased by \$6,309,000 Proposition 98 General Fund to reflect an increase in property tax revenues.
- Proposes trailer bill language to specify that \$35,721,493 provided in the 2012 Budget Act will count toward fully funding the federal Special Education maintenance of effort requirements in 2010-11 and 2011-12, \$16,548,538 and \$19,172,955 respectively.

CAREER TECHNICAL EDUCATION

The May Revision proposes the following:

- Proposes an additional \$150 million in 2015-16 for the first year of this transition program, an additional \$50 million in 2016-17, and a reduction of \$50 million in 2017-18. This adjusted schedule of funding will better allow schools to transition to entirely using their own discretionary funds by 2018-19. The Governor's Budget proposed \$250 million in one-time Proposition 98 funding in each of the next three years to support a transitional Career Technical Education (CTE) Incentive Grant Program. School districts, county offices of education, and charter schools receiving funding from the program would be required to provide a dollar-for-dollar match each year.
- Increases the minimum local-to-state funding match requirement to 1.5:1 in 2016-17 and 2:1 in 2017-18, to assist local educational agencies' transition in supporting CTE with their Local Control Funding Formula apportionments and other existing resources after this program expires.

- Eliminates Career Pathways Trust from the list of allowable sources of local matching funds.
- Directs the Department of Education and the State Board of Education to give funding priority to applicants administering programs located in rural districts or regions with high student dropout rates.

OTHER ADJUSTMENTS

The May Revision proposes the following:

- Increases by \$4.6 million one-time Proposition 98 General Fund to provide half of the final apportionment of Quality Education Investment Act (QEIA) funding to selected school districts in 2015-16 that do not qualify for concentration grant funding under the Local Control Funding Formula. This funding will help ease the transition off QEIA funding for districts with isolated concentrations of English learners and students who qualify for free or reduced-priced meals.
- Increases by \$2 million Proposition 98 General Fund for the Los Angeles County Office of Education to contract with the Simon Wiesenthal Center to support the Museum of Tolerance's "Tools for Tolerance" training programs. These funds allow the center to partner with schools throughout the state to advance anti-bias education, inclusion, and equity through professional development programs.
- Decreases \$123.3 million of Proposition 98 General Funds in 2014-15 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Decreases \$224 million of Proposition 98 General Funds in 2015-16 for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues.
- Increases by \$94.4 million in 2014-15 and by \$173.5 million in 2015-16 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of an increase in 2013-14 average daily attendance (ADA), which drives projections of ADA in both 2014-15 and 2015-16.
- Decreases the amount of energy efficiency funds available to K-12 schools in 2015-16 by \$6.7 million to \$313.4 million to reflect reduced revenue estimates. The California Clean Energy Jobs Act (Proposition 39) was approved by voters in 2012, and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects.
- Decreases \$18.4 million of Proposition 98 General Funds for selected categorical programs, based on updated estimates of projected ADA growth.

- Decreases \$22.1 million of Proposition 98 General Funds to selected categorical programs for 2015-16 to reflect a change in the cost-of-living factor from 1.58 percent at the Governor's Budget to 1.02 percent at the May Revision.
- Increases \$1.2 million Proposition 98 General Fund to reflect greater school district participation in the mandates block grant. This additional funding is required to maintain statutory block grant funding rates assuming 100-percent program participation.
- Includes an additional \$2.5 million increase in federal funds to reflect the availability of one-time carryover to support the Standardized Account Code Structure System (SACS) system replacement project. The SACS system is a uniform chart of accounts used to record financial data and to organize school financial information to the specifications of the federal government. However, the current SACS system technology is outdated, lacks adequate support, is incompatible with modern systems, and does not meet the current security standards.

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| COMMISSION ON TEACHER CREDENTIALING PROPOSALS |
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The May Revision proposes the following:

- Proposes to increase the teacher credential fee to \$100 for initial and renewal credentials in an effort to provide the Commission with additional revenue necessary to support mission-critical activities. Credential fees had been held flat at \$55 since 2000, until the fee was raised to the current level of \$70 in 2012. Even with this proposed increase, the Governor states, the teacher credential fees would remain lower than renewal fees charged to professionals in a number of other occupational fields.
- Includes \$4.5 million in additional funding to address long-term underlying causes of the current structural budget issues faced by the Commission. The Administration proposes to begin this effort with a focus on the Commission's responsibility to monitor educator misconduct through the existing district reporting process. Often, the evidentiary files of district-reported cases of teacher misconduct are incomplete and lack basic information, which increases processing time and costs. While the minimum required information is currently specified in regulations, the Administration proposes to place these requirements in statute in an effort to emphasize the basic information needed in a district report of teacher misconduct. The Administration also proposes to provide the Commission with jurisdiction to investigate a superintendent or charter school administrator who fails to report educator misconduct. Both of these changes are intended to improve the quality of these reports, allowing the Commission to act more quickly in determining the correct course of action in each of these cases and ultimately reach a more efficient disposition of each case.

PART II: GOVERNOR'S MAY REVISION PROPOSALS FOR HIGHER EDUCATION

**6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES**

ISSUE 1: ADULT EDUCATION

The Subcommittee will consider the Governor's May Revise proposal regarding adult education.

PANELISTS

- Keith Nezaam, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Dan Troy, California Community Colleges

BACKGROUND

The Governor's January Budget proposal included an adult education reform package that did the following:

- Provided \$500 million Proposition 98 General Fund for instruction in the five priority areas through an adult education block grant to be distributed to the regional consortia.
- Created a seven-person allocation board to distribute funding throughout the region based on the consortia's analysis of needs and gaps.
- Required that each region name a local fiscal agent, which would distribute the new funding.
- Required that in 2015–16 only, the new funds would be allocated first to maintain district or county office of education adult education programs in the five priority areas. The Superintendent and Chancellor would certify, with state board executive director approval, the exact amount of the \$500 million needed for this purpose (currently estimated to be between \$300 million and \$350 million) by August 30, 2015.
- Required each consortium to develop an annual plan.
- Eliminated the Adults in Correctional Facilities categorical program and called for the program to become part of the adult education regional consortium process.

The Governor's May Revise

The Governor's May Revise makes significant changes to the January proposal:

- ***Eliminates allocation board, allows consortia to determine governance.*** The May Revise removes the proposal for consortia to establish allocation boards and instead allows each consortium to determine its decision-making process, based on rules established by the Community College Chancellor and the Superintendent. Requires school districts, county offices of education, and community college districts to be members of consortia to be eligible for any funds received from Local Control Funding Formula apportionments for attendance by adult students, community college apportionments for courses in adult education, the Adults in Correctional Facilities program, and specified federal programs administered by the Department of Education.
- ***Establishes longer planning process.*** Requires the members of each consortium to approve comprehensive plans at least once every three years, with annual updates to reflect available data.
- ***Sets state allocation schedule and process.*** Requires that the Superintendent and Chancellor determine by July 30, 2015, the amount of state funds spent previously by school districts, and therefore the amount they will receive in 2015-16. Then requires distribution of that funding by August 30, 2015, and the rest of the \$500 million by October 30, 2015. In subsequent years, the Chancellor and the Superintendent would approve preliminary allocations to consortia based on funds included in the Governor's Budget for that year, and then approve final allocations to consortia 15 days after the budget is signed. Also requires the Chancellor and the Superintendent to include, in any schedule of allocations, preliminary projections of the amounts that would be apportioned in the subsequent two years.
- ***Allows consortia to determine how to distribute money.*** The May Revise eliminates the requirement that local consortia name a fiscal agent and instead allows the consortium to either choose a fiscal agent or choose to have funds distributed directly to consortia members from the state.
- ***Continues Adults in Correctional Facilities as a standalone categorical.*** Removes January proposal to eliminate this program, instead maintains it as it has been.
- ***Requires plan to integrate federal funds into consortia process.*** Requires the Chancellor and the Superintendent to submit a plan, by January 31, 2016, to distribute specified federal funds for adult education and related programs to these consortia.
- ***Funds three positions for the Department of Education.*** Provides \$335,000 General Fund to support three positions at the Department of Education to support adult education administration. No new positions for the Chancellor's Office, which currently has three positions working on adult education.
- ***Continues maintenance of effort unless consortium makes specific determinations.*** Specifies that the members of a consortium may not reduce the amount of funds distributed to a particular member unless the members make at least one of the following findings related to the impacted member:
 - That member no longer wishes to provide services consistent with the adult education plan approved by the consortium.

- That member cannot provide services that address the needs identified in the adult education plan.
- That member has been consistently ineffective in providing services that address the needs identified in the adult education plan and reasonable interventions have not resulted in improvements.

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| STAFF COMMENTS/QUESTIONS |
|---------------------------------|

The May Revise proposal does respond to many concerns expressed by the Subcommittee and advocates. Eliminating the allocation boards and fiscal agent requirement and instead allowing the regional consortia to determine their own governance structure and funding distribution process are positive changes.

Here are potential concerns and questions the Subcommittee can consider:

- Both the Chancellor and Superintendent have expressed concern that the 2015-16 allocation timeline may be too difficult to achieve; they may propose changes.
- Both the Chancellor and Superintendent note uncertainty about how disagreements at the regional level over funding, governance or other issues would be resolved.
- There is some concern that the new proposal locks in current-level spending, undermining the ability of regions to make major changes to programs to better meet need. The LAO recommends rejecting language regarding the maintenance of funds to providers unless consortia make specific determinations.
- The May Revise proposal continues to allow the executive director of the State Board of Education authority over many decisions; some have suggested this program should be under the sole authority of the Chancellor and Superintendent. The proposal appears to give significant power to an unelected official.
- The LAO also expresses concern that the proposal lacks defined goals and effectiveness measures. The LAO recommends: the Legislature revisit this issue once consortia are fully operational and then set program goals in the coming year. They also recommend requiring the Chancellor and Superintendent to provide 30-day notice to the Legislature of allocation schedules before allocating funds to regional consortia, and setting a deadline for adoption of consistent adult education policies. Specifically, the Legislature could require the Chancellor and Superintendent, in collaboration with the California Workforce Investment Board, to align assessment instruments and placement policies, develop an integrated assessment system with shared data across providers, and develop and begin using common student identifiers by July 1, 2016, as a condition of funding. The Governor's proposal should aid this effort because it requires adult education plans to include information about how consortia members are coordinating placement, academic standards, qualifications for instructors, and collection of data across providers.

Staff Recommendation: Hold Open

6870 CALIFORNIA COMMUNITY COLLEGES**ISSUE 2: STUDENT SUCCESS PROPOSALS AND NEW POSITIONS**

The Subcommittee will consider May Revise proposals to add \$32 million Proposition 98 General Fund to various student support programs and \$340,000 General Fund and six positions to the Chancellor's Office to support ongoing efforts to improve student outcomes.

PANELISTS

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

BACKGROUND

Through the Student Success and Support Program, the Institutional Effectiveness Partnership Initiative, the Success Center for California Community Colleges, and other efforts, the Chancellor's Office has launched multiple efforts to improve student outcomes and disseminate effective practices to colleges. Additionally, programs such as the Extended Opportunity Programs and Services (EOPS), the Disabled Student Programs and Services (DSPS), the Student Services for CalWORKS, the Fund for Student Success, campus child care support, and part-time faculty office hours, support specific students or activities designed to improve student outcomes.

The May Revise

The May Revise contains the following proposals:

- An additional \$15 million Proposition 98 General Fund for student equity plans, for a total of \$115 million above current year spending;
- \$12 million Proposition 98 General Fund to develop and disseminate statewide effective professional, administrative and educational practices including the development of curriculum and practices for members of the California Conservation Corps and for inmates to support the effective implementation of Chapter 695, Statutes of 2014;
- \$3 million Proposition 98 General Fund to provide additional local technical assistance to support effective practices at local districts, in addition to the \$2.5 million proposed in January.
- \$2 million Proposition 98 General Fund to support cost-of-living adjustments to the DSPS, EOPS, CalWORKS and child care categorical programs;

- \$340,000 General Fund for six new positions at the Chancellor's Office to support various student success efforts;
- Budget bill language that allows local districts to use up to \$5 million in funding to provide matching funds for a private foundation seeking to provide education programs for state prison inmates;
- Budget bill language allowing districts to use state funds to implement Chapter 771, Statutes of 2014, which allows the chancellor to enter into agreements with up to 10 community college districts to provide additional services in support of postsecondary education for foster youth through the EOPS program.

STAFF COMMENTS/QUESTIONS

Recently, the Student Success and Support Program, which includes funding for student equity plans, has received significant funding increases – a \$150 million, or 305% increase, between 2012-13 and 2014-15 – while many other programs remain far below pre-recession levels.

Staff notes that the Subcommittee may wish to restore funding to proven student support programs before investing in new initiatives. While a COLA will provide some increase to a few of these programs, the chart below indicates proposed funding in 2015-16 compared to previous levels.

| Program | Description | 2007-08 Funding | 2014-15 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 | \$89.5 Million | -16% |
| CalWORKS | Provides support services for CalWORKS recipients attending college, including child care, work study programs and | \$43.6 Million | \$34.9 Million | -20% |

| | | | | |
|--|---|----------------|-----------------|------|
| | counseling | | | |
| 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% |
| Disabled Student Programs and Services | Provides services for students with disabilities | \$115 Million | \$115.4 Million | 0 |

Regarding the language allowing colleges to use up to \$5 million in funding to match funds for a private foundation seeking to provide education programs for state prison inmates, staff notes that the private foundation interested in this issue has concerns that there is no specific earmark for this program.

The Ford Foundation's Renewing Communities seeks to expand and improve in-prison college education. The Foundation and other private groups are prepared to make a 3-to-1 match if state funds are appropriated. A similar model has been successful in other states, such as Michigan, North Carolina, and New Jersey. The Administration's language does not provide a specific appropriation, instead it allows colleges to use state or local funds for this program.

The Subcommittee may wish to ask the following questions:

- Shouldn't the state seek to boost funding for existing programs before launching new spending proposals or investing even more funding in student equity plans?
- The Chancellor's Office has agreed to provide more information about the proposed six positions. Please do so.
- Are the Administration and Chancellor's Office amenable to altering the in-prison education program to attract private funding?

ISSUE 3: FULL-TIME FACULTY

The Subcommittee will consider the May Revise proposal to provide \$75 million Proposition 98 General Fund to support increasing full-time faculty at community colleges.

PANELISTS

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

BACKGROUND

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.

The May Revise

The May Revise provides \$75 million Proposition 98 General Fund to increase apportionment funding on a per full-time equivalent student basis to increase the proportion of full-time faculty at community college districts. Districts would be required to increase their number of full-time faculty based on specified funding and full-time faculty percentages.

Budget language seeks to require districts with lower percentages of full-time faculty to hire more new faculty than those with higher percentages.

STAFF COMMENTS/QUESTIONS

Staff notes that the Chancellor's Office and many other stakeholders have identified the need for more full-time faculty as a high priority. Importantly, the proposed language seeks to improve the percentages of full-time faculty at those colleges with lower percentages.

ISSUE 4: ENROLLMENT GROWTH

The Subcommittee will consider the May Revise proposal to increase funding for enrollment growth by \$49.7 million Proposition 98 General Fund, which would allow for 3% growth system-wide.

PANELISTS

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

BACKGROUND

As discussed in April, 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. 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 is high.

Based on current data, system-wide enrollment will grow by about 1.9%; although growth is much higher at some colleges. The funding provided in 2014-15 for enrollment growth of 2.75% will be spent, according to the Chancellor's Office, because high-growth districts will collect unused funds from low-growth districts.

The May Revise

The May Revise provides \$49.7 million Proposition 98 General Fund in addition to the \$107 million proposed in January. This would allow 3% growth, compared to 2% proposed in January.

STAFF COMMENTS/QUESTIONS

Community college access is a high priority for the Assembly. But determining the precise amount that incentivizes appropriate enrollment growth is difficult. With system-wide enrollment growth at 1.9% in 2014-15, the Subcommittee may wish to ask stakeholders if colleges truly can achieve 3% growth in 2015-16.

ISSUE 5: BASIC SKILLS PROPOSALS

The Subcommittee will consider May Revise proposals to provide \$60 million one-time Proposition 98 General Fund to establish the Community College Basic Skills and Student Outcomes Transformation Program, which seeks to aide community colleges in developing evidence-based practices in remedial education. The May Revise also proposes \$2 million one-time Proposition 98 General Fund to establish the California Community Colleges and California State University Basic Skills Partnership, which seeks to formalize processes allowing CSU students in need of remedial education to take classes at community colleges.

PANELISTS

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

BACKGROUND

As discussed in April, 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," legislative interest has grown in seeking ways to improve basic skills education.

The May Revise

The May Revise provides \$60 million one-time Proposition 98 General Fund to establish the Community College Basic Skills and Student Outcomes Transformation Program to assist community college districts in improving the delivery of basic skills instruction by adopting or expanding the use of evidence-based models of assessment, placement, instruction, and student support that accelerates the progress of underprepared students towards achievement of postsecondary educational and career goals. Colleges can apply for funding to redesign practices and develop plans to achieve specified goals aimed at improving student success and significantly increasing the number of underprepared students who complete college-level English and mathematics courses.

The May Revision also requests that \$2 million one-time Proposition 98 General Fund be appropriated to establish the California Community Colleges and California State University (CSU) Basic Skills Partnership program to provide incentives to community college districts and the CSU to coordinate their efforts to provide effective basic skills instruction to incoming CSU students in need of basic skills instruction. Trailer bill language states that the Chancellor's Office would distribute 4 \$500,000 grants to community colleges seeking to partner with CSU campuses to provide basic skills courses for CSU students.

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| STAFF COMMENTS/QUESTIONS |
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The main proposal is almost identical to AB 770 by Assemblywoman Jacqui Irwin. Staff notes that improving remedial education could be one of the biggest factors in improving student outcomes at community colleges. The proposal allows, but does not require, colleges to seek funding to make significant reforms toward evidence-based practices.

Regarding the CSU basic skills proposal, the Subcommittee may wish to ask the following questions:

- Would CSU students pay community college or CSU fees for these classes?
- How does this impact the CSU Early Start program, which provides incoming CSU students with remedial education the summer before beginning CSU?
- Would community colleges offer special classes solely for CSU students, or would the students be integrated into regular community college courses?
- Can't students already take these courses? Why is this necessary?

ISSUE 6: OTHER ONE-TIME FUNDING PROPOSALS

The Subcommittee will consider May Revise proposals to use one-time funding for mandate debt repayments (an additional \$261 million Proposition 98 General Fund) and physical plant and instructional equipment costs (\$148 million Proposition 98 General Fund).

PANELISTS

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

BACKGROUND

The January Budget proposed \$379 million one-time Proposition 98 General Fund to be used to pay down the community college education mandates backlog. Similar to the current year, the funding would be distributed to colleges on a per-student basis regardless of whether they are owed mandate funding. Because this is one-time funding for past expenses already incurred, the Governor encouraged the community colleges to use this funding for deferred maintenance, instructional equipment and other one-time costs.

The May Revise

The May Revise provides an additional \$261 million Proposition 98 General Fund for mandates payments, for a total of \$640 million. The May Revise also provides \$148 million in one-time Proposition 98 General Fund for the physical plant and instructional equipment categorical program, which allows for the repair and maintenance of facilities and the replacement of instructional equipment and library materials. Funding would be distributed on a per-student basis.

STAFF COMMENTS/QUESTIONS

Staff notes that community colleges are owed about \$500 million in mandates backlog. Thus the Governor's May Revise proposal actually calls for more spending than is owed. However, because the spending is proposed to go out on a per-student basis to all colleges, regardless of their mandate backlog costs, this proposal will likely not fully retire the state's mandate debt.

Regarding the physical plant proposal, the Chancellor's Office notes that colleges have reported about \$1 billion in deferred maintenance costs, and instructional equipment costs are ongoing. The Chancellor's Office also may seek to modify this language to allow some of the funding to be used to support colleges' efforts to implement landscaping and other drought-related changes to campuses.

6400 UNIVERSITY OF CALIFORNIA

ISSUE 7: UC BUDGET PROPOSAL

The Subcommittee will consider the Governor's May Revise proposal regarding UC's budget.

PANELISTS

- Christian Osmena, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Nathan Brostrom, University of California

BACKGROUND

The Governor's January Budget proposal for the University of California included:

- A 4% increase over General Fund support from the current year, or \$119.5 million.
- Budget language stating that the 4% increase would be provided to UC only if the UC Regents do not raise tuition or fees in 2015-16, the system caps nonresident student enrollment at current year levels, and UC had to agree to create a committee to examine ways to reduce the cost structure of the system.
- \$25 million one-time General Fund to address deferred maintenance issues on campuses.

The Governor's May Revise

The Governor's May Revise makes significant changes to the January proposal for UC as part of an agreement between UC President Janet Napolitano and the Administration:

- **Continues 4% increase in 2015-16 but eliminates tuition and nonresident conditions.** The May Revise continues to provide UC's main state appropriation with \$119.5 million General Fund above current spending, but removes the budget language prohibiting a tuition and fee increase and cap on nonresident student enrollment.
- **Provides \$96 million in Proposition 2 funds for pension costs but requires reform.** The May Revise adds \$96 million for UC pension costs via the Proposition 2 fund, but only provides the funding if the UC Board of Regents approves a retirement program that limits pensionable compensation consistent with the limits specified in the Public Employees' Pension Reform Act of 2013. New employees also could choose a defined contribution plan instead, according to UC. The Administration also has agreed to provide about \$170 million in each of the subsequent two years to address unfunded liability.

- **UC Regents to vote on plan to rescind proposed tuition increase for resident students, raise nonresident tuition by up to 8%.** As part of the agreement, the UC Regents will vote at its hearing this week to rescind the 5% tuition increase it approved last November, and instead increase nonresident supplemental tuition by as much as 8%. This would increase nonresident supplemental tuition from \$22,878 to \$24,678. (Nonresidents also pay resident tuition of \$12,192.) The proposal also would allow increases in supplemental tuition for professional graduate schools, excluding law schools.
- **Agreement would allow resident tuition increases beginning in 2017-18.** UC states that its agreement with the Governor would allow tuition to increase in 2017-18. Tuition increases would be tied to inflation.
- **Agreement allows student services fee to increase annually.** All UC students pay a system-wide fee of \$972. This fee supports medical and mental health services, among other things. The agreement allows this fee to rise by 5% annually, which would be a \$48 increase in 2015-16.
- **Agreement calls for UC to pursue several other academic and structural reforms.** UC must commit to:
 - Completing community college transfer preparation pathways for 20 of its top majors over the next two academic years. These pathways will be consistent across all nine undergraduate campuses, will be as consistent as possible with the California State University (CSU) pathways created for Community College Associate Degrees for Transfer, and will specify clearly any differences between the CSU and UC pathways. In addition, consistent with the Master Plan for Higher Education, UC will increase the proportion of its students who enter UC as transfers, achieving by the 2017-18 academic year its goal of having one-third of entering students start as transfers (with the exception of UC Merced).
 - Changes to support student progress and improve time-to-degree, including reviewing major requirements to determine whether the number of units required to complete a major can be reduced without compromising quality with a goal of reaching 45 units, identification of course sequences that will enable students to complete their degrees in three years (potentially including up to three summer sessions), enhanced use of summer session to aid time-to-degree, continued development of online courses, with an emphasis on hybrid and “flipped” courses and on expansion of access to gateway courses that can slow student progress if not offered at the correct point in a student’s academic career or if sufficient capacity is not available, enhanced use of Advanced Placement and other opportunities for earning credit for coursework or experience outside UC, and enhanced advising services to support students in planning their time at UC and successfully completing their degrees within four years.
 - Use of data analytics to understand instructional costs and improve student outcomes, including expansion of “predictive analytics” for identifying students at risk of academic difficulty and monitoring their progress, piloting of “activity-based costing” in the College of Humanities, Arts and Social Sciences at UC Riverside and, following a scoping study, in three departments at two other campuses, use of “adaptive learning technology” to help students master

challenging coursework, by tailoring instruction to individual needs, which helps them stay on track for graduation. UC Davis will lead a multi-campus pilot of this technology, and expansion of online certificate and master's degree programs to address critical workforce needs in California.

- **Continues \$25 million in deferred maintenance funding.**
 - **Provides \$25 million in cap and trade revenue for energy efficiency projects.**
- This issue will be discussed and determined in Budget Subcommittee No. 3.

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| STAFF COMMENTS/QUESTIONS |
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Staff provides the following comments:

Pension reform in line with Subcommittee concerns. The Subcommittee had expressed bi-partisan concern regarding UC's pension system, particularly a policy that allowed UC employees to earn pension on salaries as high as \$265,000, compared to a cap on most other state and local employees of \$117,000. UC states it will bring its pensionable salary cap in line with the state.

Does not address current resident access crisis, allows nonresident growth. The agreement does not call for any resident enrollment growth, and will allow UC to proceed with its plan to increase nonresident enrollment by 2,000 students this fall. Thus, under this plan, UC will hold resident enrollment flat and increase nonresident enrollment, continuing a recent trend that has seen little growth in resident freshman enrollment, compared to a 283% increase in nonresident freshman enrollment. How can the state provide UC with \$265.5 million in new funding in 2015-16 and see no resident enrollment growth?

Does not address nonresident financial aid. The Subcommittee expressed bipartisan concern that UC policy allows nonresident students to access institutional aid that could help Californians. UC reports that it provided \$32 million in aid to nonresidents in 2013-14. This proposal does not address this issue.

Does not address growth in bureaucracy. UC data indicates a 28% increase in the Managers and Senior Professionals personnel category during the past 8 years, compared to a 3% increase in tenured and tenure-track faculty. This proposal does not address this issue.

6610 CALIFORNIA STATE UNIVERSITY

ISSUE 8: CSU BUDGET PROPOSAL

The Subcommittee will consider the Governor's May Revise proposal regarding CSU's budget.

PANELISTS

- Christian Osmena, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Ryan Storm, California State University

BACKGROUND

The Governor's January Budget main proposal for California State University included:

- A 4% increase over General Fund support from the current year, or \$119.5 million.
- \$25 million one-time General Fund to address deferred maintenance issues on campuses.

The Governor's May Revise

The Governor's May Revise increases General Fund support for CSU by \$38 million, for a total of \$157.5 million. CSU states it will use this funding to increase resident enrollment by about 1.75% over the current year, including 4,000 new freshman and 1,500 new community college transfer students. CSU also would spend about \$23 million on its Graduation Initiative project, which seeks to increase student completion rates.

The proposal continues the funding for deferred maintenance and adds \$35 million in cap and trade revenues for energy efficiency projects.

STAFF COMMENTS/QUESTIONS

Staff provides the following comments:

Provides some access, but is it enough? Unlike UC, CSU is committed to resident enrollment growth. However, the Administration proposal may not go far enough in addressing the access problem at CSU, where more than 30,000 qualified students were turned away last Fall. The CSU Board of Trustees proposal seeks a \$97 million General Fund increase over the Governor's January proposal, which would allow for 3% enrollment growth, or 10,000 new students.

Does not address CSU's request for more flexible investment authority. As discussed in the April 22 Subcommittee hearing, CSU is seeking a statutory change that would allow the system more leeway in its investment strategies. CSU reports that it would like to improve investment returns to allow for more spending on its capital outlay program. The May Revise does not address this issue.

6120 CALIFORNIA STATE LIBRARY

ISSUE 9: LIBRARY PROPOSALS

The Subcommittee will consider May Revise proposals to increase library funding by \$4.2 million General Fund. Specifically, the proposals would provide \$2 million increased funding for adult literacy programs, \$1.7 million increased funding for the California Broadband Project, and \$521,000 and two positions to improve historical preservation efforts.

PANELISTS

- Matthew Saha, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Greg Lucas, California State Library

BACKGROUND

The 2014 Budget Act included \$3.3 million General Fund for the State Library to create a new program to increase Internet speeds at local libraries. Of this amount, \$1 million was provided on a one-time basis for grants to local libraries to purchase networking equipment (such as routers). The remainder was provided on an ongoing basis to cover a portion of the annual contract costs associated with local libraries accessing a statewide, high-speed Internet network.

Additionally, the 2014 Budget Act provided a one-time increase of \$3 million General Fund to support adult literacy programs run by libraries (\$1 million) and to support activities associated with the California Library Services Act, which create library networks that act together on lending policies, bulk purchases and joint training programs (\$2 million).

The May Revise

The May Revise provides \$1.5 million General Fund on a one-time basis for grants to public libraries that require additional equipment, network upgrades, or modifications to physical sites, or some combination of these items, to support broadband Internet access. These funds would increase the number of public libraries that can participate in the Broadband Project. An additional \$225,000 General Fund is provided for administrative costs related to the project.

The May Revise also provides an increase of \$2 million General Fund ongoing for the Literacy and English Acquisition Services Program (Program). The program allocates funds to public libraries to support instruction in basic literacy for adults.

In addition, the May Revise proposes \$521,000 General Fund, including \$181,000 ongoing for 2 new positions and \$340,000 on a one-time basis for digital scanning equipment. The request would allow the Library to make critical improvements to better preserve historical materials in its possession.

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| STAFF COMMENTS/QUESTIONS |
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Regarding the technology funding, staff notes that administrative costs would support the Califa Library Group, which is contracting with the State Library to provide administrative and fiscal services for the Broadband Project. The technology grant funding is a critical issue to allow local libraries the ability to enjoy faster Internet speeds offered by the project. Library officials believe local technology needs could be at least \$13 million.

Library officials believe local technology needs could be at least \$13 million.

Regarding the literacy program funding, the Administration notes that this request complements the proposed Adult Education Block Grant program, which would allocate funds to consortia of school districts and community college districts in regions across the state to implement regional plans for adult education, including instruction in basic literacy. The public libraries would be expected to participate in the development of regional plans for adult education.

Among the more significant failings cited are lack of a disaster preparedness plan (at both locations) and at the State Library in Sacramento lack of an overall archiving preservation strategy.

Included in the budget change proposal are one-time costs for faster-speed, higher quality print and photographic equipment for digitization, a key factor in the success of any long-term preservation plan.

Regarding the preservation funding, the State Librarian notes that a large backlogs exist of both print and photographic digitization and preservation both because of a lack of capacity and projects from other parts of the library being added to the responsibilities assigned by the section that currently houses the book preservation team.

6910 AWARDS FOR INNOVATION IN HIGHER EDUCATION**ISSUE 10: AWARDS PROPOSALS**

The Subcommittee will consider May Revise proposals to provide an additional \$25 million Proposition 98 General Funds for Innovation Awards for community college campuses. In addition, the May Revise shifts \$23 million in 2014-15 Awards funding from the General Fund to Proposition 98 General Fund, to reflect the amount of awards won by community college campuses.

Finally, the May Revise alters trailer bill language to state that the goal of the program is to address higher education objectives described in Chapter 367, Statutes of 2013 (SB 195.)

PANELISTS

- Mollie Quasebarth, Department of Finance
- Jason Constantouros, Legislative Analyst's Office

BACKGROUND

The 2014 Budget Act provided \$50 million in one-time funding to promote innovative models of higher education at UC, CSU, and community colleges campuses. Campuses with initiatives to increase the number of bachelor's degrees awarded, improve four-year completion rates, or ease transfer across segments could apply for awards. Campuses could apply on their own or in collaboration with other campuses.

Out of 58 applications, a committee of seven members - five Governor's appointees, as well as two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee - announced 14 winners.

The Governor's January Budget proposed \$25 million in one-time awards to CSU campuses that are implementing initiatives to improve four-year graduation rates. Award process is the same as the current-year process. The budget also included trailer bill language that would establish this program in statute.

The May Revise

The May Revise increases the Awards funding proposal to \$50 million total by adding \$25 million Proposition 98 General Fund, which will allow community colleges to seek awards.

STAFF COMMENTS/QUESTIONS

The goals of this program are worthwhile, but questions remain about whether providing small, one-time prizes to various campuses who apply for the award is the best use of funding to achieve the goals.