

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

PART 3

Assemblymember Julia Brownley, Chair

**TUESDAY, MAY 22, 2007
STATE CAPITOL, ROOM 444
10:00 A.M.**

| ITEM | PROPOSED CONSENT CALENDAR (VOTE ONLY) | PAGE |
|--------------------------------|---|-------------|
| 6440 | UNIVERSITY OF CALIFORNIA (UC) | 3 |
| ISSUE 1 | MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS | 3 |
| ISSUE 2 | MAY REVISE DOF LETTER: INCREASE FUNDING FOR TOBACCO RESEARCH | 5 |
| 6610 | CALIFORNIA STATE UNIVERSITY (CSU) | 6 |
| ISSUE 1 | MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS | 6 |
| ISSUE 2 | MAY REVISE DOF LETTER: INCREASE FUNDING FOR UNDERGRADUATE NURSING ENROLLMENTS | 8 |
| 6870 | CALIFORNIA COMMUNITY COLLEGES (CCC) | 9 |
| ISSUE 1 | APRIL 1 ST DOF LETTER: INCREASE FEDERAL FUNDING FOR SMALL MANUFACTURERS TRAINING PROGRAM AND CALWORKS PROVISIONAL LANGUAGE AMENDMENT | 9 |
| ISSUE 2 | MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS | 13 |
| OPEN ISSUES (VOTE ONLY) | | |
| 6120 | CALIFORNIA STATE LIBRARY | 16 |
| ISSUE 1 | SUPPORT BUDGET/INTEGRATED LIBRARY SYSTEM PROJECT PROPOSAL | 16 |
| 6420 | CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC) | 17 |
| ISSUE 1 | SUPPORT BUDGET | 17 |
| ISSUE 2 | BUDGET BILL LANGUAGE (BBL) REGARDING CPEC'S ROLE AND RESPONSIBILITIES AND NEW FACULTY COMPENSATION METHODOLOGY | 18 |
| 6600 | UC HASTINGS SCHOOL OF THE LAW (HASTINGS) | 19 |
| ISSUE 1 | SUPPORT BUDGET | 19 |

| ITEM | OPEN ISSUES (VOTE ONLY) | PAGE |
|--|--|-----------|
| 6440 | UNIVERSITY OF CALIFORNIA (UC) | 20 |
| ISSUE 1 | SUPPORT BUDGET | 20 |
| ISSUE 2 | 2007-08 CAPITAL OUTLAY PROJECTS | 21 |
| ISSUE 3 | ENROLLMENT GROWTH FUNDING | 22 |
| ISSUE 4 | MIGUEL CONTRERAS LABOR PROGRAM | 23 |
| ISSUE 5 | STUDENT ACADEMIC PREPARATION AND EDUCATIONAL PROGRAMS (SAPEP) | 24 |
| ISSUE 6 | CALIFORNIA INSTITUTES OF SCIENCE AND TECHNOLOGY | 25 |
| ISSUE 7 | APRIL 1 ST DOF LETTER: HELIOS RESEARCH PROJECT | 26 |
| ISSUE 8 | PETASCALE COMPUTER | 27 |
| ISSUE 9 | PRIME-TELEMEDICINE FACILITIES | 28 |
| 6610 | CALIFORNIA STATE UNIVERSITY (CSU) | 29 |
| ISSUE 1 | SUPPORT BUDGET | 29 |
| ISSUE 2 | ENROLLMENT GROWTH FUNDING | 30 |
| ISSUE 3 | ACADEMIC PREPARATION AND STUDENT SUPPORT PROGRAMS | 31 |
| 7980 | CALIFORNIA STUDENT AID COMMISSION | 32 |
| ISSUE 1 | SUPPORT BUDGET | 32 |
| ISSUE 2 | APLE AWARDS SET-ASIDE FOR MATH AND SCIENCE TEACHER INITIATIVE PARTICIPANTS | 33 |
| ISSUE 3 | PUBLIC INTEREST ATTORNEY LOAN REPAYMENT PROGRAM | 34 |
| ITEMS TO BE HEARD | | |
| 6440 | UNIVERSITY OF CALIFORNIA (UC) | 35 |
| ISSUE 1 | CHARLES DREW UNIVERSITY CAPITAL OUTLAY PROJECT | 35 |
| 7980 | CALIFORNIA STUDENT AID COMMISSION | 36 |
| ISSUE 1 | MAY REVISE DOF LETTER: REVISED COST ESTIMATES FOR THE CAL GRANT AND APLE PROGRAMS | 36 |
| ISSUE 2 | MAY REVISE DOF LETTER: STATE NURSING ASSUMPTION PROGRAM OF LOANS FOR EDUCATION (SNAPLE) AND NURSES IN STATE FACILITIES APLE WARRANTS (SNAPLE-SF) | 37 |
| ISSUE 3 | MAY REVISE DOF LETTER: SHIFT FUNDING FOR STATE OPERATIONS FROM EDFUND TO THE GENERAL FUND | 38 |
| ISSUE 4 | MAY REVISE DOF LETTER: SHIFT FUNDING FOR CALIFORNIA STUDENT OPPORTUNITY AND ACCESS PROGRAM (CAL-SOAP) FROM ED FUND TO THE GENERAL FUND | 40 |
| ATTACHMENTS (ATTACHMENT 10 WILL BE VOTED ON SEPARATELY) | | |

PROPOSED CONSENT CALENDAR (VOTE ONLY)**ITEM 6440 UNIVERSITY OF CALIFORNIA (UC)**

ISSUE 1: MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS

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

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

| | |
|---------------------------------|----------------------|
| University of California | 6440-301-6048 |
| | 6440-491 |
| | 6440-492 |
| | 6440-495 |

Riverside, Environmental Health and Safety Expansion—Working Drawings. Due to time delays from environmental review requirements, the campus will be unable to encumber the working drawing funds by June 30, 2007. Consequently, the UC is requesting to revert the 2005 Budget Act appropriation for working drawings and may request a new appropriation in future years.

Therefore, it is requested that Item 6440-495 be added to revert the authority provided in Item 6440-301-6041, Budget Act of 2005.

Riverside Campus, Environmental Health and Safety Expansion—Working Drawings.

Merced, Social Sciences and Management Building—Construction. Originally, this project was authorized in 2006 with a total estimated construction cost of \$37.3 million from the 2006 University Capital Outlay Bond Fund. During the design phase, it was determined that the project costs exceeded the approved budget by approximately 20 percent (\$7,450,000), primarily attributable to rising demand in the construction market, combined with a shortage of construction labor in the Merced area. The campus identified 5 percent in construction cost savings (\$1,750,000) through value engineering and redesign (e.g., changing the building shape from an L shape to a rectangular block, reducing the number of stories from four to three, etc.), but additional funding is needed to close the remaining 15 percent funding gap (\$5.7 million). Consequently, this request would increase construction funding by \$5.7 million (\$2.0 million of which will be offset in the equipment phase appropriation now scheduled for funding in fiscal year 2009-10).

Therefore, it is requested that Item 6440-301-6048 be increased by \$5.7 million from the 2006 University Capital Outlay Bond Fund for the following project phase. Merced Campus, Social Sciences and Management Building—Construction.

Santa Barbara, Engineering II Life Safety Improvements and Addition—Scope Change. The Governor's budget proposes \$5.0 million from the 2006 University Capital Outlay Bond Fund for working drawings (\$200,000) and construction (\$4.8 million) for the project. The project scope provides fire/life-safety improvements (fire alarm upgrade and new sprinkler system) and construction of an 8,400 assignable square foot (asf) addition to the Engineering II building to support research in the fields of electrical and chemical engineering materials science. Recently, UC has raised an additional \$5.0 million in gift funding for the research addition component. Consequently, this request would provide an additional 5,060 asf of new research, administrative, and classroom space to the proposed Engineering II building addition, for a total of 13,460 asf. There would be no change in the state-funded portion of the project, as the building addition would be covered solely by campus funds.

Delays Stemming from Completion of the Santa Barbara, Education and Social Sciences Building (ESSB). For the following two projects, the timing for the construction of these projects is dependent on completion of the campus' ESSB, which will provide temporary relocation space for these projects. However, due to rising construction costs that required the project to be re-bid, the scheduled completion date for the ESSB has been delayed, consequently, a re-appropriation of the working drawing phases for both of these projects is necessary.

Add Item 6440-491 to re-appropriate funds for the following project phases in Item 6440-301-6048, *Budget Act of 2006*.

Santa Barbara Campus, Arts Building Seismic Correction and Renewal—Working Drawings.

Santa Barbara Campus, Phelps Hall Renovation—Working Drawings.

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

Add Item 6440-491 to re-appropriate funds for the following project phases in Item 6440-301-0660, *Budget Act of 2004*.

Riverside Campus, Genomics Building—Equipment.

Add Item 6440-491 to re-appropriate funds for the following project phases in Item 6440-301-0660, *Budget Act of 2001*, as re-appropriated by Item 6440-491, *Budget Act of 2002*.

Merced Campus, Science and Engineering Building—Equipment.

For the following two projects, an extension of the liquidation period by one additional year is needed because of outstanding contractor claims. All the necessary actions to resolve the claims may not occur until after June 30, 2007.

Add Item 6440-492 to extend the liquidation period of construction and equipment funds by one additional year (until June 30, 2008) for the following items:

Item 6440-301-0660, Budget Act of 2001 (Chapter 106, Statutes of 2001), as re-appropriated by Item 6440-491, *Budget Act of 2002* (Chapter 379, Statutes of 2002), for the Science and Engineering Building project.

Item 6440-301-0660, Budget Act of 2001 (Chapter 106, Statutes of 2001), as re-appropriated by Item 6440-491, *Budget Act of 2002* (Chapter 379, Statutes of 2002), for the Library/Information Technology Center project.

ISSUE 2: INCREASE FUNDING FOR TOBACCO RESEARCH

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

Amendment to Budget Bill Item 6440-001-0234, Support, University of California

Increase Funding for Tobacco Research (Issue 430)

It is requested that Item 6440-001-0234 be increased by \$2.0 million on a one-time basis to provide additional funding for tobacco-related research. Research activities address prevention, causes and treatments for pancreatic cancer, lung cancer, and heart disease. Further activities include investigating the health impacts of environmental exposures to tobacco, nicotine dependence, and breaking addictions. The amount of funds requested reflect existing balances for this purpose that have not been appropriated previously.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$2,000,000 is provided on a one-time basis, reflecting un-appropriated balances available for this purpose.

ITEM 6610 CALIFORNIA STATE UNIVERSITY (CSU)

ISSUE 1: MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS

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

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

| | |
|------------------------------------|----------------------|
| California State University | 6610-301-6028 |
| | 6610-491 |
| | 6610-493 |
| | 6610-496 |

California State University

San Francisco Campus, Telecommunications Infrastructure—Construction. This project will upgrade the campus telecommunications infrastructure. The campus terminated the contractor, with approximately 50 percent of the work completed, due to nonperformance of work. The Surety Company is disallowing its obligation to honor the performance bond, and California State University (CSU) is pursuing legal recovery for the unfinished work. In the meantime, the campus will need to hire another contractor to complete the existing inter-building and intra-building telecommunications work. Consequently, CSU is proposing to revert the existing 2002 Budget Act construction appropriation and request a new construction appropriation for fiscal year 2007-08.

Therefore, it is requested that Item 6610-496 be added to revert the authority provided in Item 6610-301-6028, *Budget Act of 2002* and Item 6610-301-6028 be added to provide funding of \$9,308,000 from the Higher Education Capital Outlay Bond Fund of 2002 to fund the construction phase of the San Francisco Campus, Telecommunications Infrastructure project.

For the following project, a re-appropriation is necessary because of delays in acquiring three parcels of property for the Maritime Academy's proposed new physical education building and training pool.

Add Item 6610-491 to re-appropriate funds for the following project phase in Item 6610-301-6041, *Budget Act of 2004*.

California Maritime Academy, Land Acquisition—Acquisition.

For the following two projects, a re-appropriation is necessary because of project delays. The first project delay was a result of completing construction documents to bring the project in line with the approved budget. The second project delay was a result of negotiating with the existing sellers for several acres of property for the proposed Humboldt campus' student services building.

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

Humboldt, Forbes Physical Education Complex Renovation—Working Drawings and Construction.

Humboldt, Mai Kai Land Acquisition—Acquisition.

For the following three projects, an extension of the liquidation period, by one additional year, is needed because of outstanding contractor claims. All the necessary actions to resolve the claims may not occur until after June 30, 2007.

Add Item 6610-493 to extend the liquidation period of construction funds by one additional year (until June 30, 2008) for the following items:

Item 6610-301-6028, *Budget Act of 2002* (Chapter 379, Statutes of 2002) for the Bakersfield, Telecommunications Infrastructure project.

Item 6610-302-6028, *Budget Act of 2003* (Chapter 157, Statutes of 2003) for the Sacramento, Infrastructure Upgrade, Phase I project.

Item 6610-302-6028, *Budget Act of 2003* (Chapter 157, Statutes of 2003) for the San Bernardino, Science Building Renovation/Addition, Phase II project.

ISSUE 2: MAY REVISE DOF LETTER: INCREASE FUNDING FOR UNDERGRADUATE NURSING ENROLLMENTS

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

Amendment to Budget Bill Item 6610-001-0001, Support, California State University**Increase Funding for Undergraduate Nursing Enrollments (Issue 408)**

It is requested that Item 6610-001-0001 be increased by \$3.6 million to provide funding for an additional 340 baccalaureate degree nursing students at the California State University (CSU) in 2007-08, at a cost of \$10,588 per student. These enrollments would be funded above the amount provided for normal enrollment growth.

It is further requested that Provision 8 of Item 6610-001-0001 be amended as follows:

- “8. (a) The amount in Schedule (1) includes funding to increase enrollments in nursing programs beyond the levels served in 2005-06 as follows:
- (1) \$560,000 is provided to continue support for full cost of 280 FTES in entry-level master's degree nursing programs pursuant to Article 8 (commencing with Section 89270) of Chapter 2 of Part 55 of the Education Code.
 - (2) \$1,720,000 is provided to continue support for full cost of a minimum of 163 FTES in entry level master's degree nursing programs.
 - (3) \$371,000 is provided to continue support for 35 FTES in baccalaureate degree nursing programs.
- (b) Of the amount provided for growth in enrollments pursuant to Provision 7 of this item, the university is provided funding to increase enrollments for baccalaureate degree nursing programs by 340 FTES out of the additional 8,355 FTES required by that provision. In Schedule (1), \$3,600,000 is provided to support the full cost of 340 FTES in baccalaureate degree nursing programs in 2007-08. On or before May 1, 2008, the California State University shall report to the Department of Finance and the Legislature the number of additional FTES enrolled in these programs in the 2007-08 academic year. In the event that the California State University enrolls fewer than the 340 additional students for which funding is provided, the funding associated with the enrollment shortfall shall revert to the General Fund. The Director of Finance shall make that reversion on or before May 15, 2008.
- (c) The University shall report to the Legislature and the Governor by May 1, 2008 on its progress toward meeting these enrollment goals specified in Paragraph (a).”

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES (CC)

ISSUE 1: APRIL 1ST DOF LETTER: INCREASE FEDERAL FUNDING FOR SMALL MANUFACTURERS TRAINING PROGRAM AND CALWORKS PROVISIONAL LANGUAGE AMENDMENT

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

Amendment to and Addition of Various Budget Bill Items, Support and Local Assistance, California Community Colleges**State Operations – Budget Year:****6870-001-0890, Increase Federal Funding for Small Manufacturers Training Program (Issue 870)**

It is requested that Item 6870-001-0890 be added to appropriate \$12,000 from the Federal Trust Fund to support administrative costs associated with the implementation of the Small Manufacturers Training Program and that Item 6870-001-0001 be amended to reflect this change, as follows:

6870-001-0890—For support of the Board of Governors of the California Community Colleges, for payment to Item 6870-001-0001, payable from the Federal Trust Fund.....\$12,000

Provisions:

1. The funds appropriated in this item are available to support one-time administrative costs necessary for the implementation of the Small Manufacturers Training Program pursuant to a grant from the U.S. Small Business Administration in Item 6870-101-0890.

Local Assistance – Budget Year:**6870-101-0001, CalWORKs Provisional Language (Issue 868)**

It is requested that the provisional language for this item be amended to authorize expenditure of funds for campus based case management and to clarify work-study criteria.

It is requested that provision 15 be amended to conform to this action as follows:

“15. The funds appropriated in Schedule (6), Special Services for CalWORKs recipients, are for the purpose of assisting welfare recipient students and those in transition off of welfare to achieve long-term self-sufficiency through coordinated student services offered at community colleges, including work study, other educational related work experience, job placement services, child care services, and coordination with county welfare offices to determine eligibility and availability of services. All services funded in Schedule (6) shall be for current CalWORKs recipients or prior CalWORKs recipients who are in transition off of cash assistance for no more than two years. Current cash-assistance recipients may utilize these services until their initial educational objectives are met. Former recipients in transition off of cash assistance may utilize these services for a period of up to two years after leaving cash assistance subject to the conditions of this provision. These funds shall be used to supplement and not supplant existing funds and services provided for CalWORKs recipients attending community colleges. The Chancellor of the California Community Colleges shall develop an equitable method for allocating funds to all districts and colleges based on the relative numbers of CalWORKs recipients in attendance and shall allocate funds for the following purposes:

- (a) Job placement.
- (b) Coordination with county welfare offices and other local agencies, including local workforce investment boards.
- (c) Curriculum development and redesign.
- (d) Child care and work-study.
- (e) Instruction.
- (f) Post employment skills training and related skills.
- (g) Campus-based case management, limited to on-campus assistance and services not provided by county case workers that do not supplant other counseling and academic support services funded through existing CCC categorical programs.

Of the amount appropriated in Schedule (6), \$15,000,000 shall be for child care and shall not require a district match. For the remaining funds, districts shall, as a condition of receipt of these funds, provide a \$1 match for every \$1 provided by the state.

Of the amount appropriated in Schedule (6), \$15,000,000 shall be for child care and shall not require a district match. For the remaining funds, districts shall, as a condition of receipt of these funds, provide a \$1 match for every \$1 provided by the state.

Funds utilized for subsidized child care shall be for children of CalWORKs recipients through campus-based centers or parental choice vouchers at rates and with rules consistent with those applied to related programs operated by the State Department of Education in the 2007-08 fiscal year, including eligibility, reimbursement rates, and parental contribution schedules. Subsidized campus child care for CalWORKs recipients may be provided during the period they are engaged in qualifying state and federal work activities through attainment of their initial education and training plan and for up to three months thereafter or until the end of the academic year, whichever period of time is greater.

Funds utilized for work-study shall be used solely for payments to employers that currently participate in campus-based work-study programs or are providing work experiences that are directly related to and in furtherance of student educational programs; and work participation requirements, provided that those payments may not exceed 75 percent of the wage for the work-study positions, and the employers shall pay at least 25 percent of the wage for the work-study position. These funds may be

expended only if the total hours of education, employment, and work-study for the student are sufficient to meet both state and federal minimum requirements for qualifying work-related activities.

Funds may be used to provide credit or noncredit classes for CalWORKs students if a district has committed all of its funded full-time-equivalent students (FTES) and is unable to offer the additional instructional services to meet the demand for CalWORKs students. This determination shall be based on fall enrollment information. Districts shall submit applications to the chancellor's office by October 15 of each year. If the chancellor approves the use of funds for direct instructional workload, the chancellor's office shall submit a report to the Department of Finance and the Joint Legislative Budget Committee by November 15, 2007, that (1) identifies the enrollment of new CalWORKs students, (2) states whether and why additional classes were needed to accommodate the needs of CalWORKs students, and (3) sets forth an expenditure plan for the balance of funds.

As a condition of receipt of the funds appropriated in Schedule (6), by the fourth week following the end of the semester or quarter term commencing in January 2008, each participating community college shall submit to the chancellor's office a report, in the format specified by the chancellor in consultation with the State Department of Social Services, that includes, but is not limited to, the funded components, the number of hours of child care provided, the average monthly enrollment of CalWORKs dependents served in child care, the number of work-study hours provided, the hourly salaries and type of jobs, the number of students being case managed, the short-term programs available, the student participation rates, and other outcome data. It is intended that, to the extent practical, reporting from colleges utilize data gathered for federal reporting requirements at the state and local level. Further, it is intended that the chancellor's office compile the information for annual reports to the Legislature, the Governor, the Legislative Analyst, and the Department of Finance and State Department of Social Services by November 15 of each year.

First priority for expenditures of any funds appropriated in Schedule (6) shall be in support of current CalWORKs recipients. However, if caseloads are insufficient to fully utilize all of the funding in this schedule in a cost beneficial way, it is intended that up to \$5,000,000 of the funds subject to local matching requirements may be allocated for providing post employment services to former CalWORKs recipients who have been off of cash assistance for no longer than two years to assist them in upgrading skills, job retention, and advancement. Allowable services include direct instruction that cannot be funded under available growth funding, child care to support attendance in these classes consistent with this provision, job development and placement services, and career counseling and assessment activities which cannot be funded through other programs. Child care services may only be provided for periods commensurate with a student's need for post employment training within the two-year transitional period.

Prior to allocation of funds for post employment services, the chancellor shall first secure the approval of the Department of Finance for the allocations, complete a cumulative report on the outcomes, activities, and cost-effectiveness of the program no later than November 15, 2007, in compliance with the Budget Acts of 1998 (Ch. 324, Stats. 1998) and 1999 (Ch. 50, Stats. 1999) and this act, and shall provide the rationale and justification for the proposed allocation of post-employment services to districts for

transitional students.

If a district is unable to fully expend its share of child care funds, it may request that the chancellor's office approve a reallocation to other CalWORKs purposes authorized by this provision, subject to all pertinent limitations and district match required for these purposes under this provision.

Of the funds appropriated in Schedule (6) for the Special Services for CalWORKs Recipients Program, no less than \$8,000,000 is to provide direct work-study wage reimbursement for students served under this program. \$1,000,000 shall be available for campus job development and placement services.”

6870-101-0890, Increase Federal Funding for Small Manufacturers Training Program (Issue 869)

It is requested that Item 6870-101-0890 be added to appropriate \$235,000 from the Federal Trust to provide education and training services to California's small manufacturers on-line and at their worksites as follows:

6870-101-0890 – For local assistance, Board of Governors of the California Community Colleges, Program 20.96.001 – Special Services and Operations, Small Business Manufacturers Training Program, payable from the Federal Trust Fund.....\$235,000

Provisions:

1. The funds provided in this item shall be used to implement the Small Manufacturers Training Program pursuant to a grant from the U.S. Small Business Administration. This program will focus on providing on-line and worksite-based training to small manufacturers in California.

Federal Reimbursement Authority for Vocational Education (Issue 871)

It is requested that Item 6870-111-0001 be amended to reflect an increase of \$3,800,000 in Reimbursements from one-time federal vocational education funding that will be received by community colleges pursuant to Item 6110-166-0890 (Issue 261) for the 2007-08 fiscal year to be used to expand and align K-12 tech-prep programs with community college economic development programs.

It is requested that the following language be to conform to this action:

4. Of the funds appropriated in schedule (3) of this item, \$3,800,000 is one-time carryover available for the support of additional vocational education instructional activities. These funds shall be used during the 2007-08 academic year to support additional alignment and articulation of K-12 tech prep programs with local community college economic development programs in an effort to incorporate greater participation of K-12 students in sequenced, industry-driven coursework that leads to meaningful employment in today's high-tech, high-demand, and emerging technology areas of industry employment.”

ISSUE 2: MAY REVISE DOF LETTER: VARIOUS CAPITAL OUTLAY PROJECTS

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

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

| | |
|--|----------------------|
| Capital Outlay, California Community Colleges | 6870-301-6041 |
| | 6870-301-6049 |
| | 6870-490 |
| | 6870-491 |

Contra Costa Community College District (CCD), Contra Costa College, Art Building Seismic Retrofit—Construction. Due to time delays from a comprehensive seismic study, the Contra Costa College will be unable to encumber the construction funds by June 30, 2008. Consequently, the District is requesting the removal of the proposed construction appropriation from the 2007-08 Governor's Budget and may request a new appropriation in future years.

Therefore, it is requested that Item 6870-301-6041 be amended to remove the proposed construction funding.

1. Contra Costa CCD, Contra Costa College: Art Building Seismic Retrofit—Construction.

Contra Costa CCD, Contra Costa College, Physical/Biological Science Buildings Renovation—Construction. Due to time delays from a comprehensive seismic study, the Contra Costa College will be unable to encumber the construction funds by June 30, 2008. Consequently, the District is requesting the removal of the proposed construction appropriation from the 2007-08 Governor's Budget and may request a new appropriation in future years.

Therefore, it is requested that Item 6870-301-6049 be amended to remove the proposed construction funding.

2. Contra Costa CCD, Contra Costa College: Physical/Biological Science Buildings Renovation—Construction.

For the following project, a one year extension of the liquidation period is needed because of outstanding contractor claims that may not be resolved until after June 30, 2007.

Add Item 6870-491 to extend the liquidation period by one year (until June 30, 2008) for the following item:

3. Item 6870-301-6028, Budget Act of 2002 (Chapter 379, Statutes of 2002), Long Beach CCD, Long Beach City College, Replacement of Technology Buildings Project.

In addition, the following re-appropriations are requested because of delays attributed to project redesigns to remain within the approved budget, unexpected site conditions, issues with design firms and delays in plan approval by the Division of State Architect, which are primarily related to the issues with design firms. Therefore, add Item 6870-490 to re-appropriate funds for the following projects:

A. 6870-301-0574, Budget Act of 2006:

1. Contra Costa CCD, Contra Costa College, Art Building Seismic Retrofit—Working Drawings.

2. Rio Hondo CCD, Rio Hondo College, Applied Technology Building Reconstruction—Construction and Equipment.

B. 6870-301-6041, Budget Act of 2006:

1. Contra Costa CCD, Los Medanos College, Core Building Remodel—Construction and Equipment.

2. Santa Barbara CCD, Santa Barbara City College, Drama/Music Building Modernization—Construction and Equipment.

C. 6870-301-6049, Budget Act of 2006:

1. Palo Verde CCD, Palo Verde College, Fine and Performing Arts—Construction and Equipment.

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

1. Los Angeles CCD, Los Angeles Mission College, Health and Physical Education Building—Construction and Equipment.

2. Los Rios CCD, Folsom Lake College, Fine Arts Instructional Building—Construction.

3. Monterey Peninsula CCD, Monterey Peninsula College, Library Building Renovation/Conversion—Construction and Equipment.

E. 6870-301-6041, Budget Act of 2005, as re-appropriated by Item 6870-491, Budget Act of 2006:

1. Los Angeles CCD, Los Angeles Harbor College, Adaptive Physical Education and Physical Education Building Renovation—Construction and Equipment.

2. Los Angeles CCD, Los Angeles Harbor College, Child Development Center—Construction and Equipment.

3. San Francisco CCD, John Adams Center, John Adams Modernization—Construction.

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

1. Cabrillo CCD, Cabrillo College, Visual/Performing Arts Complex—Equipment.

2. Long Beach CCD, Long Beach City College PCC, Industrial Technology Center, Manufacturing—Construction and Equipment.

3. Los Angeles CCD, Los Angeles City College, Child Development Center—Equipment.

G. 6870-301-6041, Budget Act of 2004, as re-appropriated by Item 6870-491, *Budget Act of 2006*:

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

OPEN ISSUES (VOTE ONLY)**ITEM 6120 CALIFORNIA STATE LIBRARY (STATE LIBRARY)****ISSUE 1: SUPPORT BUDGET / INTEGRATED LIBRARY SYSTEM PROJECT PROPOSAL**

The subcommittee is voting on the Library's support budget including the Governor's proposal to redirect \$52,000 from the Public Library Foundation (PLF) to support the initial phase of the Integrated Library System Project.

JANUARY 10TH BUDGET:

The Governor's proposed budget includes \$89.8 million in total funds for the California State Library. Of this amount, \$62.7 million is General Fund.

The proposed budget also includes a reduction of the Public Library Foundation (PLF) in the amount of \$52,000 for total funding in 2007-08 of \$21.3 million. The Governor is proposing to redirect these funds to support the initial stage of the Integrated Library System (ILS) replacement project. The ILS allows the Library to manage an inventory of nearly two million items in various formats, handle about three fourths of a million transactions per year, and provide web access to literally millions of electronic information resources including current database subscriptions.

ITEM 6420 CALIFORNIA POSTSECONDARY EDUCATION COMMISSION (CPEC)

ISSUE 1: SUPPORT BUDGET

The subcommittee is voting on CPEC's support budget.

JANUARY 10TH BUDGET:

The Governor's budget proposes a total of \$11.2 million for CPEC, of which \$9 million are federal funds for the Teacher Quality Grant Program that supports professional development activities for K-12 teachers and \$2.2 million in General Fund to support the Commission's operations.

ISSUE 2: BUDGET BILL LANGUAGE (BBL) REGARDING CPEC'S ROLES AND RESPONSIBILITIES AND NEW FACULTY COMPENSATION METHODOLOGY

The issue for the subcommittee to vote on is the Governor's proposed budget bill language and the LAO's recommendations regarding the prioritization of CPEC's role and responsibilities and a new faculty compensation methodology.

JANUARY 10TH BUDGET: GOVERNOR'S PROPOSED BBL

The Governor's budget includes the following provision within CPEC's budget item:

Provision:

1. *To the extent that the funding in this item is not adequate to fulfill all of the Commission's statutory responsibilities, it is the intent of the Legislature that the Commission prioritize its workload to ensure at a minimum that the following statutory responsibilities are completed in a timely manner during the 2007-08 fiscal year:*
 - a) *All reviews and recommendations of the need for new institutions for the public higher education segments, inclusive of community colleges, pursuant to subdivision (e) of Section 66903.*
 - b) *All reviews and recommendations of the need for new programs for the public higher education segments, inclusive of community colleges, pursuant to subdivision (f) of Section 66903.*
 - c) *Consistent with the statutory role of the Commission pursuant to subdivision (s) of Section 66903, a determination of options and a recommendation for a new methodology for faculty compensation comparisons for the University of California (UC) and the California State University (CSU) faculty. Considerations for this effort shall address the intent that faculty compensation shall include, but not necessarily be limited to, all forms of employee compensation including regular salary for the academic year, fringe benefits including health, dental, and vision insurance, vehicle use, housing and mortgage assistance, life insurance, opportunities for additional compensation and any other forms of compensation. The new methodology shall also identify options for assessing the appropriateness of UC and CSU compensation levels. These options should include, but not be limited to, comparing UC and CSU compensation with other appropriate university systems or campuses. Such options shall specifically consider comparisons with other public systems separately from options which may include private institutions. For purposes of developing options and recommendations, the Commission shall consult with the Legislative Analyst, the Department of Finance, the University of California and the California State University. The Commission shall initiate this effort no later than September 1, 2007, and shall provide a progress report and timeline for completion of the study no later than January 1, 2008. It is intended that a final report of options considered and recommendations be available to the Governor's Office and the Legislature by June 30, 2008. It is intended that the University of California and the California State University provide any and all data in a timely manner as necessary to facilitate this effort.*

ITEM 6600 UC HASTINGS COLLEGE OF THE LAW (HASTINGS)

ISSUE 1: SUPPORT BUDGET

The issue for the subcommittee to vote on is the Hastings 2007-08 proposed support budget.

JANUARY 10TH BUDGET:

The Governor's proposed budget includes a total funding of \$47.8 million for Hastings, including \$10.6 million in General Fund. Hastings General Fund support decreases from the prior year appropriation level of \$52.9 million due to a one-time \$4 million appropriation in non-State funds to support renovation activities for the law library. In addition, the State provided a one-time allocation of \$523,000 in General Fund for moving and relocation expenses associated with the code compliance upgrade of the College's building at 200 McAllister Street.

ITEM 6440 UNIVERSITY OF CALIFORNIA (UC)

ISSUE 1: SUPPORT BUDGET

The issue for the subcommittee to vote on is the UC's 2007-08 proposed budget.

JANUARY 10TH BUDGET:

The Governor's proposed budget for the UC includes \$3.3 billion in General Fund, which represents an increase of \$192.1 million, or 6.2 percent, above the revised 2006-07 budget. The UC's total annual budget is proposed at \$19.7 billion for 2007-08. This total includes funds for federal contracts and grants, teaching hospital revenue, self-supporting enterprises, private gifts and grants, student fee revenue, General Fund and funds from the U.S. Department of Energy to manage three national laboratories.

Support budget items *include* the proposed (1) \$116.7 million increase, or four percent, to the base budget, (2) \$104.7 million associated with the UC Board of Regents approved seven and 10 percent fee increases, (3) the 33 percent set-aside for institutional financial aid, (4) \$14 million in one-time funds for UC Merced, (5) \$757,000 increase for a total of \$1.7 million for the expansion of entry-level Masters in Nursing Program, (6) \$1.1 million for the Math and Science Teacher Initiative, (7) \$570,000 increase for a total of \$1 million for the PRIME program, (8) \$10.5 million increase for annuitant health benefits, and (9) \$15.8 million for lease-purchase payments.

Enrollment growth funding, the Miguel Contreras Labor Program, Academic Preparation programs and the Governor's Research and Innovation initiative budget items will be voted on separately.

ISSUE 2: CAPITAL OUTLAY PROJECTS

The issue for the subcommittee to vote on is on the UC's proposed 2007-08 capital outlay projects.

JANUARY 10TH BUDGET:

The Governor's proposed budget includes \$573.2 million in bond funds to support UC capital outlay projects in the budget year. The proposed spending would support new phases of 15 projects previously funded by the state at a cost of \$216.9 million. The budget also proposes 13 new projects, costing \$356.3 million in 2007-08 and \$95.5 million in future costs.

This budget item was proposed for consent at the May 2nd hearing. However, the item was pulled off consent and held open.

The UC's capital outlay list is Attachment 1. The PRIME-Telemedicine and Helios Research Projects are discussed as separate issues on the agenda.

ISSUE 3: ENROLLMENT GROWTH FUNDING

The issue for the subcommittee to vote on is the proposed 2.5 percent for enrollment growth funding including budget bill language.

JANUARY 10TH BUDGET:

The Governor's proposed budget includes a \$54.4 million General Fund augmentation for enrollment growth at UC. This would increase the University's State-supported enrollment by 5,340 FTE students, or 2.5 percent, above the current-year level. The proposed augmentation assumes a marginal General Fund cost of \$10,876 per additional student, reflecting a new methodology proposed by the Governor for calculating the marginal cost of serving an additional student.

ISSUE 4: MIGUEL CONTRERAS LABOR PROGRAM

The issue for the subcommittee to vote on is the \$6 million restoration for the Miguel Contreras Labor Program including budget bill language.

BACKGROUND:

The Governor's proposed budget eliminates \$6 million in General Fund for the Miguel Contreras Labor Program, which funds the Centers for Labor Research and Education at UC Berkeley's and UCLA's Institutes for Industrial Relations. Last year, both the Senate and Assembly restored funding for support of these institutes. Labor research studies funding, previously under the Institute for Labor and Employment (ILE), has been reduced from \$6 million in the 2000-01 budget to \$3.8 million in the 2004-05. The Legislature restored the program's initial funding of \$6 million in the 2006-07 *Budget Act*.

ISSUE 5: STUDENT ACADEMIC PREPARATION AND EDUCATIONAL PROGRAMS (SAPEP)

The issue for the subcommittee to vote on is the \$19.3 million restoration to SAPEP program including budget bill language.

BACKGROUND:

The Governor's proposed budget eliminates \$19.3 million for academic preparation programs and educational partnerships. The 2006-07 Budget Act provided \$31.3 million in General Fund for academic preparation programs. Of this amount, \$19.3 million were General Fund and \$12 million were UC funds as agreed by the UC in the Compact Agreement with the Governor. Out of the \$19.3 million, \$2 million were designated for the UC/Community Colleges Transfer Initiative, which includes a new comprehensive set of goals to increase the number of community colleges students who transfer to the UC.

ISSUE 6: CALIFORNIA INSTITUTES FOR SCIENCE AND TECHNOLOGY

The issue for the subcommittee to vote on is the Governor's \$15 million General Fund augmentation to support the operating costs of the California Institutes of Science and Technology.

BACKGROUND:

For the current year, the *2006-07 Budget Act* provided a total of \$4.8 million in General Fund support to UC for the operation of four California Institutes for Science and Innovation. These institutes enable UC faculty to work directly with private companies on such issues as information technology, biomedical research, nanotechnology, health care, and traffic congestion. For the budget year, the Governor proposes a \$15 million increase in base funding for the institutes, for a total of \$19.8 million—a quadrupling in the level of funding. According to the Administration, the proposed augmentation is intended to fund advanced technology infrastructure, personnel, and “seed money” to build new research teams. The four institutes are a multidisciplinary research effort by the UC working in partnership with private companies in the areas of information technology, biomedical research and nanotechnology.

ISSUE 7: APRIL 1ST DOF LETTER: HELIOS RESEARCH PROJECT

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:**University of California****6440-301-0660**

Energy Biosciences Institute and Helios Research Facility—Preliminary plans, working drawings, construction, and equipment. The 2007-08 Governor's Budget proposes a total of \$70.0 million in lease revenue funds for two separate capital outlay projects: Helios Research Facility (\$30.0 million) and the Energy Biosciences Institute (\$40.0 million). These projects would conduct research in the key areas of "clean" energy and biotechnology. At the time the Budget was prepared, both the San Diego and Berkeley campuses were engaged in a global competition for British Petroleum's \$500.0 million grant to build and operate the Energy Biosciences Institute, but the grant award winner had not been determined. It has been announced that Berkeley was awarded the grant. Since the Helios Facility and the Energy Biosciences Institute are now going to be in one building, these projects need to be consolidated.

Therefore, it is requested to:

Amend Item 6440-301-0660 to reflect the removal of Schedule 1 for the Energy Biosciences Institute and combine the project and funding with Schedule 2 and rename it the Helios Energy Research Facility.

LAO'S BUDGET BILL LANGUAGE:

Budget staff requested that the LAO draft budget bill language pending the contract agreement negotiations between the University and BP.

Item 6550-301-0660

Provision 1.

The State Public Works Board may issue lease-revenue bonds, notes, or bond anticipation notes pursuant to Chapter 5 (commencing with Section 14830) of Part 10-b of Division 3 of Title 2 of the Government Code to finance all phases of the projects authorized by this item no sooner than 60 days after the completed, signed agreement between the University and BP related to the Energy Biosciences Institute is submitted to the Department of Finance and the Joint Legislative Budget Committee for approval.

ISSUE 8: PETASCALE COMPUTER

The issue for the subcommittee to vote on is the Governor's \$5 million General Fund as State-matching funds to enhance the UC's bid to build a \$200 million Petascale computer.

BACKGROUND:

The National Science Foundation (NSF) has recently launched a national bidding process for the design and management of a Petascale supercomputer, which is named for the high speed at which it can process information. Specifically, the foundation plans to invest \$200 million for the development of the supercomputer and an additional \$100 million over a five-year period for its operation, which is scheduled to begin in 2011. In response to NSF's announcement, UC—including the federal energy laboratories that it manages—has formed a consortium with the Georgia Institute of Technology and IBM to prepare and submit a proposal to NSF. This consortium is formally called the National Petascale Applications Resource (NPAR). If NPAR is successful in its bid, the Petascale supercomputer would be located at the Lawrence Livermore National Laboratory. (The UC currently operates a different type of supercomputer at its San Diego campus.) The university expects that the outcome of its proposal will be known sometime this summer or fall.

Although NSF does not require a direct match from states as part of the bidding process for the Petascale supercomputer, the Governor's budget requests a \$5 million General Fund augmentation to UC's research budget to enhance the NPAR proposal. According to the Department of Finance, the administration intends to provide the university with \$5 million each year for the next ten years, for a total of \$50 million. Although the language in the proposed budget bill does not specifically state that the funds would revert to the General Fund if the university is unsuccessful in its bid, the administration indicates that this is its intent.

ISSUE 9: PRIME-TELEMEDICINE FACILITIES

The issue for the subcommittee to vote on is the Governor's proposed funding of \$199 million for the PRIME-Telemedicine facilities.

BACKGROUND:

Proposition 1D, approved by the voters in November 2006, provided \$199 million to UC for telemedicine/medical education facilities. The budget proposes to spend virtually all this amount (\$199 million) in 2007-08 for five projects—one at each of the system's five medical schools (Davis, Irvine, Los Angeles, San Diego, and San Francisco). The State would contribute \$35 million to each project, with the campuses supplementing these funds in some cases. As required by Proposition 1D, the proposed projects would "expand and enhance medical education programs with an emphasis on telemedicine."

ITEM 6610 CALIFORNIA STATE UNIVERSITY (CSU)

ISSUE 1: SUPPORT BUDGET

The issue for the subcommittee to vote on is the CSU's 2007-08 proposed support budget.

BACKGROUND:

The Governor's 2007-08 proposed budget for the CSU totals \$6.8 billion from all funds sources. The proposed General Fund expenditures include \$3 billion, which represents an increase of \$165 million, or 5.9 percent, from the revised 2006-07 budget.

Support budget items *include* the proposed (1) \$108.9 million increase, or four percent, to the base budget, (2) \$97.8 million associated with the CSU Board of Trustees 10 percent fee increases, (3) the 33 percent set-aside for institutional financial aid, (4) \$2.6 million for the expansion of nursing enrollments, (5) \$2.7 million for the Math and Science Teacher Initiative, (6) \$23.3 million for retirement costs, and (7) \$2.7 million reduction for lease-purchase payments.

Enrollment growth funding and Academic Preparation programs items will be voted on separately.

ISSUE 2: ENROLLMENT GROWTH

The issue for the subcommittee to vote on is the CSU's enrollment growth funding as proposed in the 2007-08 budget.

BACKGROUND

The Governor's proposed budget includes a \$65.5 million General Fund augmentation for enrollment growth at CSU. This would increase the University's state-supported enrollment by 8,355 FTE students, or 2.5 percent, above the current-year level. The proposed augmentation assumes a marginal General Fund cost of \$7,837 per additional student, reflecting a new methodology proposed by the Governor for calculating the marginal cost of serving an additional student.

ISSUE 3: ACADEMIC PREPARATION PROGRAMS AND STUDENT SUPPORT SERVICES

The issue for the subcommittee to vote on is the restoration of \$7 million in General Fund to support State-funded academic preparation programs and student support services at the CSU.

BACKGROUND

The Governor's budget proposes to eliminate \$7 million for academic preparation and student services programs. Without General Fund support, funding for these programs in 2007-08 would be \$45 million from CSU funds as agreed in the Compact with the Governor. The *2006-07 Budget Act* provided \$52 million for these programs. Of this amount, \$7 million were General Fund and \$45 million were CSU funds. In the Compact, the CSU agreed to provide no less than \$45 million to support the continuation of the "most effective" programs. The Compact also states that "additional funding provided by the State would be subject to the annual budget act."

ITEM 7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

ISSUE 1: SUPPORT BUDGET

The issue for the subcommittee to vote on is the California Student Aid Commission (CSAC) 2007-08 proposed support budget.

BACKGROUND:

The Governor's proposed budget includes State and federal funds totaling \$1.7 billion. Of these total funds, \$892 million is General Fund support, all of which is used for direct student aid for higher education. A special fund, the Student Loan Operating Fund (SLOF) covers the Commission's operating costs.

APLE program items will be voted on separately.

ISSUE 2: APLE AWARDS SET-ASIDE FOR MATH AND SCIENCE TEACHER INITIATIVE PARTICIPANTS

The issue for the subcommittee to vote on is the Governor's proposal to set-aside 600 warrants within the existing APLE program for the Governor's Math and Science Teacher Initiative participants.

BACKGROUND:

The Governor proposes that the 600 new warrants be allocated exclusively to UC and CSU students participating in the Governor's Math and Science Teacher Initiative. This is the third consecutive year in a row that this subcommittee is considering this proposal.

The Legislature has continuously rejected this proposal because this would create a new program within the existing APLE system and would require the authorization of these warrants in statute. In addition, the LAO has also recommended the rejection of this proposal because not all APLE warrants are issued every year and, furthermore, the existing APLE program already creates strong incentives for students to serve as math and science teachers. There is no need to create a new program.

ISSUE 3: PUBLIC INTEREST ATTORNEY LOAN REPAYMENT PROGRAM

The issue for the subcommittee to vote on is fund the Public Interest Attorney Loan Repayment Program.

BACKGROUND:

The Public Interest Attorney Loan Repayment Program has been established in statute since 2001. The State has yet to provide the funding and authority to issue the warrants. As the cost of receiving a legal education has increased significantly students are continuously faced with increasing debt burdens and many law school graduates opt to practice in private firms rather than to go into public interest law due to the lower-paying salaries inherent in those positions.

Budget staff recommends that the subcommittee consider the possibility of providing start-up costs for the program including one position and \$100,000 to promulgate regulations and begin implementing this program.

ITEMS TO BE HEARD

ITEM 6440 UNIVERSITY OF CALIFORNIA (UC)

ISSUE 1: CHARLES R. DREW UNIVERSITY CAPITAL OUTLAY PROGRAM

The Charles R. Drew University of Medicine and Science is requesting \$10 million in bond funds out of the \$890 million earmarked for the UC from Proposition 1D. Of this amount, only \$843 million have been allocated leaving \$46 million in funds yet to be allocated.

The \$10 million funding request will be used to help fund construction of a Life Science Research Building and a School of Nursing. This would be the first new building at the university since 1982. The new building will allow Drew to improve their already nationally ranked reputation as a research institution, increase their returns from research grants and contracts and to earn tuition from their undergraduate and graduate nursing initiatives.

Drew University has \$10 million in matching funds. Of this amount, \$7 million are from the National Institutes of Health and \$3 million would come from their reserves.

There is precedence from this initiative as the Cobb Administration Building is a joint effort between the UCLA and Drew University. The administration of the funds would be allocated by the UC.

LAO'S PROPOSED BUDGET BILL LANGUAGE:

Add item:

6440-305-6048 -- For capital outlay, University of California, payable from the 2006 University Capital Outlay Bond Fund...\$10,000,000

Schedule:

(1) Charles R. Drew University of Medicine and Science -- Life Sciences Research and Nursing Education Building....\$10,000,000

Provisions:

1. Funding appropriated in this item is for preliminary plans, working drawings, and construction of a Life Sciences Research and Nursing Education facility at Charles R. Drew University. Encumbrance of this funding requires the committal of matching funds of at least \$10 million from non-state sources. The Director of Finance shall confirm the commitment of matching funds prior to the release of state funding.

ITEM 7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)**ISSUE 1: REVISED COSTS FOR THE CAL GRANT AND APLE PROGRAMS**

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

Amendment to Item 7980-101-0001, Local Assistance, California Student Aid Commission**Reduce Funding for Cal Grant Costs per Revised Estimate (Issue 084)**

It is requested that Item 7980-101-0001 be decreased by \$42,839,000 to reflect revised estimates by the Commission as to the amount of funding required for the Cal Grant Program in 2007-08.

Adjust Funding for Assumption Program of Loans for Education (APLE) Costs per Revised Estimate (Issue 085)

It is requested that Item 7980-101-0001 be increased by \$2,478,000 to reflect revised estimates by the Commission as to the amount of funding required for APLE in 2007-08.

It is also requested that provisional language be added to not withstand the statutory cap on expenditures for APLE participants receiving additional benefits for teaching math, science or special education and/or teaching in a low-performing school. The Commission estimates that it will reach the \$5.0 million cap on expenditures for these teachers who receive up to an additional \$2,000 per year in loan assumption benefits.

It is further requested that a new subdivision be added to control Provision (1) to conform as follows:

1(x). Notwithstanding Subdivision (c) of Section 69613.8 of the Education Code, any Assumption Program of Loans for Education participant who meets the requirements of Subdivisions (a) and/or (b) of Section 69613.8 of the Education Code may receive the additional loan assumption benefits authorized by those subdivisions.

COMMENTS:

Cal Grant Baseline Reduction. The May Revision makes a baseline reduction of \$23 million in the current year and a \$42 million baseline reduction for 2007-08 to the amount of funding needed for the Cal Grant program due to revised caseload.

APLE Baseline Adjustments. The May Revision makes a baseline adjustment of \$1.3 million in the current year and a \$2.5 million increase for 2007-08 to the amount of funding needed for APLE dues to revised caseload.

ISSUE 2: MAY REVISE DOF LETTER: STATE NURSING ASSUMPTION PROGRAM OF LOANS FOR EDUCATION (SNAPLE) AND NURSES IN STATE FACILITIES APLE (SNAPLE-SF) WARRANTS

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

Extend Authorization for State Nursing Assumption Program of Loans for Education (SNAPLE) and Nurses in State Facilities APLE Warrants (Issue 094)

It is requested that the Commission be authorized to issue up to 100 loan assumption warrants for the SNAPLE and up to 40 warrants for the Nurses in State Facilities APLE that were authorized in the *2006 Budget Act*, but may not be issued in the current year due to delays in the adoption of regulations for these programs.

It is further requested that provisional language be added to conform as follows:

X. The Commission may issue the balance of 100 loan assumption warrants pursuant to the purchase of loan assumptions for the State Nursing Assumption Program of Loans for Education and the balance of 40 loan assumption warrants for the Nurses in State Facilities Assumption Program of Loans for Education in 2007-08 that were authorized pursuant to Provisions (9) and (12), respectively, of Item 7980-101-0001 of the Budget Act of 2006, if they were not issued in the 2006-07 fiscal year.

ISSUE 3: MAY REVISE DOF LETTER: SHIFT FUNDING FOR STATE OPERATIONS FROM EDFUND TO THE GENERAL FUND

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

Shift State Operations from Student Loan Operating Fund to General Fund (Issue 086)

It is requested that Item 7980-001-0784 be decreased by \$15,349,000 to shift state operations for the California Student Aid Commission (Commission) from the Student Loan Operating Fund to the General Fund. It is further requested that Reimbursements be decreased by \$296,000 and related provisional language under Item 7980-001-0784 be shifted to 7980-001-0001 to conform to this action. The Administration proposes to privatize the Commission's non-profit loan guarantee organization, EdFund, which will enable the state to receive one-time revenues estimated at \$1 billion. As a consequence of this transaction, the state will resume funding for the cost of the Commission's state operations and financial aid awareness programs. Trailer bill language will be provided to implement this proposal.

Addition of Budget Bill Item 7980-001-0001 (Issue 086)

It is requested that Item 7980-001-0001 be added in the amount of \$15,349,000 to conform with shifting state operations from the Student Loan Operating Fund to the General Fund due to the proposed sale of EdFund. It is further requested that Reimbursements be added in the amount of \$296,000 and the following related provisional language currently under Item 7980-001-0784 be shifted to this new item to conform to this action:

7980-001-0001—For Support of Student Aid Commission.....15,349,000

Schedule:

| | | |
|-----|--|------------|
| (1) | 15-Financial Aid Grants Program..... | 13,786,000 |
| (2) | 50-California Loan Program..... | 1,859,000 |
| (3) | 80.01-Administration and Support Services..... | 3,302,000 |
| (4) | 80.02-Distributed Administration and Support Services..... | -3,302,000 |
| (5) | Reimbursements..... | -296,000 |

Provisions:

1. The funds appropriated in this item shall only be available for the California Student Aid Commission's state operations activities.

2. Of the funds appropriated in Schedule (1), \$1,167,000 shall be available for expenditure to support enhancement of the Student Aid Commission's Grant Delivery System. Of this amount, \$798,000 is one-time funding.
3. Of the funds appropriated in this item, \$30,000 is to provide for one-half personnel years to implement a new State Facilities Nursing Assumption Program of Loans for Education, pursuant to Chapter 837 of the Statutes of 2006, commencing with Education Code Section 70120.
4. Of the funds appropriated in Schedule (1), \$175,000 shall be available for 2.0 positions to increase program compliance reviews for institutions participating in the Cal Grant Program under Chapter 1.7 (commencing with Section 69430 of the Education Code) and the Assumption Program of Loans for Education under Article 5 (commencing with Section 69612 of the Education Code), with the objective of auditing higher risk institutions once every three years. The audits shall emphasize verification of applicant eligibility, fund disbursement, and payment reconciliation. The Commission shall prioritize its review of institutions that have demonstrated noncompliance in prior audits. The Commission shall report to the Legislature and the Governor by September 30, 2008, on the institutions audited, the rate of noncompliance with each major program requirement, and the steps taken to address noncompliance.

ISSUE 4: MAY REVISE DOF LETTER: SHIFT FUNDING FOR CALIFORNIA STUDENT OPPORTUNITY AND ACCESS PROGRAM (CAL-SOAP) FROM EDFUND TO THE GENERAL FUND

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

Shift California Student Opportunity and Access Program from Student Loan Operating Fund to General Fund (Issue 087)

It is requested that Item 7980-101-0001 be increased by \$5.0 million and Reimbursements be decreased by \$8,567,000 to reflect the shift of the California Student Opportunity and Access Program (CalSOAP) from the Student Loan Operating Fund to the General Fund. The Administration proposes that this funding be made available for financial aid awareness to students who are preparing to enter or are currently enrolled in college.

It is further requested that Provisions (1) and (5) under this item be amended as follows:

“1. Funds appropriated in Schedule (1) are for the purposes of all of the following:

(a) Awards in the Cal Grant Program under Chapter 1.7 (commencing with Section 69430) and Article 3 (commencing with Section 69530) of Chapter 2 of Part 42 of the Education Code.

(b) Grants under the Law Enforcement Personnel Dependents Scholarship Program pursuant to Section 4709 of the Labor Code.

~~(c) California Student Opportunity and Access Program contract agreements under Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of the Education Code.~~

(d) The purchase of loan assumptions under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of the Education Code. The Student Aid Commission shall issue 8,000 new warrants. Of this amount, and notwithstanding any other provision of law, the commission shall allocate a total of 600 new warrants to the University of California and the California State University as determined in consultation with those segments, to be awarded to participants in the Science and Math Teacher Initiative. Expenditures associated with these warrants shall not count towards the maximum expenditures specified in Education Code Section 69613.8(c).

(e) The purchase of loan assumptions under the Graduate Assumption Program of Loans for Education pursuant to Article 5.5 (commencing with Section 69618) of Chapter 2 of Part 42 of the Education Code.

(f) The California Student Aid Commission shall report by April 1, 2008, on the State Nursing Assumption Program of Loans for Education, pursuant to the reporting requirements of Section 70108 of the Education Code.

(g) Of the amount appropriated in Schedule (1), \$200,000 is provided for loan assumption payments to participants in the National Guard Assumption Program of Loans for Education pursuant to Article 12.5 (commencing with Section 69750) of

Chapter 2 of Part 42 of the Education Code.”

“5. Of the funds appropriated in Schedule (1), \$5,000,000 at least ~~\$8,567,000~~ in reimbursements from the federal Family Education Loan Program, administered by the Student Aid Commission as the State Student Loan Guarantee Agency, is for the purposes of the California Student Opportunity and Access Program to provide financial aid awareness to students who are preparing to enter or are currently enrolled in college, and related outreach, notwithstanding consistent with Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of the Education Code. ~~and Section 1072b of Title 20 of the United States Code.~~”