

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Assemblymember Mervyn Dymally, Chair

WEDNESDAY, MAY 3, 2006
STATE CAPITOL, ROOM 126
4:00 P.M.

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CONSENT CALENDAR

ITEM 6440 UNIVERSITY OF CALIFORNIA (UC)

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 2006-07. The Governor's budget includes \$373.3 million for 30 projects within the system. None of the funds proposed for expenditures are from the General Fund, but rather come from general obligation bond funding and except for one project, which is funded by a Lease Revenue Bond.

ITEM 6610 CALIFORNIA STATE UNIVERSITY (CSU)

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 2)

The issue for the Subcommittee to consider is the California State University Capital Outlay program for 2006-07. The Governor's budget includes \$289.3 million for 19 projects throughout the system. None of the funds proposed for expenditure are from the General Fund, but rather come from general obligation bond funding.

ITEM 6440-6610 UNIVERSITY OF CALIFORNIA (UC) / CALIFORNIA STATE UNIVERSITY (CSU)

ISSUE 1: APRIL 1ST DEPARTMENT OF FINANCE (DOF) LETTER: CAPITAL OUTLAY AMENDMENTS TO PROJECTS AT UC SAN FRANCISCO, UC BERKELEY, UC SANTA BARBARA AND CSU CHICO

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

Amendment to and Addition of Various Capital Outlay Budget Bill Items as Follows:

University of California	6440-301-6041 6440-301-6048 6440-301-0660 6440-495
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California State University	6610-301-6028 6610-496
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Both the University of California (UC) and the California State University (CSU) have been experiencing a volatile construction environment in which a number of construction bids have exceeded available resources for capital outlay projects. The following

requests address several such projects by reverting existing appropriations and requesting new appropriations and scope, as appropriate.

UNIVERSITY OF CALIFORNIA

San Francisco Campus, Medical Sciences Building Improvements, Phase 2—Construction. This project is the second of a series of three projects to upgrade the building systems of the Medical Sciences Building. Phase 1 (fire, life and safety improvements) has been completed. Phase 2 (seismic improvements, upgrade heating, cooling, environmental controls) is currently underway and is scheduled to be funded over two consecutive budget years. The first installment of construction funding (\$15,319,000) was appropriated in the *2005 Budget Act* (Item 6440-301-6041). The second installment of construction funding is included in the proposed 2006-07 Budget (Item 6440-301-6048). Bids for the first installment of the Phase 2 project were approximately 50 percent higher than the available funding and the campus is unable to complete the scope of work within the existing Budget. Consequently, UC is proposing to rescope the project, revert the existing 2005 Budget Act appropriation for construction and request a new construction appropriation for 2006-07.

Therefore, it is requested to:

1. Add Item 6440-495 to revert the authority provided in Item 6440-301-6041, *Budget Act of 2005*.
2. Add Item 6440-301-6041 to provide funding of \$15,319,000 from the Higher Education Capital Outlay Bond Fund of 2004 to fund the construction of the San Francisco Campus, Medical Sciences Building Improvements, and Phase 2 project. This will be in addition to the funds already proposed in Item 6440-301-6048 for the Phase 2 project (\$16,379,000) to provide total construction funding of \$31,698,000 for this project.

Berkeley Campus, Seismic Safety Corrections, Giannini Hall—Preliminary Plans. Based on the building renewal work that would have to be done in conjunction with the seismic correction work, it has been determined that such costs are significantly higher than originally estimated, and therefore, UC is requesting that funding included in the 2006-07 Budget for this project be terminated and that preliminary plan funding that was appropriated in 2005 be reverted. This project will be considered at a later date.

To meet UC's request:

1. Add Item 6440-495 to revert the authority provided in Item 6440-301-6041, *Budget Act of 2005*.
2. Amend Item 6440-301-0660 to reflect the removal of the Berkeley Campus, Seismic Safety Corrections, Giannini Hall project proposed for reversion above.

Santa Barbara Campus, Education and Social Sciences Building—Construction. The construction rebid results for this project was nearly \$25.0 million higher (44 percent more) than the approved construction Budget. UC considered reducing the space of the new three building complex (two buildings would support social sciences programs and a third building would support the graduate school of education) but has determined that

would not be feasible as it would reduce the functionality of the new facilities and would require substantial redesigning. Consequently, UC requests to:

1. Add Item 6440-495 to revert the authority provided in Item 6440-301-6041, *Budget Act of 2004*, as re-appropriated by Item 6440-491, *Budget Act of 2005*.
2. Add Item 6440-301-6041 to provide construction funding of \$49,706,000 from the Higher Education Capital Outlay Bond Fund of 2004 to reflect the results of the re-bid of the Santa Barbara, Education and Social Sciences Building project.
3. Amend Item 6440-301-0660 to provide funding of \$24,616,000 Lease Revenue Funds for the construction phase of the Santa Barbara, Education and Social Sciences Building project. The proposed graduate school of education building would be a new stand alone building and an appropriate asset for lease revenue funding. This requested funding, combined with the appropriation requested in Item 6440-301-6041 above would provide total construction funding of \$74,322,000 for this project.

CALIFORNIA STATE UNIVERSITY

Chico Campus, Student Services Center—Construction. Construction bids received in November 2005 are approximately 30 percent over budget and CSU has determined that bids of this magnitude could not be overcome without negatively impacting the building's functionality and the campus' programmatic needs. It is critical to proceed with this project in order to provide expanded facilities for student services and administration, which are currently housed in temporary, and functionally obsolete buildings on campus, and to return space in the library (currently housing student services and administration) back to library use. Consequently, CSU requests to:

1. Add Item 6610-496 to: (a) revert the authority for working drawing and construction funding provided in Item 6610-302-6028, *Budget Act of 2003*, and (b) revert the authority for equipment funding provided in Item 6610-302-6041, *Budget Act of 2005*.
2. Add Item 6610-301-6028 to provide funding of \$42,252,000 from the Higher Education Capital Outlay Bond Fund of 2002 for the construction phase of the Chico Student Services Center project.

ISSUE 2: MAY 1ST DOF LETTER: TECHNICAL AMENDMENTS TO VARIOUS CAPITAL OUTLAY PROJECTS

In a May 1st letter, DOF proposes the following technical amendments to the January 10th budget:

Amendment to and Addition of Various Budget Bill Items as Follows:

University of California

6440-301-6048

6440-302-6048

6440-491

California State University**6610-301-6028
6610-491****UNIVERSITY OF CALIFORNIA**

Add Item 6440-491 to re-appropriate funds, for the following project phases from Items 6440-301-6041, 6440-302-0574, 6440-302-6028, and 6440-302-6041, *Budget Act of 2005*.

1. Riverside Campus, Environmental Health and Safety Expansion—Preliminary Plans and Working Drawings.
2. Santa Cruz Campus, Digital Arts Facility—Working Drawings.
3. Los Angeles Campus, Life Sciences Replacement Building—Construction.
4. Riverside Campus, Materials and Science Engineering—Construction.

Re-appropriation is necessary on the preceding four projects because of delays attributed to project redesigns to keep the project within the approved budget.

Amend Item 6440-301-6048 to reflect the shifting of two projects from the capital outlay “streamline” process (i.e., all project funding phases appropriated in one fiscal year, but no scope changes or augmentations) to the conventional capital outlay process. (See corresponding reduction below in Item 6610-302-6048.)

1. Increase funding (\$17,925,000) for the Davis Campus: King Hall Renovation and Expansion—Preliminary Plans, Working Drawings, and Construction.
2. Increase funding (\$2,571,000) for the Irvine Campus: Primary Electrical Improvements, Step 3—Preliminary Plans, Working Drawings, and Construction.

Amend Item 6440-302-6048 to reflect the shifting of two projects from the capital outlay “streamline” process to the conventional capital outlay process. (See corresponding shift above in Item 6610-301-6048.)

1. Decrease funding (\$17,925,000) for the Davis Campus: King Hall Renovation and Expansion—Preliminary Plans, Working Drawings, and Construction.
2. Decrease funding (\$2,571,000) for the Irvine Campus: Primary Electrical Improvements, Step 3—Preliminary Plans, Working Drawings, and Construction.

CALIFORNIA STATE UNIVERSITY

Add Item 6610-491 to reappropriate funds for the following project phases in Item 6610-302-6041, *Budget Act of 2004*.

1. Bakersfield Campus, Math and Computer Science Building—Construction.
2. Fullerton Campus, College of Business and Economics—Construction.

3. Maritime Academy, Simulation Center—Construction.
4. Northridge Campus, Science 1 Replacement—Construction.
5. Pomona Campus, Science Renovation—Construction.
6. San Luis Obispo, Engineering/Architecture Renovation and Replacement, Phase II—Construction.

For the preceding six projects, a re-appropriation is necessary because of delays in completing construction documents to bring the projects in line with the approved budget.

Add Item 6610-491 to re-appropriate funds for the following project phases in Item 6610-301-6041, *Budget Act of 2005*.

7. Dominguez Hills Campus, Educational Resource Center Addition—Construction.
8. Long Beach Campus, Seismic Upgrade, Liberal Arts 2, 3 and 4—Construction.

For the preceding two projects, a re-appropriation is necessary because of delays in completing construction documents to bring the projects in line with the approved budget.

9. Long Beach Campus, Peterson Hall 3 Replacement Building—Working Drawings.

The project has been delayed in the approval of preliminary plans by the State Public Works Board, pending the project cost increase included in the proposed 2006-07 Governor's Budget. Additional time is needed to complete working drawings due to this delay.

Add Item 6610-491 to re-appropriate funds for the following project phase in Item 6610-302-6041, *Budget Act of 2005*.

10. Sonoma Campus, Music/Faculty Office Building—Construction.

A re-appropriation is necessary because of delays in completing construction documents to bring the project in line with the approved budget.

Add Item 6610-491 to re-appropriate funds for the following project phase in Item 6610-301-6028, *Budget Act of 2003*.

11. Maritime Academy, Land Acquisition—Acquisition.

A re-appropriation is necessary due to delays in acquiring three parcels of property for the Maritime Academy's proposed new physical education building.

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 3)**

The issue for the Subcommittee to consider is the California Community Colleges (CCC) Capital Outlay program for 2006-07. The Governor's budget includes \$585.7 million for 70 projects throughout the system. None of the funds proposed for expenditure are funded from the General Fund, but rather from General Obligation Bonds.

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

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

Amendment to and Addition of Various Budget Bill Items, Capital Outlay, California Community Colleges

This letter requests the amendment of five projects for the California Community Colleges (CCC) as summarized below.

San Luis Obispo County Community College District, Cuesta College, Theater Arts Building—Construction and Equipment. Originally, when the project went out to bid, the results exceeded the available funds by approximately 57 percent. After extensive value engineering and a scope reduction, a second bid attempt was made and again, the bid exceeded the available funds by approximately 44 percent. Consequently, the CCC requests to:

1. Amend Item 6870-497 to revert the authority provided in Item 6870-301-6028, *Budget Act of 2003* (64), \$11,665,000 for construction and equipment.
2. Restore the original size of the building to provide 24,193 assignable square feet (asf) theater arts building with 199 asf office, a 400 seat conventional theater, and a 100 seat experimental theater.
3. Amend Item 6870-301-6028 to increase it by \$24,392,000 to provide adequate funds for the construction and equipment phases.

Merced Community College District, Merced College, Leshar Building Remodel—Working Drawings, Construction and Equipment. The Leshar Building Remodel project was appropriated in Item 6870-301-6041, *Budget Act of 2005* (21). The scope of the project is to remodel 23,094 asf to provide office, laboratory, library, bookstore (district funded), meeting room, and storage space. This project was appropriated with provisional language that restricted the district from requesting augmentations or scope changes. However, the original scope contained erroneous space descriptions that are further complicated by changes in building code requirements for egress. Because of these issues, a scope change is requested for this project. The requested scope is to remodel 18,061 asf with 11,638 asf office, 1,733 asf audio/visual television, 1,629 asf other (meeting rooms and storage), 1,571 asf bookstore (district funded), 844 asf non-

instructional lab, and 646 asf lecture. Therefore, it is requested that the scope for this project be amended to reflect that described above.

Merced Community College District, Merced College, Allied Health Center—Preliminary Plans, working drawings and construction. The proposed 2006-07 Budget contained \$8,160,000 for this project. However, upon further review, the total estimated project cost is \$11,449,000, which is approximately \$3.3 million higher than the funds requested. This is the result of a calculation error made during the development of the building cost. Therefore, it is requested to amend Item 6870-303-6048 to increase it by \$3,289,000 to correctly reflect the estimated building costs for the Allied Health Center project.

San Francisco Community College District, City College of San Francisco-Phelan Campus—Working drawings and construction. The San Francisco area has experienced various cost increases in the construction market. As the construction costs for this project increased beyond the state appropriation, the district sought a local bond to cover these costs. This action by the district has delayed the project and a scheduling change is necessary. Consequently, the CCC requests to:

1. Amend Item 6870-301-6048 to decrease it by \$34,927,000 to reflect a scheduling change that removes the construction phase from the proposed 2006-07 Budget.
2. Add Item 6870-491 to reappropriate Item 6870-301-6041, *Budget Act of 2005* (31), \$1,036,000, for the working drawings phase of the project.

Mt. San Antonio Community College District, Mt. San Antonio College, Seismic Retrofit-Four Buildings Project—Construction. The original scope of the project was to seismically retrofit four buildings. The district has completed the seismic retrofit on two of the four buildings and encountered unanticipated problems that increased the projects costs. Further, the remaining two buildings are in poor condition and have become obsolete, as their functions have been moved to another location. Consequently, the CCC requests to:

1. Amend the scope of the project from retrofitting four buildings to retrofitting two buildings while demolishing the remaining two buildings.
2. Add Item 6870-490 to re-appropriate \$300,000 of Item 6870-301-6028, *Budget Act of 2002* (29), for the construction phase of the project.

<p>ISSUE 3: MAY 1ST DOF LETTER: TECHNICAL AMENDMENTS TO VARIOUS CAPITAL OUTLAY PROJECTS</p>

In a May 1st letter, DOF proposes the following technical amendments to the January 10th budget:

Amendment to and Addition of Various Budget Bill Items as follows:

Capital Outlay, California Community Colleges	6870-301-6048
	6870-491
	6870-497

Add Item 6870-491 to re-appropriate funds, for the following project phases from Item 6870-301-6028, *Budget Act of 2003*, as re-appropriated by Item 6870-490, *Budget Act of 2004* and *Budget Act of 2005*:

1. Los Angeles Community College District (CCD), East Los Angeles College, Fine and Performing Arts Center—Construction and Equipment. This project has been delayed because of discussions with city planners and fire marshals regarding easements and adequate fire protection and access.

In addition, the following re-appropriations are requested because of delays attributed to project redesigns to keep the projects within the approved budget, unexpected site conditions, and delays resulting from plan review and approval. Therefore, add Item 6870-491 to re-appropriate funds, for the following project phases from items:

A. 6870-301-6028, *Budget Act of 2003*:

1. Mt. San Antonio CCD, Mt. San Antonio College, Remodel Classroom Buildings—Equipment.

B. 6870-301-6041, *Budget Act of 2004*:

1. Mt. San Antonio CCD, Mt. San Antonio College, Agriculture Sciences Project—Construction and Equipment.

C. 6870-301-6041, *Budget Act of 2004*, as re-appropriated by Item 6870-490, *Budget Act of 2005*:

1. Chaffey CCD, Chaffey College, Health and Physical Science Building Renovation—Working Drawings.
2. Los Angeles CCD, Los Angeles Pierce College, Child Development Center—Construction and Equipment.
3. Palo Verde CCD, Palo Verde College, Physical Education Complex—Construction and Equipment.
4. Rancho Santiago CCD, Santiago Canyon College, Science Building—Construction.
5. Santa Barbara CCD, Santa Barbara City College, High Technology Center—Working Drawings.
6. Copper Mountain CCD, Copper Mountain College, Multi-Use Sports Complex—Construction and Equipment.

D. 6870-301-6041, *Budget Act of 2005*:

1. Citrus CCD, Citrus College, Vocational Technology Building—Working Drawings.
2. Desert CCD, College of the Desert, Water and Sewer Infrastructure Replacement—Working Drawings.

3. Contra Costa CCD, Los Medanos College, Core Building Remodel—Working Drawings.
4. El Camino CCD, El Camino College, Learning Resource Center Addition—Construction and Equipment.
5. Hartnell CCD, Hartnell East Campus, Center for Assessment and Lifelong Learning—Construction and Equipment.
6. Long Beach CCD, Long Beach City College, Pacific Coast Campus, Library and Learning Resource Center—Construction and Equipment.
7. Long Beach CCD, Long Beach City College, Liberal Arts Campus, Library and Learning Resource Center Renovation and Addition—Construction and Equipment.
8. Los Angeles CCD, Los Angeles Harbor College, Adaptive Physical Education and Physical Education Building Renovation—Construction and Equipment.
9. Los Angeles CCD, Los Angeles Harbor College, Child Development Center—Working Drawings, Construction, and Equipment. Additionally, the district requests a scope change to reduce the original square footage of the 13,587 assignable square feet (asf) building to 9,999 asf as a value engineering effort to keep the project within the state appropriation. This project was appropriated with provisional language that restricted the district from requesting augmentations or scope changes. However, due to cost increases in the construction market, the original scope is no longer feasible. The reduction combines a few smaller classroom areas into one large classroom with folding walls to allow for visual and sound separation which helps keep the program delivery intact. The new scope provides for 1,617 asf laboratory, 1,326 asf office, and 7,056 asf of other (demonstration, storage) child development space.
10. Palo Verde CCD, Palo Verde City College, Fine and Performing Arts—Working Drawings.
11. Rio Hondo CCD, Rio Hondo College, Applied Technology Building Reconstruction—Working Drawings.
12. Rio Hondo CCD, Rio Hondo College, Learning Resource and High Technology Center—Construction and Equipment.
13. San Francisco CCD, John Adams Campus, John Adams Modernization—Construction.
14. San Luis Obispo County CCD, North County Center, Technology and Trades Complex—Construction and Equipment.
15. San Mateo County CCD, Skyline College, Allied Health Vocational Training Center—Working Drawings.

16. Santa Barbara CCD, Santa Barbara City College, Drama and Music Building Modernization—Working Drawings.
17. Sonoma County CCD, Santa Rosa Junior College, Plover Library Conversion—Construction.
18. Victor Valley CCD, Victor Valley College, Seismic Replacement-Auxiliary Gym—Construction and Equipment.

Amend Item 6870-301-6048 to reflect a delay caused by a revised campus-wide environmental impact report that is still under review by the California Coastal Commission (Commission). The project cannot resume until the report is cleared by the Commission and therefore, the phases below cannot be utilized as proposed in the 2006-07 Budget and the current phase, working drawings, will need to be re-appropriated (see corresponding re-appropriation of working drawings in Item 6870-491 to re-appropriate funds from Item 6870-301-6041, *Budget Act of 2004*).

1. Decrease funding (\$28,188,000) for the Santa Barbara CCD, Santa Barbara City College: High Technology Center—Construction and Equipment.

Amend Item 6870-497 to revert funds for the following project phases from Item 6870-301-6028, *Budget Act of 2003*, as re-appropriated by Item 6870-490, *Budget Act of 2004* and *Budget Act of 2005*:

1. Compton CCD, Compton College, Performing Arts and Recreation Complex—Working Drawings. A reversion is necessary due to a dispute between the college and the Accrediting Commission for Community and Junior Colleges (ACCJC) where Compton is appealing the ACCJC's decision to terminate accreditation before ACCJC's parent organization, the Western Association of Schools and Colleges. Further work is postponed until the college's accreditation issues are resolved.
2. Shasta-Tehama-Trinity CCD, Shasta College, Library Addition—Construction and Equipment. A reversion is necessary due to project increases beyond the approved budget. The project has been to bid twice and both have been unsuccessful. The district will seek a new appropriation in the 2007-08 Budget.

Amend Item 6870-497 to revert funds for the following project phases from Item 6870-301-6041, *Budget Act of 2004*, as re-appropriated by Item 6870-490, *Budget Act of 2005*:

1. Compton CCD, Compton College, Performing Arts and Recreation Complex—Construction and Equipment. A reversion is necessary due to a dispute between the college and ACCJC as discussed above.

ITEMS TO BE HEARD

ITEM 6600 HASTINGS COLLEGE OF THE LAW

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the Hastings College of the 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 Chancellor and Dean of Hastings College of Law.

The Governor's proposed budget includes a total funding of \$37.4 million for Hastings, including \$10.1 million in General Fund. These amounts reflect an increase of 4.6 percent in total funds and 21.3 percent in General Fund from the 2005-06 budget levels of \$35.8 percent total funds and \$8.4 million in General Fund.

The following table provides information on Hastings expenditures in the last six years:

Hastings College of Law Summary of Expenditures (Dollars in Thousands)						
	2001-02	2002-03	2003-04	Actual 2004-05	Estimated 2005-06	Proposed 2006-07
General Fund	\$14,995	\$14,422	\$11,081	\$8,119	\$8,363	\$10,148
Hastings Funds	15,049	15,501	18,697	25,989	27,197	27,069
State Lottery Education Fund	148	147	142	141	195	195
Total State Operations	\$30,192	\$30,070	\$29,920	\$34,249	\$35,755	\$37,412
Extramural Funds	8,613	8,711	12,587	8,941	11,099	7,935
Total Expenditures (All Funds)	\$38,805	\$38,781	\$42,507	\$43,190	\$46,854	\$45,347

MAJOR BUDGET PROPOSALS:

- **Professional Schools Fee Increases.** The Governor's budget proposes a \$1.4 million increase to backfill the eight percent student fee increase approved by the Hastings Board of Directors. This increase is consistent with the combined eight percent fee increase approved by the UC Regents for professional school students.
- **Support Budget.** The Governor's budget proposes a \$253,000 increase, or three percent, for basic support.

COMMENTS:

Hastings staff will comment on the college's goals and objectives for the budget year and the impact that the budget reductions have had on the college's ability to carry out its functions and provide services to students.

ISSUE 2: AUGMENTATION REQUEST FOR MOVING AND TEMPORARY RENTAL EXPENSES

The issue for the Subcommittee to consider is the Hastings College of the Law support augmentation request of \$776,000 in one-time funding for relocation costs associated with renovation of the building on 200 McAllister Street.

BACKGROUND:

In the current year, Hastings is undertaking a significant capital improvement (code-compliance upgrade) project on its main administrative office building, which houses administrative and faculty offices as well as the college's law library. The project, which is being financed using state General Obligation Bond Funds, began in October of 2005 and is expected to be completed in the spring of 2007.

In order to expedite the project, the college has needed to completely vacate the building and relocate all the offices and functions including the law library to other facilities. In the current year, Hastings is able to absorb those moving and relocation costs within its existing budget. However, in 2006-07, Hastings will need to provide for office and library moving costs, as well as costs associated with renting external office, library, and storage space. Hastings anticipates that these costs will be approximately \$1.2 million, of which, Hastings is able to absorb approximately \$375,000 – leaving a shortfall of approximately \$776,000.

COMMENTS:

While some colleges or campuses may be equipped to accommodate these additional costs, Hastings College of the Law is a small college without the economies of scale necessary to meet these one-time expenses.

Budget Staff recommends that the subcommittee approve the Governor's budget proposal for Hastings College of the Law and augment that amount by \$776,000 in one-time funds to cover the additional costs associated with completing the campus code-compliance remodel project.

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING (CTC)

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California Commission on Teacher Credentialing 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 classroom teachers, student services specialists, school administrators, and child care instructors and administrators. In total, it issues almost 200 different types of documents. In addition to setting teaching standards and processing credentials, the commission (1) performs accreditation reviews of teacher preparation programs; (2) develops, monitors, and administers licensure exams; and (3) investigates allegations of wrongdoing made against credential holders. The CTC also administers two local assistance programs—the Internship and Paraprofessional Teacher Training programs.

The Governor's proposed budget includes a total of \$51.2 million for CTC. Of this amount, \$31.8 million is from the Proposition 98 General Fund to support the Alternative Certification Program or Internship Program (\$24.9 million), California School Paraprofessional Teacher Training Program (\$6.6 million) and the Teacher Misassignment Monitoring (\$308,000).

The following table provides information on expenditures by fund:

Commission on Teacher Credentialing (CTC)			
Summary of Expenditures by Fund			
(Dollars in Thousands)			
	Actual 2004-05	Estimated 2005-06	Proposed 2006-07
General Fund	\$1,063	\$2,700	\$-
General Fund, Proposition 98	26,228	31,814	31,814
Teacher Credentials Fund	14,124	12,253	14,754
Test Development and Administration Account	2,957	3,751	4,627
Federal Trust Fund	147	-	-
Reimbursements	159	76	-
Total Expenditures (All Funds)	\$44,678	\$50,594	\$51,195

ISSUE 2: FUNDS CONDITION UPDATE

CTC Funds. The CTC receives revenue from two primary sources—credential application fees and teacher examination fees. Application fee revenue is deposited into the Teacher Credential Fund (TCF) and examination fee revenue is deposited into a sub-account within the TCF, the Test Development and Administration Account (TDAA). Both of these sources of revenue support the CTC's operations.

In their budget analysis last year, the LAO raised the following concerns with the TCF and TDAA fund conditions for the 2004-05 and 2005-06 fiscal years:

- **Discrepancies in the 2004-05 estimated and revised TDAA fund condition.** The revised fund condition expected to have 2004-05 beginning balance of only one-half of what it had originally expected (\$5.1 million in January 2004 and \$2.5 million in November 2004).
- **A Decline in Revenue Estimate.** Even though the TDAA fund tends to be rather stable, the revised estimate included a substantial decline of \$4.1 million in revenue estimate (\$13.9 million in January 2004 and \$9.8 million in November 2004).
- **Low Reserve.** With all of these revisions, the CTC expected to end up with a reserve of \$2.3 million rather than the \$9.3 million assumed in the *2004-05 Budget Act*.
- **No Reserves for 2005-06.** Under the Governor's 2005-06 budget proposal, both the TCF and TDAA would have ended up with no reserve for the current year.

Legislative Action. The Governor's 2005-06 May Revise proposals included an augmentation of \$2.7 million for the CTC to address its structural imbalance between expenditures and revenues for both the TDA and the TDAA. The Legislature approved this proposal with the understanding that it would be a one-time augmentation and that the CTC would address the unforeseen changes mentioned above and that the Commission would make every effort to maintain the solvency of their funds in future years.

COMMENTS:

CTC provided Budget Staff with the following update on the status of their funds:

Teacher Credential Fund (TCF)				
<i>(Dollars in Millions)</i>				
	2003-04 Actual	2004-05 Estimated	2005-06 Budgeted	2006-07 Proposed
Revenues				
Beginning balances, Adjusted	\$2,925	\$2,341	\$3,308	\$1,768
Total Revenues, Transfers and Other Adjustments	13,543	13,226	13,226	13,226
Subtotals	16,468	15,567	16,534	14,994
Expenditures				
Total Expenditures and expenditure adjustments	14,127	12,259	14,766	14,776
Fund Balance (Reserve)	2,341	3,308	1,768	254

Test Development and Administration Account (TDAA)				
<i>(Dollars in Millions)</i>				
	2003-04 Actual	2004-05 Estimated	2005-06 Budgeted	2006-07 Budgeted
Revenues				
Beginning balances, Adjusted	\$2,318	\$2,665	\$2,872	\$1,861
Total Revenues, Transfers and Other Adjustments	3,304	3,962	3,620	3,620
Subtotals	5,622	6,627	6,492	5,481
Expenditures				
Total Expenditures and Expenditure Adjustments	2,957	3,755	4,631	4,631
Fund Balance	2,665	2,872	1,861	850
Reserve For Economic Uncertainties	2,365	2,572	1,561	550
Reserve for Pending Litigation	300	300	300	300

ISSUE 3: UPDATE ON EFFICIENCIES ADOPTED LAST YEAR

The issue for the Subcommittee members to hear is an update from the CTC on the efficiencies adopted last year.

BACKGROUND:

Trailer Bill Language to Help Expedite the Credential Process. The 2005-06 Governor's budget included a proposal that would entrust accredited university-run teacher preparation programs with essentially pre-approving the credential applications they submit to CTC, and CTC in turn would grant the official credential without further review. As CTC currently evaluates more than 50,000 applications submitted from universities, this would notably reduce CTC's workload. Another option would be to consider authorizing a similar pre-approval process for district-run teacher preparation programs and community college child development programs. In addition to the credential applications noted above, CTC currently reviews approximately 10,000 child development permits.

Follow-Up on Budget Bill Language Efficiencies Implemented. The 2004-05 Budget Act included budget bill language requiring CTC to submit a report to the Legislature and the DOF that identified "at least three feasible options to further reduce processing time that could be implemented in 2005-06." The CTC submitted a report with five efficiency options. Among the options is a proposal to conduct a public relations campaign to encourage more teachers to renew their credentials online and two proposals to eliminate hard copies of documents and instead provide only online access. Several of these proposals hold promise. The public relations campaign, for instance, could yield considerable long-term pay-off (as only 36 percent of eligible applicants currently renew online). The two online proposals also would reduce workload and postage costs.

Budget Staff has requested CTC to provide an update on the trailer bill language adopted last year and on the efficiencies that are currently being implemented to address not only last year's issues with the funds condition but also to improve the credential application processing time.

ITEM 7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

ISSUE 1: SUPPORT BUDGET

The issue for the Subcommittee to consider is the California Student Aid Commission (CSAC) support budget.

BACKGROUND:

The California Student Aid Commission (CSAC) is responsible for making higher education affordable and accessible to students in California. CSAC accomplishes this mission by administering a variety of student aid and loan programs, including the Cal Grant program, which is the primary state source of financial aid. In addition, the Commission administers the federal guaranteed Student Loan Operating Fund (SLOF) program.

The Governor's proposed budget includes a total of \$1.6 billion in State and federal funds for CSAC. Of these total funds, \$861.6 million are General Fund support.

The following table provides information on CSAC's budget by program:

Student Aid Commission Budget Summary^a				
<i>(Dollars in Millions)</i>				
	2005-06 Revised	2006-07 Proposed	Change	
			Amount	Percent
Expenditures				
Cal Grant programs				
Entitlement	\$645.0	\$697.2	\$52.2	8.1%
Competitive	115.5	118.2	2.7	2.4
Pre-Chapter 403	4.9	0.9	-4.0	-81.6
Cal Grant C	9.2	9.6	0.4	4.4
Subtotals—Cal Grant	(\$774.6)	(\$825.9)	(\$51.3)	(6.6%)
APLE ^b	\$40.9	\$47.7	\$6.8	16.7%
Graduate APLE	0.4	0.4	—	—
Law enforcement scholarships	0.1	0.1	—	—
Totals	\$816.0	\$874.2	\$58.2	7.1%
Funding Sources				
General Fund	\$752.4	\$861.6	\$109.2	14.5%
Student Loan Operating Fund ^c	51.0	—	-51.0	-100.0
Federal Trust Fund ^c	12.6	12.6	—	—
^a In addition to the programs listed, the commission administers the Byrd Scholarship, Child Development Teacher and Supervisor Grant, and California Chafee programs—all of which are supported entirely with federal funds. It also administers the Student Opportunity and Access program, a state outreach program supported entirely with Student Loan Operating Fund monies.				
^b Assumption Program of Loans for Education.				
^c These monies pay for Cal Grant costs.				

MAJOR BUDGET PROPOSALS:

- **Cal Grant Increase.** The Governor's budget proposes a \$39.5 million increase for anticipated growth in costs for the program. This adjustment includes the reduction of \$28.7 million associated with the proposed buy-out of fee increases of 8 percent for undergraduate students at the UC and the CSU.
- **General Fund Backfill.** The Governor's budget proposes a \$51 million General Fund backfill to replace the Student Loan Operating Fund used to support financial aid programs in the *Budget Act of 2005-06*.
- **Increased Cal Grant Amounts for Private University Students.** The Governor's budget proposes \$11.9 million in General Fund to increase the maximum award amount from \$8,322 to \$9,708 for new Cal Grant award recipients at private colleges and universities
- **Assumption Program of Loans for Education (APLE).** The Governor's budget proposes an increase of \$6.8 million in General Fund to the APLE program for the anticipated growth in costs of funding new and continuing recipients.
- **National Guard APLE Awards.** The Governor's budget proposes the authorization of 100 new warrants for this program. Payments are estimated to begin no sooner than the 2007-08 fiscal year.

ISSUE 2: CAL GRANT AUGMENTATION OF MAXIMUM AWARD FOR NEW RECIPIENTS AT PRIVATE COLLEGES AND UNIVERSITIES

The issue for the Subcommittee to consider is the Governor's proposal to augment CSAC's budget by \$11.9 million to increase the maximum award amount for Cal Grant recipients at private colleges and universities.

BACKGROUND:

Last year, the Governor's budget proposed to reduce the maximum Cal Grant for students attending private colleges and universities by \$873, or 10 percent—lowering the award from its current-year level of \$8,322 to \$7,449. Between 2003-04 and 2004-05, the award was reduced by \$1,386, or 14 percent. Approximately 12,100 financially needy students attending private universities would have been affected by the proposal.

The Governor rescinded this proposal in his May Revise proposals. The Legislature approved the \$7.4 million restoration to the Governor's January 10th budget consequently restoring the maximum Cal Grant award level to \$8,322.

COMMENTS:

If approved, the Governor's proposed augmentation would increase the current maximum level award from \$8,322 to \$9,708. Budget Staff recommends that this proposal be approved when it is presented before the subcommittee for action.

ISSUE 3: ASSUMPTION PROGRAM OF LOANS FOR EDUCATION (APLE)

The issue for the Subcommittee to consider is the Governor's proposal to increase funding for the APLE program by \$6.8 million to support caseload increases.

BACKGROUND:

The APLE program provides loan assumption grants for teachers who commit to teaching in specified subject areas in low performing schools.

Math and Science APLE Awards. Other than the proposed budget augmentation to address caseload increases, the Governor's budget authorizes 8,000 new APLE warrants. This is the same number that was authorized in the current year. However, this proposal directly allocates 600 of these warrants to the UC and CSU to award them to students participating in the Math and Science Teacher Initiative. Because this program is not authorized in statute, various budget bill provisions are needed to implement the Governor's proposal. In the current year, the administration had proposed similar language, which the Legislature rejected.

The Governor's May Revise proposals last year included language authorizing the Commission to issue 350 additional APLE warrants for this same purpose. This subcommittee voted to deny the Math and Science warrants and instead authorized 300 new warrants within the existing APLE program increasing the total awards from 7,700 to 8,000. The Commission was directed to give first priority for the 300 new additional warrants to individuals training in math, science and special education teachers. The Governor vetoed this last provision and indicated that "it would be modified in subsequent legislation to make these additional warrants available exclusively to candidate participating in the Math and Science Initiative."

The Subcommittee's intention when adopting such language was to recognize the need to motivate students to become math and science teachers; however, to do so within the existing APLE program. In addition, the language allowed students other than students attending UC and CSU to apply for these warrants.

Budget Staff and the LAO continue to believe that the existing APLE program, as it is, is able to meet the needs of the students wanting to become math and science teachers. Also, creating a new APLE program or simply creating new requirements for the math and science warrants within the existing program would require these changes to be included and implemented in a separate bill to be heard by the appropriate policy committees.

Although Budget Staff understands the need for the UC and CSU to use the math and science warrants as a tool to recruit and retain students as part of the Math and Science Initiative, the budget bill is not the place to make such changes to the APLE program.

State Nursing Assumption Program of Loans for Education (SNAPLE). Last year, the Legislature established the SNAPLE program through trailer bill language, which authorized 100 loan assumption warrants for individuals who obtain a graduate degree in nursing and become nursing faculty at a California Community College or University. Along with the warrants, the Legislature authorized \$100,000 and one position to administer the program. Similar to the APLE program, the state forgives a specified amount of student loan debt for each year a SNAPLE participant teaches nursing. Under this program, the state will assume up to \$25,000 in outstanding student loans if the participant teaches nursing for three consecutive academic years.

The Governor's Budget includes language requiring the Student Aid Commission to issue a report, by April 1, 2007, on the SNAPLE program, but fails to provide authority for the Commission to issue new SNAPLE loan assumption warrants. DOF indicates that it believed the program to be one-time in nature. However, Budget Staff notes that was not the intent of the Legislature as evidenced by the program's inclusion in statute -- as opposed to budget bill language; the Legislature's addition of one position, on an ongoing basis, to administer the program; and specific language in statute expressing the intent of the Legislature that funding be provided for the program within the annual budget act. Further, Budget Staff notes that DOF, in its final "scoring" of the Legislature's budget actions (through the Change Book system), did not identify this program as one-time in nature.

According to the Student Aid Commission, the SNAPLE program has had a slow start. The Commission is currently in the process of promulgating regulations through the Office of Administrative Law, and will likely not issue any of the 100 authorized warrants in the current year. Given that those warrants were authorized for the 2005-06 fiscal year, the authority will simply expire as of June 30, 2006. Budget Staff recommends that the Legislature continue the program into 2006-07 by authorizing the issuance of 100 new SNAPLE loan assumption warrants in the *Budget Act*.

National Guard APLE. As established in 2003 and amended in 2004, the National Guard APLE program offers loan forgiveness as an incentive for more individuals to enlist or re-enlist in the National Guard, State Military Reserve, and Naval Militia. Specifically, qualifying members have a portion of their education loans forgiven after each year of military service—\$2,000 after their first year of service and \$3,000 after their second, third, and fourth years of service—for total loan forgiveness of \$11,000. The annual budget act has not yet authorized the commission to issue any National Guard warrants.

The Governor's budget proposes to authorize up to 100 new National Guard APLE warrants for this program. In the last two consecutive budgets, the Governor has proposed authorization and funding for an initial cohort of awards pursuant to chapter 549 and 554, Statutes of 2004. Both times this proposal has been rejected in Conference Committee since this type of financial aid is not "need-based".

Budget Staff recommends that, if this Subcommittee was to consider any augmentation to financial aid programs, members consider augmenting the Cal Grant programs. Currently, there are over 117,000 qualified students in California who qualify for Competitive Cal Grants and remain unserved.

In addition, there are other financial aid programs that were enacted several years ago such as the Willie L. Brown, Jr. Community Service Scholarship Program (Chapter 1188, 1989), and the Public Interest Attorney Loan Repayment Program (Chapter 881, 2001), programs which have never been funded.

ISSUE 4: BUREAU OF STATE AUDIT (BSA): CALIFORNIA STUDENT AID COMMISSION: CHANGES IN THE FEDERAL FAMILY EDUCATION LOAN PROGRAM, QUESTIONABLE DECISIONS, AND INADEQUATE OVERSIGHT RAISE DOUBTS ABOUT THE FINANCIAL STABILITY OF THE STUDENT LOAN PROGRAM

The Bureau of State Audit (BSA) will present Subcommittee members with a brief summary of their findings and their suggested recommendations for the California Student Aid Commission (Commission), EdFund and the Legislature to consider.

BACKGROUND:

AB 3133 (Firestone, Chapter 961, Statutes of 1996), gave the Commission the authority to establish an auxiliary organization for purposes of administering the Federal Family Education Loan (FFEL) program. Toward this end, the Commission created EdFund, which, consistent with statute, functions as a nonprofit public benefit corporation. Colleges and universities that are interested in participating in the FFEL program may choose to work with EdFund or one of several other independent guaranty agencies. Alternatively, colleges and universities may participate in the Federal Direct Student Loan program, in which case their student loans are guaranteed and administered directly by the federal government.

AUDIT HIGHLIGHTS

BSA's review of the Commission and EdFUND's administration of the Federal Family Education Loan (FFEL) Program revealed the following:

- Changes in federal laws governing the FFEL Program raise doubts that the State will be able to sustain the program.
- Ongoing tensions between the Commission and EdFUND have hampered the Commission's ability to renegotiate a revenue agreement with the U.S. Department of Education, which may have cost the State at least \$24 million in federal fiscal year 2005. These tensions also have delayed attempts to expand and diversify EdFUND's financial services.
- The Commission approved sizeable bonuses for EdFUND executive staff even when the FFEL Program had an operating deficit.
- The Commission has maintained poor oversight over EdFUND. For example, the Commission has not ensured that EdFUND travel and business policies are fiscally conservative, which results in less funding available for the Commission to fulfill its mission.

RESULTS IN BRIEF

The Commission administers state and federal financial aid programs for students attending universities, colleges, and vocational schools in California and throughout the nation. In fiscal year 2004-05, it awarded \$720 million in state grants to more than 240,000 students. During federal fiscal year 2005, it guaranteed new loans totaling more than \$6.5 billion under the Federal Family Education Loan (FFEL) Program. EdFUND, a nonprofit entity incorporated in 1997 as the Commission's auxiliary organization, provides

operation and administrative services to the Commission for its participation in the FFEL Program. One of the Commission's major responsibilities is to oversee EdFUND's operation of the FFEL Program.

The Commission's FFEL Program lost about \$8.3 million in federal fiscal year 2005, and it may barely break even in federal fiscal year 2006. It is presented with a number of challenges that could severely impair its operations and put the State's FFEL Program and its ability to supplement the Commission's other services and programs at risk.

First, changes in federal laws governing the FFEL Program raise doubts that the State will be able to sustain the program. The Commission must begin charging borrowers a fee in October 2006. This fee could make it less competitive and reduce the revenues it earns under the FFEL Program because other guaranty agencies will not be charging the fee. EdFUND officials indicated that, had the Legislature not appropriated \$197.5 million from the Student Loan Operating Fund (Operating Fund) to support the Cal Grant program, there would have been more funds available to postpone charging the default fee beyond October 1, 2006. Additionally, EdFUND has relied too heavily on defaulted loan consolidations as its main source of revenue, placing the State in a possible position to be affected more severely by federal changes than other guaranty agencies.

Second, ongoing tensions between the Commission and EdFUND have been costly. The general lack of cooperation, as well as turnover in EdFUND leadership, has hampered the Commission's ability to renegotiate a revenue agreement with the U.S. Department of Education (Education). At least \$24 million more may have been generated in federal fiscal year 2005 if the agreement had been finalized. This same lack of cooperation has delayed attempts to expand and diversify EdFUND's financial services and possibly generate additional revenue that could have been used for California students. Ultimately, if the two entities are unable to resolve their fundamental differences and if EdFUND is unable to demonstrate that it can generate an operating surplus that is sufficient to sustain the FFEL Program and support the Commission's other services and programs, in the BSA's opinion, there is little reason to believe that the State benefits from having an auxiliary to assist in the administration of the FFEL Program.

The Commission has maintained poor oversight over EdFUND as well. It approved sizable bonuses for EdFUND executive staff even when the FFEL Program had an operating deficit, and its policy for setting executive salaries is inconsistent with federal regulations. It also has not ensured that EdFUND travel and business expense policies are fiscally conservative, which results in less funding available for the Commission to fulfill its mission. EdFUND has in some cases paid more for meals and lodging than its own policies allowed, and it has sponsored costly events for employees and their families. Finally, the Commission does not independently verify reports received from EdFUND that are used to make policy decisions.

RECOMMENDATIONS

BSA states that the Legislature should take the following recommendations under consideration:

- Closely monitor the Commission and EdFUND to ensure that they are able to remain competitive with other FFEL Program guaranty agencies.
- Closely monitor the Operating Fund to ensure that the FFEL Program is generating a sufficient operating surplus so it can supplement funding for other Commission programs and services. If it is unable to generate a sufficient operating surplus, the Legislature should require the Commission to dissolve EdFUND and contract with another guaranty agency to administer the FFEL Program. The contract should include, among other things, a provision that allows the Commission to receive a share of the revenues generated by the guaranty agency, which then could be used to supplement funding for the Commission's other financial aid programs. In addition, the contract should include a provision for the Commission to hire external auditors to ensure that the guaranty agency is complying with federal laws and regulations. Alternatively, the Legislature could reconsider the need for a state-designated guaranty agency.
- Closely monitor the Commission's progress toward completing critical tasks, including the renegotiation of its revenue agreement with Education and the development of a business diversification plan.

To ensure that it maximizes the amount of funds available to fulfill its mission and to administer the FFEL Program effectively, the Commission should:

- Continually reassess the financial impact on the FFEL Program caused by federal changes and the recent announcements by some large guaranty agencies that they will not charge borrowers the fee.
- Ensure that critical tasks, including the renegotiation of its revenue agreement with Education and the development of a diversification plan, are completed.
- Modify its policy to ensure that EdFUND's executive staff does not receive bonuses if the FFEL Program has an operating deficit.
- Ensure that EdFUND complies fully with federal regulations governing salary setting for its executives.
- Ensure that EdFUND establishes travel and business policies that are consistent with the State's more fiscally conservative policies and that its employees adhere to those travel policies.
- Closely monitor EdFUND expenses for conferences, workshops, all-staff events, travel, and the like.

- Require staff to independently verify the accuracy of the reports submitted by EdFUND.

AGENCY COMMENTS

The Commission generally agrees with BSA recommendations and some of their conclusions. However, it does not agree with other conclusions. For example, the Commission disagrees with BSA's conclusion that its ability to generate sufficient revenues to justify its continued status as a guaranty agency may be in jeopardy because of federal changes governing the FFEL Program. The Commission also disagrees with BSA's conclusion that it cannot determine what, if any, impact its tactics for minimizing the effect of the federal changes will have on its ability to remain competitive in the student loan guaranty market.

COMMENTS:

BSA staff will present Subcommittee members with their audit findings.

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES (CCC)**ISSUE 1: COSUMNES RIVER COLLEGE BUDGET REQUEST FOR FUNDING THE AMADOR COUNTY JOINT DISTANCE EDUCATION / VIRTUAL LEARNING CENTER COLLABORATIVE**

The issue for Subcommittee members to hear is a presentation by Amador County representatives of the proposed Amador County Center, which would be established out of the Cosumnes River College.

BACKGROUND:

Amador County is the only county in the State of California that is not aligned with a community college district. In a collaborative effort to align Amador County with a college district, Amador County Administrative Agency (ACAA), Amador County Office of Education (ACOE), and the Consumnes River College (CRC) are planning and developing the CRC-Amador Learning Center to bring higher education opportunities to Amador County.

Amador County residents who wish to attend college classes must travel 100+ miles round trip to community colleges in other counties. This outward migration of college students and adult learners represents missed opportunities to provide the following benefits:

- Provide Amador County residents a community portal to education and knowledge enabling fast and effective distribution of information and an opportunity for residents to personally participate, grow, and learn in a higher education environment.
- Offer Amador County residents the opportunity to gain and maintain higher levels of education, vocational training, and adult learning opportunities; to attend workshops, seminars, conferences; and to increase and continue personal, professional, and educational growth.
- Provide a sustainable employment base of knowledge workers that will boost Amador County economic development. Businesses that employ knowledge workers are currently scarce in Amador County. Therefore, knowledge workers seek and find work outside the county. A community college presence is one of three required criteria (including office space and affordable housing) that attract businesses who employ knowledge workers.
- Accommodate the educational needs created by the current and projected population growth. Currently, the population of Amador County is 37,000 (32,000 plus 5,000 Mule Creek Prison inmates) and is expected to grow to 50,000 within the next 10+ years. An increase in the population results in an increase in the need for higher education.

COMMENTS:

AB 2036 (Nakanishi) requests representatives of Amador County, working with representatives of the Los Rios Community College District (LRCCD), to prepare an assessment of the educational needs of residents of Amador County, as well as a proposal for the development and operation of a California Community College (CCC) facility in that county. This bill is currently in the Senate Rules Committee for assignment.

According to the bill's analysis, existing law establishes community college districts throughout the state, and expresses legislative intent that a CCC shall not receive state funds for acquisition of sites or construction of new institutions, branches, or off-campus centers unless recommended by the California Postsecondary Education Commission (CPEC). It further notes that the establishment of a new CCC facility involves a three step process: 1) A proposal to establish a new community college site begins with the appropriate CCC district submitting a "Preliminary Notice" that it is engaging in a planning process that may include the development of a new campus site; 2) the second stage occurs when a "Letter of Intent" is sent concurrently to the CCC Chancellor's Office and CPEC; 3) if the letter of intent receives a favorable review, the CCC District is authorized to prepare a comprehensive needs study. AB 2036 would direct representatives of Amador County to the first step of this process.

Budget Staff notes that the Board of Governors (BOG) took action at their January meeting this year to approve a redirection plan for unused enrollment growth funds for the current year. Included in their "core priorities" was an estimated \$5 million in funding for Rural Access Grants. These grants are intended to address the additional costs inherent in operating small colleges typical of rural colleges who must address the geographic remoteness of some of their campuses and centers. Also included in SB 361, this funding augmentation would provide block grants of \$500,000 to 10 rural, single college districts, which include Amador County.

ISSUE 2: STUDENT FEES

The issue for the subcommittee members to consider is an augmentation to the community colleges for a fee reduction from \$26 per unit to \$20.

BACKGROUND:

In the "Addendum: impact of Student Fee Increase and Budget Changes on Enrollment in the California Community Colleges" (December 2005)--Analysis of Fee Increase from \$18 to \$26 per unit, the Chancellor's Office concluded the following:

- **Changes in College and Student Behavior.** The fee increase addressed in this report was accompanied by a budget increase. The increase resulted in colleges being able to either restore or offer more course sections. However, student enrollment continued to lag. The system still declined in headcount, FTES and had a smaller than normal first-time and returning class.
- **The loss of older students (25+) has been significant.** Older students represent half of the student population in the system. This group tends to have a higher percentage of females as compared to the under 25 years-old female population and tend to have different purposes for accessing the system. Almost one quarter of all students in this age group stated their educational goal was to either "prepare for a new career", "update job skills", or "maintain certificate or license".
- **Lingering Effect of Fee Increases.** The population of new and returning students is down some 340,000 from normal levels. The passage of smaller cohorts through the system will serve to inhibit future growth. Only until large first-time and returning student populations begin to return to prior level will growth begin again.
- **No Disproportionate Effect on Student Ethnicity and Gender.** Although the total student population has declined in the system, there was little disproportionate effect on students by ethnicity or gender.

The report also concluded that it is almost impossible to isolate what may have caused the decline of CCC enrollment growth. However, it cannot be discarded that the fee increases have had an impact on student enrollment. Without a survey of students who actually left the system, it is impossible to pinpoint which students left for what purposes. Additionally, it is almost impossible to identify and query prospective students who otherwise might have entered as first-time students who chose not to enroll due to lack or a perceived lack of course offering or the inability or a perceived inability to afford a community college education.

COMMENTS:

Although there are critics to the notion that the enrollment decline experienced at the community colleges in the last three years is mostly due to the fee increases from \$11 to \$18 and from \$18 to \$26 per unit, it is undeniable that the fee increases have had a "sticker shock" for students considering attending the colleges. Given this Subcommittee's consistent commitment to access to all institutions of higher education, Budget Staff recommends the approval of the fee reduction.