

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE**

Assemblymember S. Joseph Simitian, Chair

May Revise: Higher Education Part 2

**MONDAY, MAY 17, 2004
STATE CAPITOL, ROOM 447
2:00-4:00 P.M.**

REGULAR BUSINESS

ITEM DESCRIPTION

OUTSTANDING COMMITMENTS (HANDOUT)

CONSENT CALENDAR

PAGE

6120	CALIFORNIA STATE LIBRARY	3
ISSUE 1	APRIL 1 ST DOF LETTER---REAPPROPRIATION TO CALIFORNIA HISTORICAL AND CULTURAL ENDOWMENT	3
6440	UNIVERSITY OF CALIFORNIA	4
ISSUE 1	CAPITAL OUTLAY PROJECTS (ATTACHMENT 1)	4
ISSUE 2	APRIL 1 ST DOF LETTER---IDENTIFIED SAVINGS FROM HIGHER EDUCATIONAL CAPITAL OUTLAY BONDS	4
6600	HASTINGS COLLEGE OF LAW	5
ISSUE 1	CAPITAL OUTLAY PROJECTS (ATTACHMENT 2)	5
6610	CALIFORNIA STATE UNIVERSITY	5
ISSUE 1	CAPITAL OUTLAY PROJECTS (ATTACHMENT 3)	5
ISSUE 2	APRIL 1 ST DOF LETTER---AMENDMENTS TO CAPITAL OUTLAY PROJECTS	6
ISSUE 3	APRIL 30 TH DOF LETTER---CLARIFICATION OF THE AVAILABILITY OF FUNDS AND ELIGIBLE USE OF PROJECT SAVINGS	7
ISSUE 4	MAY 13 TH DOF LETTER---CAPITAL OUTLAY PROJECTS: MARITIME ACADEMY, DOMINGUEZ HILLS AND LONG BEACH	8
6870	CALIFORNIA COMMUNITY COLLEGES	10
ISSUE 1	CAPITAL OUTLAY PROJECTS (ATTACHMENT 4)	10

ISSUE 2	APRIL 1 ST DOF LETTER---AMENDMENTS TO CAPITAL OUTLAY PROJECTS	10
ISSUE 3	APRIL 30 TH DOF LETTER---ADJUSTMENTS TO VARIOUS CAPITAL OUTLAY PROJECTS	11
ISSUE 4	MAY 13 TH DOF LETTER----EXTENSION OF EXPENDITURE AUTHORITY FOR THE SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT	15

ITEMS TO BE HEARD

6120	CALIFORNIA STATE LIBRARY	16
ISSUE 1	SUPPORT BUDGET	16
ISSUE 2	MAY 13 TH DOF LETTER----ADJUSTMENTS AND REDUCTIONS TO SUPPORT AND LOCAL ASSISTANCE	18
6360	COMMISSION ON TEACHER CREDETIALING	20
ISSUE 1	SUPPORT BUDGET	20
ISSUE 2	MAY 13 TH DOF LETTER---CREDENTIAL BACKLOG SOLUTIONS AND CHANGES TO STATE OPERATIONS	21
6420	CALIFORNIA POSTSECONDARY EDUCATION COMMISSION	23
ISSUE 1	SUPPORT BUDGET	23
6600	HASTINGS COLLEGE OF LAW	24
ISSUE 1	SUPPORT BUDGET	24
	ATTACHMENTS	26

CONSENT CALENDAR

ITEM 6120 CALIFORNIA STATE LIBRARY

ISSUE 1: APRIL 1ST DOF LETTER—REAPPROPRIATION TO CALIFORNIA HISTORICAL AND CULTURAL ENDOWMENT

The issue for the Subcommittee to consider is the April 1st letter from the Department of Finance requesting an extension of the expenditure authority for local assistance from the California Historical and Cultural Endowment.

BACKGROUND

In an April 1st letter, the DOF proposes the following amendment to the January 10th budget:

It is requested that Item 6120-490 be added to the Budget Bill to conform with this action, as follows:

6120-490 –Reappropriation, California State Library. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided for in that appropriation and shall be available for encumbrance and expenditure until June 30, 2007.

6029-California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund 1) Item 6120-101-6029 of the Budget Act of 2003 (Ch. 157, Stats. 2003).

COMMENTS:

According to the Department of Finance, the extension of expenditure authority is necessary to allow for adequate time for interested parties to develop proposals and for appropriate review of project and program proposals.

ITEM 6440 UNIVERSITY OF CALIFORNIA**ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 1)**

The issue for the Subcommittee to consider is the proposed University of California (UC) Capital Outlay program for 2004-05. None of the funds proposed for expenditures are from the General Fund, but rather come from general obligation bond funding and lease revenue bond funding.

ISSUE 2: APRIL 1ST DOF LETTER—IDENTIFIED SAVINGS FROM HIGHER EDUCATIONAL CAPITAL OUTLAY BONDS

The issue for the Subcommittee to consider is the April 1st letter from the Department of Finance (DOF) requesting for the revised provisional language that will allow the use of identified budget savings to fund minor capital outlay projects.

BACKGROUND

In an April 1st letter, DOF proposes the following amendments to the January 10th budget:

Revise provisional language of Item 6440-401 to clarify that identified savings in funds encumbered from the Higher Education Capital Outlay Bond Funds of 1996, 1998, and 2002 may also be used to fund minor capital outlay projects. The use of these savings for this purpose has been authorized in past budgets, however, this change was omitted when the provisions were consolidated into one item.

1. 6440-401—*Identified savings in funds encumbered from Higher Education Capital Outlay Bond Funds of 1986, 1988, 1990, 1992, 1996, 1998, and 2002 for capital outlay projects, remaining after completion of a capital outlay project and upon resolution of all change orders and claims, may be used:*
 - (a) *to begin working drawings for a project for which preliminary plan funds have been appropriated and the plans have been approved by the State Public Works Board consistent with the scope and cost approved by the Legislature as adjusted for inflation only,*
 - (b) *to proceed further with the underground tank corrections program,*
 - (c) *to perform engineering evaluations on buildings that have been identified as potentially in need of seismic retrofitting, or*
 - (d) *to proceed with design and construction of projects to meet requirements under the federal Americans with Disabilities Act.” Identified savings in funds encumbered from the Higher Education Capital Outlay Bond Funds of 1996, 1998, and 2002 also may be used to fund minor capital outlay projects.*

ITEM 6600 HASTINGS COLLEGE OF LAW

ISSUE 1: CAPITAL OUTLAY PROJECT (ATTACHMENT 2)

The issue for the Subcommittee to consider is the proposed Hastings College of Law Code Compliance Upgrade for the 200 McAllister Street Facility for \$18,758,000. None of the funds proposed for expenditures are from the General Fund, but rather come from the Higher Education Bond Fund of 2002.

ITEM 6610 CALIFORNIA STATE UNIVERSITY

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 3)

The issue for the Subcommittee to consider is the California State University (CSU) Capital Outlay program for 2004-05. None of the funds proposed for expenditure are from the General Fund, but rather come from general obligation bond funding.

ISSUE 2: APRIL 1ST DOF LETTER – AMENDMENTS TO CAPITAL OUTLAY PROJECTS

The issue for the Subcommittee to consider is the April 1st letter from the Department of Finance (DOF) requesting amendments for various capital outlay projects.

BACKGROUND

In an April 1st letter, DOF proposes the following amendments to the January 10th budget:

Add Item 6610-495 to revert \$6.6 million from Item 6610-310-0001, Budget Act of 2000, as re-appropriation by Item 6610-491, Budget Act of 2003, General Fund, for the following projects:

1. *Revert \$6.6 million for the Chico Telecommunications Infrastructure—Construction. CSU has terminated the contractor due to non-performance. CSU will repackage and solicit bids for completing the remaining portion of the project. The project funding will be shifted from the General Fund to 1998 Higher Education Facilities Bond Funds.*

Increase Item 6610-301-0574, Higher Education Facilities Bond of 1998, by \$7,959,000 to reflect the following:

2. *Add \$7,959,000 for construction for the Chico Telecommunication Infrastructure—Construction project. This project will be completed using 1998 Higher Education Facilities Bond Funds. An augmentation of \$1,359,000 is needed to pay for increased CSU contract administration and a new contractor to ensure that the project is completed within scope and budget. An existing construction appropriation is being reverted (see Item 6610-495, above).*
3. *Add Item 6610-493 to re-appropriate funds from Item 6610-302-6028, Budget Act of 2002, from the 2002 Higher Education Capital Outlay Bond fund for the construction phase of the following projects:*
 - a. *Monterey Bay: Library*
 - b. *Pomona: Library Addition and Renovation*
4. *Add Item 6610-494 to extend the liquidation period of construction funds for the following items:*
 - (1) *Item 6610-302-6028, Budget Act of 2002, from the Higher Education Capital Outlay Bond Fund of 2002, for the San Luis Obispo—Engineering/Architecture Renovation and Replacement, Phase II project.*
 - (2) *Item 6610-302-0574, Budget Act of 2000, from the Higher Education Capital Outlay Bond Fund of 1998, for the Long Beach—Peterson Hall Addition project.*

ISSUE 3: APRIL 30TH DOF LETTER – CLARIFICATION OF THE AVAILABILITY OF FUNDS AND ELIGIBLE USE OF PROJECT SAVINGS

The issue for the Subcommittee to consider is the April 30th letter from the Department of Finance (DOF) requesting the addition of provisional language to clarify the availability of funds in the 2004 Higher Education Capital Outlay Bond Fund and the eligible use of project savings for streamline projects scheduled in this item.

BACKGROUND

In an April 30th letter, DOF proposes the following amendments to the January 10th budget:

6. Notwithstanding Section 2.00 of this act or any other provision of law, the appropriation made in this item is available for encumbrance during the 2004-05 and 2005-06 fiscal years, except that the funds appropriated for construction only must be bid by the 2004-05 fiscal year, and will be available for expenditure through the 2005-06 fiscal year, and funds appropriated for equipment purposes are available for encumbrance through 2006-07. For the purposes of encumbrance, funds appropriated for construction management and project contingencies purposes as well as any bid savings, shall be deemed to be encumbered at the time a contract for that purpose is awarded; these funds also may be used to initiate consulting contracts necessary for management of the project during the liquidation period. Any savings identified at the completion of the projects also may be used during the liquidation period to fund the purposes described in subdivisions (a), (b), (c), (d), (e) and (f) of Provision 4.

Add Item 6610-494 to extend the liquidation period of construction funds for the following item:

Item 6610-302-0574, Budget Act of 1999, from the Higher Education Capital Outlay Bond Fund of 1998, as reappropriated by Item 6610-492, Budget Act of 2003, for the San Francisco State University—Renovate Hensil Hall (Seismic) project.

COMMENTS:

According to the Department of Finance, this provision was included in past budgets, but was omitted during the preparation of the budget bill.

ISSUE 4: MAY 13TH DOF LETTER – CAPITAL OUTLAY PROJECTS: CALIFORNIA MARITIME ACADEMY, DOMINGUEZ HILLS AND LONGBEACH

The issue for the Subcommittee to consider is the May 13th letter from the Department of Finance requesting a \$1.9 million reappropriation from the Higher Education Capital Outlay Bond Fund of 2002 to the balance of funding for the California Maritime Academy-Acquisition Project. In addition, the DOF requests increase funding of \$1.7 million for the Dominguez Hills Education Resource Center Addition and \$1.3 million for the Long Beach: Peterson Hall 3 Replacement Building.

BACKGROUND

California Maritime Academy Land Acquisition. Established in 1929, the academy offers vocational programs leading to licensure of its graduates as merchant marine officers. The U.S. Coast Guard approves the license program, which is 1 of 7 degree-granting academies in the nation and the only one on the West Coast. The facilities, including the 500-foot training ship *Golden Bear*, accommodates over 800 students and staff. More than three-fourths of the students live on campus and earn degrees in marine engineering technology, marine transportation, mechanical engineering, facilities engineering, global studies, and maritime affairs. The Maritime Academy became the 22nd campus of California State University (CSU) in July 1995.

Project Proposal. The acquisition of six (6) plus acres adjacent to the front entrance to the campus to build a replacement physical education building. The existing gymnasium and pool were constructed in 1944 and 1947, respectively, and are inadequate for the water activities required for licensure by the Coast Guard. In addition, there is insufficient land available to expand the current facilities. Most of the land is either sloped or bordered by the Carquinez Strait and it would be much more costly to build upon it with only 51 of 81 acres being usable.

The proposed site acquisition is the only available open space contiguous to the campus that can be used for campus expansion. This land is vacant, with the exception of a 4,700 square foot rental commercial building.

This budget item request did not make the January, or April budget requests as the Department of General Services (DGS) was completing their analysis of the cost to acquire the land.

May 13th DOF Letter—Maritime Academy: Acquisition Project, Dominguez Hills: Education Resource Center Addition and Long Beach: Peterson Hall 3 Replacement Building

In a May 13th letter, DOF proposes the following amendments to the January 10th budget:

1. Amend Item 6610-301-6041, 2004 Higher Education Capital Outlay Bond, for \$1,914,000 to reflect the following:

Increase funding (\$1,914,000) for California Maritime Academy—Acquisition project.

Decrease funding (-\$1,914,000) for Systemwide: Minor Capital Outlay—Preliminary plans, working drawings and construction.

2. Amend Item 6610-301-6041 from the 2004 Higher Education Capital Outlay Bond to reflect the shifting of two projects from the capital outlay “streamline” process (i.e., all project funding phases appropriated in one fiscal year) to the conventional capital outlay process. In addition, the projects reflect funding adjustments to account for various items that were underestimated or omitted in the original proposal. (See corresponding reduction below in Item 6610-302-6041.)

Increase funding (\$1,725,000) for Dominguez Hills: Education Resource Center Addition—Preliminary plans and working drawings. Additional funding is needed for additional seismic work that is needed where the new building would connect to the library; and to provide for increased cost of steel in building components.

Increase funding (\$1,361,000) for Long Beach: Peterson Hall 3 Replacement Building—Preliminary plans. Additional funding is needed to: provide increased shoring needed in the basement; abate hazardous materials in lab ductwork and plumbing; relocate utilities to minimize utility interruptions to adjacent buildings; provide for higher costs of heating, ventilation and air conditioning system and controls; and account for increased cost of steel in building components.

3. Amend Item 6610-302-6041 from the 2004 Higher Education Capital Outlay Bond to reflect the shifting of the following projects from the capital outlay “streamline” process to the conventional capital outlay process. (See corresponding shift and increase above in Item 6610-301-6041.)

Decrease funding (\$34,057,000) for Dominguez Hills: Education Resource Center Addition—Preliminary plans, working drawings and construction.

Decrease funding (\$1,284,000) for Long Beach: Peterson Hall 3 Replacement Building—Preliminary plans.

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 4)

The issue for the Subcommittee to consider is the California Community Colleges (CCC) Capital Outlay program for 2004-05. None of the funds proposed for expenditure are from the General Fund, but rather come from general obligation bond funding.

ISSUE 2: APRIL 1ST DOF LETTER—AMENDMENTS TO CAPITAL OUTLAY PROJECTS

The issue for the Subcommittee to consider is the April 1st letter from the Department of Finance (DOF) that amends several community college capital outlay projects in the January 10th budget.

BACKGROUND

In an April 1st letter, DOF proposes the following amendments to the January 10th budget:

1. *It is requested that Item 6870-301-6028, Higher Education Facilities Bond of 2002, be decreased by \$2,885,000 to reflect deletion of a project from the Governor's Budget. The San Mateo Community College District, Skyline College—Facility Maintenance Center Replacement project is being deleted because it no longer meets the Chancellor's Office requirements for funding this year because of modifications in the planning phases made by the district.*
2. *It is requested that Item 6870-301-6041, 2004 Higher Education Facilities Bond, be increased by a net of \$8,632,000 to reflect the following:*

Add \$3,678,000 for construction for the San Mateo Community College District, College of San Mateo—Student Services Consolidation project. This project is being combined with the previously approved Student Services Building 6, Seismic Retrofit project because both projects affect the same building. Consolidation of these two projects into one will generate \$67,000 in cost savings. Funds for the seismic retrofit project are being reverted (see below).

Add \$4,027,000 for construction for the San Mateo Community College District, Canada College, Library/LRC/Student Services project. Examination of the site conditions for this project during the planning phases have uncovered the need for additional project funding to address soil, drainage and foundation conditions, as well as to avoid underground utilities. The district will fund its proportionate share of the added project costs.

Add 927,000 for construction for the Copper Mountain Community College District, Copper Mountain College—Multi-use Sports Complex project. A recent Environmental Impact Report for this campus found that this project is sited in a 100-year flood area. To alleviate flood concerns, the majority of the impacted facilities, including the sports complex building will be moved north of the impacted flood area. The soccer fields remaining will be built on elevated pads to alleviate flood concerns. Funding will also provide for a drainage channel to divert water off of district property.

3. It is requested that Item 6870-497 be added to revert \$3,745,000 of funds to the Higher Education Facilities Bond of 2004. As mentioned above, the San Mateo Community College District, College of San Mateo—Seismic Retrofit, Student Services Building 6 project no longer needs construction funds, as this project is being combined with another project in the same building.

ISSUE 3: APRIL 30TH DOF LETTER—ADJUSTMENTS TO VARIOUS CAPITAL OUTLAY PROJECTS

The issue for the Subcommittee to consider is the April 30th letter from the Department of Finance (DOF) that makes adjustments to various community colleges capital outlay projects.

BACKGROUND

In an April 30th letter, DOF proposes the following amendments to the January 10th budget:

1. Amend Item 6870-301-6041 to reflect a technical change to add the Equipment phase into the following schedule:

(37) 40.37.103 Palo Verde Community College District, Palo Verde College, Physical Education Complex—Construction and Equipment

2. Add Item 6870-490 to reappropriate the following project phases in Item 6870-301-0574, Budget Act of 2001, and as reappropriated by Item 6870-490, Budget Acts of 2002 and 2003:

Compton Community College District, Compton College, Seismic Replacement/Expansion Learning Resource Center—Equipment

Compton Community College District, Compton College, Child Development Center—Equipment

The district has experienced construction delays in the preceding two projects and construction will not be more than 50 percent complete until July 2004.

Long Beach Community College District, Long Beach City College, Child Development Center—Construction. The plans for this project are currently being reviewed at the Department of General Services, Division of the State Architect (DSA). Construction funds will be encumbered upon completion of DSA review.

San Diego Community College District, District Office, Seismic Retrofit, District Headquarters Building—Construction. The district is working to relocate the functions

currently housed in this building. The retrofit project will proceed once relocation is achieved.

3. It is requested that Item 6870-490 be amended to reappropriate the following project phases funded in Item 6870-301-6028, Budget Act of 2003:

Glendale Community College District, Glendale College Allied Health/Aviation Lab—Construction

Grossmont-Cuyamaca Community College District, Cuyamaca College, Science and Technology Mall—Construction

Los Angeles Community College District, Los Angeles Southwest College, Child Development Center—Construction

Los Angeles Community College District, Los Angeles Valley College, Health Sciences Building—Construction

Mira Costa Community College District, Mira Costa College, Horticulture Project—Construction

San Jose-Evergreen Community College District, San Jose City College, Science Building—Construction

Santa Clarita Community College District, College of the Canyons, Classroom/High Tech Center—Construction and Equipment

Shasta-Tehama-Trinity Joint Community College District, Shasta College, Library Addition—Construction

West Valley-Mission Community College District, Mission College, Main Building, 3rd Floor Reconstruction—Construction

The plans for the preceding nine projects have either been submitted, or will be submitted by the end of the fiscal year, to DSA for review. It is anticipated that construction funds will be encumbered in the 2004-05 fiscal year.

Long Beach Community College District, Long Beach City College, Industrial Technology Center-Manufacturing—Working Drawings

Rancho Santiago Community College District, Santa Ana College, Physical Education Seismic Replacement/Expansion—Construction

San Francisco Community College District, Mission Center, Mission Center Campus Building—Construction and Equipment

Copper Mountain Community College District, Copper Mountain College, Multi-use Sports Complex—Working Drawings

The preceding four projects were delayed because project plans needed to be redesigned as a result of necessary changes in scope and/or location.

Compton Community College District, Compton Community College, Performing Arts and Recreation Complex—Working Drawings

Mira Costa Community College District, Mira Costa College, Creative Arts Building Replacement—Working Drawings

The preceding two projects experienced delays as a result of difficulties contracting with an architectural firm with experience designing performing arts facilities.

West Valley-Mission Community College District, West Valley College, Campus Technology Center—Working Drawings. The project has been delayed because the district has been dissatisfied with the architect's responsiveness and lack of progress. A new architectural firm is being sought and the funds for working drawings will be encumbered upon selection of a new firm.

Foothill-De Anza Community College District, Foothill College, Seismic Replacement, Student Services—Construction. The Governor's Budget requests funding for a Life Science Building on the Foothill College campus. This project has been temporarily put on hold pending approval of funding for the Life Science Building.

Rancho Santiago Community College District, Santiago Canyon College, Science Building—Working Drawings. The district recently passed a local bond measure, which prompted the district to update its facility master plan and reevaluated how the building would fit into their long-range plans. While this effort is now complete, the additional planning efforts resulted in project delays.

Santa Barbara Community College District, Santa Barbara City College, Physical Science Renovation—Working Drawings. This project has been delayed while the district investigates better alternatives for the handling and storage of hazardous materials.

Ventura County Community College District, Moorpark College, Child Development Center—Construction. Recent cost estimates indicate that this project may be under-budgeted. This project has been put on hold to enable the district to cost engineer the project and identify local financing to fund the anticipated deficit.

Yosemite Community College District, Modesto Junior College Auditorium Renovation/Expansion—Working Drawings. This project has experienced delays as a result of seismic retrofit issues.

Victor Valley Community College District, Victor Valley College, Speech/Drama Studio Addition—Working Drawings. The district is in the process of finalizing California Environmental Quality Authority documentation that is necessary for the approval of preliminary plans.

4. Add Item 6870-491 to extend the liquidation period for the following three projects originally appropriated by Item 6870-301-0574, Budget Act of 2001, to provide adequate time to claim expenses against working drawing appropriations for expenses related to the advertisement of the project and the bid efforts:

Long Beach Community College District, Long Beach City College, Replacement of Technology Buildings—Working Drawings

Long Beach Community College District, Long Beach City College, Child Development Center—Working Drawings

Victor Valley Community College District, Victor Valley College, Advanced Technology Complex—Working Drawings

**ISSUE 4: MAY 13TH DOF LETTER—EXTENSION OF EXPENDITURE AUTHORITY
FOR THE SAN LUIS OBISPO COUNTY COMMUNITY COLLEGE DISTRICT**

The issue for the Subcommittee to consider is the May 13th letter from the Department of Finance (DOF) the extension of expenditure authority for the San Luis Obispo County Community College District.

BACKGROUND

In a May 13th letter, DOF proposes the following amendments to the January 10th budget:

It is requested that Item 6870-301-0660 be added to the budget to increase the construction expenditure authority for the San Luis Obispo County Community College District, Cuesta College, Library Expansion and Reconstruction project.

COMMENTS:

According to the Department of Finance, resolving real estate due diligence issues, as well as other project delays, have resulted in project cost increases. Last month the district bid the project and all bids exceeded the augmentation authority of the State Public Works Board. The four bids received ranged from \$13.2 million to \$13.9 million for the construction contract only. Cost increases are partly attributable to the increases to steel prices and labor costs since the project was originally estimated in 2000. The original construction estimate of \$11,034,000 is revised to \$14,563,000, based on a revised project estimate that reflects current market conditions.

ITEMS TO BE HEARD

ITEM 6120 CALIFORNIA STATE LIBRARY

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California State Library (CSL) support budget.

BACKGROUND

The California State Library provides library and information services to the legislative and executive branches of state government, members of the public, and California public libraries. In addition, the State Library administers and promotes literacy outreach programs such as the California Literacy Campaign, develops technological systems to improve resource sharing and enhance access to information, and administers the Public Library Foundation Act, which establishes a formula under which the State contributes funding for basic local library services.

The Governor's proposed budget includes a total of \$74.6 million for the California State Library, a reduction of approximately \$140,000 or .19 percent, under the revised current year (not including the one-time display of local assistance funds for the California Cultural and Historical Endowment). Of these total funds, the Governor proposes \$49.3 million in General Fund support, an increase of \$25,000 or .05 percent, from the revised current-year. The major provisions of the Governor's proposed budget for the California State Library budget include:

California Historical and Cultural Endowment. The Governor proposes funding of \$128.4 million total per the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40). The Endowment was created by statute within the CSL for the purpose of expanding and improving the preservation and interpretation of California's cultural and historic resources. On May 14, 2003, the Department of Finance issued a Finance Letter providing \$128.4 million (local assistance) to the CSL to carry out the Endowment's required programs. The Finance Letter allowed the CSL to submit an expenditure plan for administering the program, using up to 5 percent of the funds for state operations. The Governor proposes 11.0 positions and \$1.7 million in the current year and \$1.5 million in budget year for state operations. There will be approximately \$122 million available for grants.

Public Library Foundation. The Governor proposes funding of \$15.7 million in current and budget year, which reflects no change from the 2003 Budget Act, for local library operational costs and materials.

California Civil Liberties Public Education Program. The Governor proposes funding of \$500,000 in current and budget year, which reflects no change from the 2003 Budget Act. This program was primarily designed as a result of a lack of education in public schools regarding the Japanese American internment period. This highly successful program is in its fourth year of funding.

State Operations. The Governor proposes \$25 million, a reduction of approximately \$140,000, or .19 percent, under the revised current year.

COMMENTS:

This is a maintenance budget for the CSL. However, subcommittee members will be considering the May 13th letter from DOF requesting a reduction of \$1.4 million for Public Library Foundation grants.

ISSUE 2: MAY 13TH DOF LETTER---ADJUSTMENTS AND REDUCTIONS TO SUPPORT AND LOCAL ASSISTANCE

The issue for the Subcommittee to consider is the May 13th letter from the Department of Finance (DOF) requesting adjustments to reduce, eliminate, or change the funding source of various programs included in the January 10th budget.

BACKGROUND

In a May 13th letter, DOF proposes the following amendments to the January 10th budget:

6120-221-0001, Local Assistance, Public Library Foundation Grants

1. *It is requested that this item be reduced by \$1,406,000 for Public Library Foundation (PLF) grants for local libraries as recommended by the Library in response to the Administration's request for reduction proposals.*

6120-011-0020, Support, California State Law Library Fees

2. *It is requested that trailer bill language be added to extend the appellate court filing fee surcharge for the California State Law Library through January 1, 2010.*

6120-151-0493, Local Assistance, Telephonic Reading Program

3. *It is requested that this item be eliminated and the program be funded instead from the Deaf and Disabled Telecommunications Program (DDTP) fund, as funding from the California Teleconnect Fund is no longer authorized in statute and its fiscal capacity is limited.*

6120-151-0483, California State Library—Telephonic Reading Program

4. *It is requested that Item 6120-151-0483 be added in the amount of \$441,000 in order to fully fund the California State Library Telephonic Reading Program, pursuant to proposed trailer bill language. The Deaf and Disabled Telecommunications Program Administrative Committee Fund is a more appropriate funding source, with reserves exceeding \$9.0 million.*

COMMENTS:

According to the Department of Finance, expenditures required for enrollment, caseload, and population changes have increased since the release of the January Governor's Budget. Additionally, the mid-year reductions proposed in December 2003 have not been fully enacted and some have eroded due to missed opportunities. These factors necessitate further adjustments to reduce, eliminate, or change the funding source of various programs included in the January Governor's Budget.

Budget staff notes that the Public Library Foundation (PLF) has suffered significant reductions in the last two years (\$58 million down to \$15.7 million). This funding is utilized by libraries for staffing, extending library hours, development and expansion of library programs such as Homework Help Centers and After School Reading programs, and the purchase of needed books, research materials and bookmobiles.

The Appellate Court Filing Fee Surcharge is set to expire on January 1, 2005. The administration is proposing trailer bill language to extend the sunset date on this fee to January 1, 2010.

The Telephonic Reading Program enacted in 2001 provides telephonic reading services for people who are blind or visually impaired.

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 1: SUPPORT BUDGET**

The issue for the Subcommittee to consider is the Commission on Teacher Credentialing (CTC) support budget.

BACKGROUND

The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues permits and credentials to all classroom teachers, student services specialists, school administrators, and child care instructors and administrators. In total, it issues more than 100 different types of documents.

The Governor's proposed budget includes a total of \$55.7 million for CTC. This is \$11.2 million less than CTC's revised current-year budget. Of CTC's proposed 2004-05 budget, \$31.8 million is from the General Fund (Proposition 98). These funds are designated for three CTC-administered local assistance programs.

MAJOR BUDGET PROPOSALS

- Elimination of 6 positions from the Certification, Assignments and Waivers Division (CAW) and \$600,000 from the Teacher Credentials Fund to reflect anticipated decrease in workload due to the implementation of the Teacher Credentialing Service Improvement Project.
- Eliminate the Pre-Intern Program as it is not NCLB compliant (\$10.4 million)
- Increase funding for the Intern Program to support additional 955 Interns (\$2.4 million)
- Approve on-going costs for the Commission's Teacher Credentialing Service Improvement Project (\$366,000)
- Reappropriation of Federal Funds for the Commission's Troops to Teachers Program (\$147,000)

COMMENTS:LAO Recommendations:

- Include the Pre-Intern, Intern and Paraprofessional Teacher Training Program as part of a "Teacher Quality Block Grant" to be administered by the California Department of Education.
- Participating districts should be required to provide teacher-level information using a unique identifier that could be linked with student achievement data for the purposes of state evaluation only, not individual teacher evaluations.

ISSUE 2: MAY 13TH DOF LETTER---CREDENTIAL BACKLOG SOLUTIONS AND CHANGES TO STATE OPERATIONS

The issue for the Subcommittee to consider is the May 13th letter from the Department of Finance (DOF) proposing solutions to address the credential backlog and requesting changes to three state operations items.

BACKGROUND

In a May 13th letter, DOF proposes the following amendments to the January 10th budget:

1. State Operations, Credential Backlog Solutions (Issue 192)

It is requested that Schedule (1) of this item be increased by \$200,000 and 2.0 positions to assist CTC in addressing a credential processing backlog. Solutions will include:

Beginning July 1, 2004, CTC will modify their credential application review process to include a fitness review of 100 percent of applications for criminal/safety issues and reduce the academic review on applications received from an institution of higher education that has a teacher preparation program that has been accredited by the CTC to only spot check applications, unless additional reviews are needed to address systemic problems that may develop with specific institutions of higher education. Absent a compelling reason to the contrary, applications received from the University of California and California State University and any accredited private universities or colleges will be considered approved for academics when received and will only require a criminal/safety fitness review. These modifications should result in a substantial decrease in workload for credential review staff.

CTC will use the efficiencies created by the above review process modifications to address existing credential application processing backlog, with the intent of permanently eliminating the backlog. The CTC will be required to submit quarterly reports to the Legislature, Legislative Analyst's Office, and the Department of Finance on the progress of eliminating the backlog until such time that a backlog no longer exists.

The \$200,000 and 2.0 positions provided in this issue (partial restoration of the \$600,000 and 6.0 position reduction proposed in the Governor's Budget) will be directed to the CTC's Division of Professional Practices to conduct fitness reviews and ensure that these reviews are completed in a timely manner and to eliminate any backlog of credential review in this area.

It is further requested that the following provisional language be added:

(6) The Commission on Teacher Credentialing shall submit quarterly reports to the Legislature, Legislative Analyst's Office, and the Department of Finance on the progress in eliminating the credential application processing backlog that currently exists. The quarterly reports shall commence on October 1, 2004 and continue until such time as the backlog has been eliminated.

2. State Operations, Reimbursement Authority for Anticipated Revenue from Charging for Program Accreditation (Issue 193)

It is requested that Schedule (1) of this item be decreased by \$200,000 and that Schedule (4) of this item be increased by \$200,000 to provide reimbursement authority to accommodate the anticipated revenue resulting from CTC charging the University of California, California State University, and private colleges for the costs of teacher preparation program accreditation. This action will offset the additional cost of the backlog staffing in Issue 192 and help maintain solvency of the Teacher Credentials Fund.

It is also requested that the following provisional language be added:

(7) Of the funds provided in Schedule (4) of this item, \$200,000 is to provide reimbursement authority for anticipated revenue resulting from CTC charging institutions of higher education for the cost of teacher preparation program accreditation.

3. State Operations, Carryover Reimbursement Authority for Cultural Competency Study (Issue 201)

It is requested that Schedule (4) this item be increased by \$42,000 in reimbursement authority for the continuation of the contract to complete the cultural competency study required by Chapter 817, Statutes of 2003 (AB 54). The CTC estimates that the study will be completed during 2004-05.

4. State Operations, Carryover Authority for the Teacher Credentials Service Improvement Project (Issue 202)

It is requested that Schedule (1) of this item be increased by \$120,000 to provide carryover authority of unexpended funding from the Teacher Credentials Service Improvement Project. The CTC will utilize the carryover funding to contract with an expert in Siebel and Oracle software for intensive staff training in the service and maintenance of the new project software.

It is further requested that the following provisional language be added:

(8) Of the funds provided in Schedule (1), \$120,000 is carryover funding provided for staff training related to the Teacher Credentials Service Improvement Project. Expenditure of these funds is contingent upon approval of an expenditure plan by the Department of Finance.

COMMENTS:

The LAO will present their recommendations to the subcommittee members.

ITEM 6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION**ISSUE 1: SUPPORT BUDGET**

The issue for the Subcommittee to consider is the California Postsecondary Education Commission (CPEC) support budget.

BACKGROUND

The California Postsecondary Education Commission (CPEC) is a statewide postsecondary education coordinating and planning agency. The commission serves as a principal fiscal and program advisor to the Governor and Legislature on postsecondary educational policy. CPEC's responsibilities include conducting analyses and making recommendations related to long-range planning for public postsecondary education and analyzing both state policy and programs involving the independent and private proprietary educational sectors. In addition, CPEC administers the federal K-12/University Professional Development Partnerships. The commission has 16 members, representing the public and private university segments, the State Board of Education, students and the general public.

The Governor proposes total General Fund expenditures of \$2 million, which reflects no change from the 2003-04 Budget Act. Over the past 3 years, CPEC's state funding has declined by 45 percent from \$3.6 million to \$2 million and staff positions have dropped by 58 percent from 43.6 positions to 17.8 positions.

COMMENTS:

CPEC staff will comment on the Commission's goals and objectives for the budget year and the impact that the budget reductions have had on the Commission's ability to carry out their responsibilities. The following are active bills relevant to CPEC:

AB 2923 (Liu) This bill would consolidate the policy responsibilities of the Postsecondary Education Commission into a new state entity, to be known as the California Postsecondary Education Policy and Finance Commission. The bill recasts existing responsibilities of the Postsecondary Education Commission and adds additional specific responsibilities. It also restructures the membership of the commission and requires additional evaluation and strategic planning reports.

This bill will be on Assembly Second Reading on May 17, 2004.

SB 1331 (Alpert/Scott) This bill would create the California Postsecondary Accountability Act of 2004 and establish a structure to assess the progress made by the state's system of postsecondary education in meeting the educational needs of Californians. It would require the Postsecondary Education Commission to administer the accountability structure and provide a report including analysis and assessment of the progress the state is making within each of several specified policy areas. The specific policy goals include (a) educational opportunity, (b) participation, (c) student success, and (d) public benefits.

This bill was placed in the Senate Appropriations Committee Suspense File on May 3, 2004.

ITEM 6600 HASTINGS COLLEGE OF LAW**ISSUE 1: SUPPORT BUDGET**

The issue for the Subcommittee to consider is the Hastings College of Law support budget.

BACKGROUND

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, California's first Chief Justice, and became affiliated with the University of California in the same year. Policy development and oversight for the college is established and carried out by a board of directors, who are appointed by the Governor for 12-year terms. The Juris Doctorate degree is granted by the Regents of the University of California and signed by both the University of California President and the Dean of Hastings College of Law.

The Governor's budget proposes a total of \$33.5 million for Hastings College of Law, representing an overall increase of \$2.7 million of which \$1.5 million is dedicated to additional financial aid to mitigate fee increases. The increase in funding is attributable to the student fee increases the College is implementing for next year. Of the \$33.5 million, \$ 8.1 million is General Fund support, which reflects a decrease of \$3.3 million, or 29 percent, from the revised current year. Over the past two fiscal years, Hastings General Fund support has been reduced by 47 percent.

MAJOR BUDGET PROPOSALS:

The Governor's budget for Hastings include the following proposals:

- Reduce total General Fund support for Hastings by 25 percent (\$2.8 million). This proposal assumes that student fee revenue will be available to offset the reductions in state support. Hastings is increasing fees by \$5,000 for resident students from \$13,735 to \$18,750. Of this amount, 45 percent (\$2,275) offsets General Fund reduction and the balance is for increased financial aid (\$1,200) and core cost increases.
- A 20 percent increase in nonresident tuition (\$188,000). Total nonresident tuition for 2004-05 would be \$32,710, which is comparable to the student fees charged at private institutions such as USC at \$32,144 and Stanford at \$32,424.
- A 7.5 percent reduction in Academic and Institutional support (\$402,000).
- An increase of \$170,000 in annuitant health and benefit costs.

COMMENTS:LAO Recommendation:

Approve the Governor's proposed 25% GF subsidy reduction. The Governor's budget assumes that Hastings would increase resident and nonresident student fees to offset this General Fund

reduction. According to the LAO, the fee increase would be comparable to the Governor's proposed 40% increase and their recommended 30% increase for graduate students at the UC and CSU.

HastingsConcerns:

- As fees increase, prospective students may choose to pursue their legal education at private institutions or institutions out-of-state.
- Student debt will increase. For those students eligible for financial aid, the average law school debt will increase from \$63,000 to \$78,000 for resident students.
- To the extent that enrollment levels decline as nonresident students make other choices, Hastings revenues generated from these students will decline. Nonresident students pay in excess of their average cost of instruction.
- Cost reductions and deferrals over the past three years have been implemented in efforts to manage reduced levels of state support funding. This trend cannot be continued indefinitely.

Budget staff shares the College's concerns and reiterates that further reductions will compromise the services provided to students. The need to increase student fees to offset the proposed reduction in state subsidy will limit access to students who up to this point have chosen to attend the College believing that a public law school should be affordable.