

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

Assemblymember S. Joseph Simitian, Chair

**WEDNESDAY, MAY 12, 2004
STATE CAPITOL, ROOM 126
4:00 P.M.**

REGULAR BUSINESS

ITEM DESCRIPTION

OUTSTANDING COMMITMENTS (HANDOUT)

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ITEMS TO BE HEARD

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: ENROLLMENT GROWTH AND UNFUNDED FTES

The issue for the Subcommittee to consider is the subcommittee's request of the Legislative Analyst's Office (LAO) to offer alternative ways for allocating growth funding that would address the "unfunded" enrollment currently experienced by some California Community College (CCC) districts.

BACKGROUND

Growth Funding. Each year the state budget provides funding for the community college system, which is allocated to the 72 districts by the Chancellor's office. Because state funding for enrollment at the CCC is appropriated annually, each district is assigned an annual "cap" on the number of full-time equivalent (FTE) students it is funded to serve. In general, districts are not reimbursed for students it enrolls above this cap. Students above a district's cap are therefore sometimes referred to as "unfunded."

Equalization Funding. For a variety of reasons (both historical and related to funding formulas), different districts receive different amounts of money for each FTE student they serve. Districts with per-student funding rates above the system average are sometimes called "high revenue districts," while those with per-student funded rates below the system average are called "low revenue districts."

Equalization funding raises the per-student funding rates of low-revenue districts closer to the statewide average. Most calculations of per-student funding rates only involve "funded" students. Some have pointed out that, if a district's per-student funding rate were calculated for all students (both funded and nonfunded), the effective per-student funding rate for overcap districts would be lower than it is normally reflected.

The Governor's budget includes both funding for growth (to be distributed to districts on the basis of a growth formula that takes into account population growth, graduation rates, and other factors) and funding for equalization (to be distributed to low-revenue districts according to a specified formula).

COMMENTS:

The LAO and CCC staff will present their alternatives for using growth funding to fund "unfunded" students.

ISSUE 2: APRIL 1 DOF LETTER—CALIFORNIA COMMUNITY COLLEGES CAPITAL OUTLAY PROJECTS

The issue for the Subcommittee to consider is the DOF letter that amends several community college capital outlay projects in the January 10th budget.

BACKGROUND

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

6870-301-6028, Capital Outlay, California Community Colleges

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.

6870-301-6041, Capital Outlay, California Community Colleges

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.

6870-497 Capital Outlay, California Community Colleges

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.

ITEM 6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 1: CREDENTIAL APPLICATIONS BACKLOG**

The issue for the Subcommittee to consider is the subcommittee's request of the Legislative Analyst's Office (LAO) and the Commission on Teacher Credentialing (CTC) to offer alternatives on dealing with the credential applications backlog.

BACKGROUND

The CTC currently receives more than 258,000 applications for credentials, emergency permits and credential waivers. As indicated below, the number of applications has grown in recent years. However, due to the slow down of the economy and budget constraints in school districts, the CTC is experiencing a drop in applications in the current year. In 2003-04, the CTC received 17,691 fewer applications overall than in 2002-03 – a 6.9 percent decline.

	2000-01	2001-02	2002-03	2003-04	Change (1 yr.)	2004-05 Estimated
Credential Applications Received^a	215,954	239,501	250,701	235,327	15,374 (6.1 %)	235,000
Waiver Applications Received	7,865	7,918	5,144	2,827	2,317 (45%)	2,000
Total	223,819	247,419	255,845	238,154	17,691 (6.9%)	237,000

^aIncludes emergency permits.

The Governor's Budget proposes \$55.7 million for the CTC's budget in 2004-05, which is \$11.2 million (16.7 percent) below its 2003-04 budget.

Of this total, \$31.8 million (57 percent) is funded from the General Fund (Proposition 98) in the budget year. This funding is tied to the administration of three local assistance education programs – the Alternative Certification Program, Paraprofessional Teacher Training Program, and Teacher Misassignment Monitoring Program. The Administration proposes to eliminate funding for a fourth General Fund, local assistance program – the Pre-Intern Program -- in 2004-05.

Another \$23.6 million (42.4 percent) of the CTC budget is funded by two special funds that support the CTC's state operations budget. In the budget year, the Governor's Budget appropriates \$13.9 million from the Teacher Credentials Fund and \$9.7 million from the Test Development and Administration Account.

The Teacher Credentials Fund revenue is generated, by fees for issuance of new and renewed credentials and other documents. For example, the CTC currently charges \$55 for a new or renewed teaching credential. The revenue for the Test Development and Administration Account is generated by various fees for exams administered by the CTC such as the California Basic Educational Skills Test (CBEST) and the Reading Instruction Competence Assessment (RICA).

In recent years, these funds have experienced a great deal of fluctuation, however fund balances and programs have been maintained by making loans between the two funds. Currently revenues are down in the Teacher Credentials Fund due to fewer applications for credentials, emergency permits and waivers, and as a result this fund is experiencing a shortfall. Consequently, the Governor's Budget provides a \$2.8 million loan from the Test Development and Administration Account to cover an estimated 4 percent shortfall in the Teacher Credentials Fund in 2003-04. This amount may grow to \$3.0 million by the end of the year as revenues have continued to decline beyond the 4 percent initially estimated. Since 1998-99, the CTC has been operating within a revenue structure whereby expenditures exceed revenues. This result has been that the remaining Teacher Credentials Fund balance has been completely drawn down and current revenue levels are insufficient to support the ongoing costs of the CTC.

COMMENTS:

LAO and CTC staff will present their proposals for addressing the credential applications backlog.

ISSUE 2: PRE-INTERN PROGRAM

The issue for the subcommittee to consider is the Governor's proposed elimination of the Pre-Intern program.

BACKGROUND

The Governor proposes to eliminate the Pre-Intern Program, as administered by the CTC, for a savings of \$10.4 million in 2004-05. The Governor's Budget proposes elimination of the program since pre-intern teachers do not meet the definition of highly qualified teachers under the federal No Child Left Behind Act (NCLB), which takes effect at the end of 2005-06. As a part of the proposal, the Governor proposes budget trailer bill language to repeal the Pre-Intern Program.

In a related proposal, the Governor also proposes to increase funding for the Intern Program by \$2.4 million in order to absorb an additional 955 teachers who are ready to move to the Pre-Intern Program in 2004-05.

The Pre-Intern Program is intended to reduce the number of teachers with emergency permits in the state by providing formal assistance and support to non-credentialed "teachers of record" in meeting the subject matter competency requirements for credentialing. Once these requirements are met, these teachers can enter the Intern Program, which provides training and support for non-credentialed teachers who have completed subject matter requirements, but have not completed a traditional teacher preparation program.

Under the NCLB, all teachers in California must meet the definition of "highly qualified teacher" by the end of the 2005-06. Teacher interns will meet the new definition because they will have attained subject matter competency; however, pre-intern teachers, as well as teachers working under emergency permits and credential waivers, will not meet the federal definition.

As indicated by the table below, the Pre-Intern program has grown significantly since it began in 1998, but participation has started to drop in the last two years. The Intern Program, which began in 1994, continues to grow steadily.

Participants	98-99	99-00	00-01	01-02	02-03	03-04
Pre-Interns	955	5,800	7,694	9,871	8,843	4,895
Interns	4,340	4,827	5,649	7,103	7,505	8,972

Most pre-interns complete their subject matter requirements in one year, but some teachers require two or more years in the program. Of the 4,895 pre-intern teachers in 2003-04, a total of 3,326 teachers (68.0 percent) are in their first year of the program; 1,358 teachers (27.8 percent) are in their second year; and 211 teachers (4.3 percent) are in their third year.

COMMENTS:

The LAO recommends eliminating the Pre-Intern program in 2004-05 as a part of their Teacher Quality Block Grant proposal since pre-intern teachers do not meet the highly qualified teacher definition under NCLB.

LAO staff will comment on their recommendation.

ITEM 6440 UNIVERSITY OF CALIFORNIA**ISSUE 1: APRIL 1 DOF LETTER - IDENTIFIED SAVINGS FROM HIGHER EDUCATION CAPITAL OUTLAY BONDS**

The issue for the Subcommittee to consider is the revised provisional language that will allow the use of identified budget savings in item 6640-401 to fund minor capital outlay projects.

BACKGROUND

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

6440-401, University of California

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.

“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 6610 CALIFORNIA STATE UNIVERSITY**ISSUE 1: APRIL 1 DOF LETTER - CSU CAPITAL OUTLAY PROJECTS**

The issue for the Subcommittee to consider is the DOF letter that amends several of the California State University (CSU) capital outlay projects.

BACKGROUND

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

6610-495, Capital Outlay, California State University

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 project:

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. (see Item 6610-301-0574, below).

6610-301-0574, Capital Outlay, California State University

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

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).

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.