

GOVERNOR'S 1998-99 BUDGET PROPOSAL FOR: HIGHER EDUCATION

Higher education in California is governed by the Master Plan of 1960, which promises a high quality, affordable higher education for all California citizens who can benefit from it. The Master Plan also delineates a different mission for the three segments, the University of California (UC), the California State University (CSU) and the California Community Colleges system (CCC). The California Student Aid Commission (CSAC) and the California Postsecondary Education Commission (CPEC) also play an integral role in implementing the goals of the Master Plan, with CSAC providing and overseeing financial aid and CPEC providing policy analysis and recommendations to the Governor and the State Legislature.

There is consensus that enrollment growth in our state's public colleges and universities are going to rapidly increase over the next decade. It is estimated that California's higher education system will need to accommodate an additional 455,000 new students by the year 2005. Sustaining and increasing access, meeting the demands of this so-called "Tidal Wave II", and continuing with the obligations of the Master Plan are contingent on funding enrollment growth. However, throughout the past decade, the budget has not provided the necessary funding to accommodate enrollment growth.

In this last year of a four-year compact for higher education entered into by the Governor and the UC and CSU, the 1998-99 budget proposes to substantially increase General Fund support, partially fund enrollment growth and rollback undergraduate student fees in accordance with AB 1318 (Ducheny), Chapter 853, Statutes of 1997. The budget proposes General Fund expenditures of \$7.2 billion for all segments of higher education, which represents an increase of eight percent, \$581 million, over the current year.

The Governor's proposed budget increases General Fund support for UC by eight percent, or \$175 million, for a total UC budget of \$2.4 billion, and increases General Fund support for CSU by 8.5 percent, or \$162.9 million, for a total CSU budget of \$2 billion. The budget also increases General Fund support for Community Colleges by 8.6 percent, or \$180.5 million above current year expenditures for a total General Fund budget of \$2.2 billion.

In addition, the Governor has proposed to begin negotiations with the three segments to develop a new four-year compact. However, it remains uncertain whether it is appropriate to negotiate a compact at this time with a Governor who will be replaced by the next budget year.

Table 1 illustrates the Governor's 1998-99 budget proposal for Higher Education.

Table 1

Proposed General Fund Support For Segments Of Higher Education (Dollars in thousands)				
	1997-98	1998-99	Change	Percent Change
University of California	\$2,180,801	\$2,355,823	\$175,022	8.02
California State University	1,897,176	2,060,090	162,914	8.58
California Community Colleges	2,095,077	2,275,671	180,594	8.61
Student Aid Commission	294,695	319,902	25,207	8.55
Hastings College of the Law	12,274	13,236	962	7.83
CPEC	2,966	2,966	0	0
Debt Service	156,602	163,544	6,942	4.43
Total	\$6,639,591	\$7,191,232	\$551,641	8.30

*This table includes only a few selected public program funds.

MAJOR PROPOSALS

The major proposals for higher education include:

- General Fund expenditures of \$7.2 billion for higher education for 1998-99, and an increase of 8.3 percent over last year;
- A five percent undergraduate student fee rollback for students at UC and CSU and a \$1 per-unit decrease for community college students;
- \$39.4 million, above compact funding to fully fund enrollment growth at the CSU, \$6 million above compact funding to partially fund enrollment growth at the UC and \$95.4 million to fund enrollment growth for community colleges;
- \$97.2 million for the UC and \$73.7 million for the CSU to increase employee compensation, and \$72.7 million to fund a cost-of-living adjustment (COLA) at 2.2 percent for community colleges;
- \$470 million for capital outlay projects for UC, CSU, community colleges, and the

Hastings School of Law, subject to passage of a \$1 billion higher education bond in June 1998;

- \$5 million to continue with the development of the 10th UC campus in Merced and \$5.8 million to continue with the development of the 23rd CSU campus in Camarillo;
- \$6.1 million to further develop courses for the California Virtual University (CVU); and
- No funding to increase financial aid through the Cal Grant program.

UNIVERSITY OF CALIFORNIA

The UC system includes eight general campuses and one health science campus in San Francisco. The University of California, founded in 1868 as a public land-grant institution, is the primary state supported academic agency for research, with exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The University of California currently serves an estimated 157,644 Full Time Equivalent (FTE) graduate and undergraduate students.

The Governor's budget provides funds for 155,800 (FTE) students for the budget year but the estimated actual enrollment of (FTE) students for the budget year, is 159,000. Table 2 illustrates the Governor's proposed funding for the UC from selected program funds, totaling \$3.1 billion, which is an increase of \$135 million, or 4.6 percent, over the revised current year. The General Fund expenditure is \$2.4 billion, which represents an increase of \$175 million, or 8.02 percent, over the revised current budget year. The total budgets, including state, federal, private donations, and other non-state funds for the UC is \$11.9 billion.

Table 2

University of California Budget Summary (Dollars in thousands)				
	1997-98	1998-99	Change	% Change
General Fund	\$2,180,801	\$2,355,823	\$175,022	8.02
Student Fees	638,036	627,672	-10,364	-1.65
UC General Funds Income	280,572	282,924	2,352	.84
Lottery Education Fund	17,480	20,106	2,626	15.02
Total	\$3,116,889	\$3,286,525	\$169,636	6.01

* This table includes only a few selected public program funds.

Enrollment: In accordance with the compact, which promised funding for one percent enrollment growth annually, the budget provides \$14.6 million to fund an additional 2,000 students at the UC. In addition, the budget provides \$6 million, above the compact, to fund 800 new students in computer science and engineering related fields. This combined \$20.6 million in funding will allow the UC to expand enrollment by 2,800 students bringing total budgeted general campus (FTE) enrollment to 155,800 in 1998-99.

However, the budget proposal does not fully fund enrollment at the UC, as it is still over enrolled by 3,200 students, and under-funded by \$23.2 million. In order to ensure continued access and accommodate future growth, estimated at 25,000 new students over the next eight years, the legislature may wish to fully fund enrollment growth and continue developing new campuses.

Employee Compensation: The Governor's budget proposes \$97.2 million for employee compensation increases. Of the \$97.2 million for employee compensation, \$31.6 million is provided for a two percent salary cost-of-living adjustment (COLA) increase for all employees, effective October 1, 1998. In addition, as part of its plan to restore faculty salaries to a competitive level by 1998-99, UC will provide \$14.6 million for another 2.5 percent salary increase for faculty, effective October 1, 1998. The UC plan also includes \$15.8 million to fund the full-year cost of the 1997-98 salary increases, which were effective October 1, 1997, and \$35.2 million for full funding of academic and staff merit salary increases.

Student Fees: The Governor's four-year compact called for a 10 percent increase in system-wide student fees annually to provide an additional revenue source for the UC. However, because of the improved economy, the State was able to "buy out" those proposed fee increases over the past three years. The budget continues this trend in the 1998-99 academic year by providing \$39.5 million to "buy out" a 10 percent fee increase.

In addition, the budget reduces system-wide student fees by five percent and provides \$22.5 million to replace those anticipated revenues, pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997. With this rollback, students and their families will pay \$3,609 for fees at the UC in 1998-99, \$190 less than this year.

Student Outreach: The Governor's budget proposes to increase funding by \$5 million for outreach initiatives at the UC. While not specifying exactly how these funds will be used, it is assumed that this increase will be designated to implement the UC Regents Outreach Task Force recommendations. The Task Force proposes to develop regional partnerships with UC campuses and selected poor performing feeder schools (known as the school-centered approach) with a goal of doubling UC eligibility rates for students within the participating schools. It is estimated that the implementation of the plan would cost \$60 million annually, with a combination of funding sources including Proposition 98 dollars, federal funds, and private contributions. It is debatable, however, whether investing in existing student-centered outreach programs, such as Mathematics, Engineering, Science, Achievement (MESA), Puente and Early Academic Outreach Program (EAOP), would be a wiser investment.

10th UC Campus: The Governor's budget increases funding by \$5 million, thus providing a \$10 million base budget, for the development of the 10th University of California campus in Merced. The tenth campus, scheduled to open in 2005, is essential to expanding access, accommodating enrollment growth, and serving the historically under-represented Central Valley.

Ongoing Building Maintenance and Deferred Maintenance: The Governor's budget proposes to increase funding for UC building maintenance by \$12 million; \$6 million for ongoing building maintenance and \$6 million for deferred maintenance. The \$6 million increase for regular ongoing building maintenance is consistent with the University's multi-year plan to properly fund the program, which is currently under-funded by more than \$50 million. To address the severe backlog in deferred maintenance projects, which currently exceeds \$500 million, the UC is proposing to use new General Fund monies as debt service to pay for the long term financing of its needs. The \$6 million increase for deferred maintenance will provide debt service to finance \$50 to \$60 million worth of maintenance and infrastructure projects.

Industry-University Cooperative Research Program: The Governor's budget increases funding by \$7 million, thus providing a base budget of \$15 million, for the Industry-University Cooperative Research Program. This research cooperative between private companies and the UC is expected to leverage more than \$15 million

in private industry support to conduct research in the areas of biotechnology, digital media, semiconductor manufacturing, information technology, and wireless communications.

Instructional Technology: The budget provides \$4 million in new General Fund monies to invest in instructional technology. These funds will be used for computer hardware, software, training, and user support. Consistent with previous legislative concerns, the legislature may want to ensure that student fees for instructional technology remain non-existent or minimal and that the UC prioritize connecting libraries, laboratories, and dormitory rooms to the internet.

California Digital Library: The Governor's budget proposal provides \$3 million, along with \$1 million in university funding, to begin with the development of a California Digital Library (CDL). The CDL is being developed to provide online access to UC library scholarly publications and digital library services for students and faculty. The long-term goal of the CDL is to provide these services to all Californians. While the development of digital library will allow many students the opportunity to research and download library materials from their homes or dorm rooms, concern remains that some books and scholarly journals previously available in hardback will not be available online or in the library.

Virtual University: The Governor's budget provides the UC with \$1 million in new funding to develop courses on the California Virtual University (CVU). The CVU was designed, in 1996, to provide students an opportunity to take university courses via the Internet. Rather than enrolling at specific campuses, students would be able to use the CVU as a gate-way to choose online courses offered by UC, CSU, community colleges and private universities via the Internet. Currently, the CVU offers 500 courses online with 65 accredited California colleges participating. While certain types of distance learning fit into the future plans for higher education, it remains uncertain whether investing in the CVU will sufficiently expand opportunities for students to receive a quality college education.

California Subject Matter Projects: The Governor's budget proposes to eliminate \$12.2 million in General Fund support for the California Subject Matter Projects. These projects are designed to enhance the professional development of K-12 teachers in nine different subject areas: writing, math, science, history/social science, foreign language, reading and literature, international studies, the arts and physical education-health. Prior to the 1995 *CTA v. Gould* settlement, these projects were funded through the Department of Education with Proposition 98 dollars. However, since the 1995-96 Budget Act, General Fund monies have been used to fund these projects.

The Governor proposes to redirect \$11 million of this funding for the following purposes; \$6 million to fund enrollment growth at the UC, \$2 million to expand student outreach, \$1.5 million to establish UC teaching internships in math and science and \$1.5 million to establish the Arts Bridge Program. While these new investments may be warranted, the legislature may wish to consider continued funding for California Subject Matter

Projects, ensuring a properly trained California teacher corps to educate a growing diverse population.

Capital Outlay: The Governor's budget proposes to invest \$150.2 million for UC Capital outlay expenditures, contingent on passage of a \$1 billion General Obligation higher education bond measure in June 1998. This amount includes funding for UC to address 26 projects at nine campuses, placing priority on seismic safety, fire/life safety, and vital infrastructure projects. However, in order to accommodate enrollment growth and expand educational capacity, the Legislature may wish to consider increasing the bond amount by at least 50 percent from \$1 billion to at least \$1.5 billion. This would allow the UC to come closer to their actual annual need, which is \$400 million, by providing \$250 million per year over a two-year period for capital outlay projects.

CALIFORNIA STATE UNIVERSITY

The California State University (CSU) system is comprised of 22 campuses, including 21 university campuses and the California Maritime Academy. While each campus in the system has its own unique geographic and curricular character, all campuses, as multipurpose institutions, offer undergraduate and graduate instruction for professional and occupational goals, as well as broad liberal education programs. A limited number of doctoral degrees are offered jointly with the University of California and with select private universities.

The California State University currently serves an estimated 266,000 Full Time Equivalent graduate and undergraduate students, which is 8,400 more than budgeted in the current year. Table 3 illustrates the Governor's proposed funding for the CSU from selected funds, totaling \$2.8 billion, an increase of \$161 million, or six percent over the current budget year. This amount includes a General Fund increase of \$162.9 million, or 8.5 percent, over the current budget year. The total budget, including state, federal, private donations and other non-state funds for the CSU is \$4 billion.

Table 3

California State University Budget Summary (Dollars in thousands)				
	1997-98	1998-99	Change	Percent Change
General Fund	\$1,897,176	\$2,060,090	\$162,914	8.58
Student Fees	619,275	614,275	-5,000	-.81
Lottery Education Fund	34,400	29,800	-4,600	-15.44
Reimbursements	128,084	135,884	7,800	6.08
Total	\$2,678,935	\$2,840,049	\$161,114	6.01

*This table includes only a few selected public program funds.

Enrollment: In accordance with the compact, which promised funding for a one percent enrollment growth annually, the budget provides \$15.4 million to fund 2,580 new students at the CSU. In addition, the budget provides \$39.5 million, above the compact, to fully fund an additional three percent enrollment growth or 7,740 new students, thus bringing total budgeted general campus enrollment to 268,320 (FTE) in 1998-99.

CSU Employee Compensation: The Governor's budget provides \$73.7 million in new funding to increase employee compensation and address the faculty salary lag. Of this amount, \$2.4 million completes funding of full-year compensation increases granted in September 1996. The remaining \$71.3 million represents a total increase of four percent and is set aside for increased employee compensation. However, through collective bargaining CSU and its employee unions will determine the specific allocations for cost-of-living, time-in-service, and performance-based increases.

Student Fees: The Governor's four-year compact called for a 10 percent increase in system-wide student fees annually to provide an additional revenue source for CSU. However, because of the improved economy, the State has "bought out" those proposed fee increases over the past three years. The budget continues this trend for the 1998-99 academic year by providing \$31.4 million to "buy out" a 10 percent fee increase.

In addition the budget reduces system-wide student fees by five percent and provides \$19.4 million to replace those anticipated revenues, pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997. With this rollback, students and their families will pay \$1,504 for fees at the CSU in 1998-99, \$79 less than this year.

Instructional Technology: The budget provides no new funding for instructional technology, however the CSU is currently negotiating a public-private partnership with four corporate partners (GTE, Fujitsu, Hughes and Microsoft) to spur a multi-year investment in technology infrastructure. The partnership, known as the California Education Technology Initiative (CETI), would allow the four corporate partners to receive exclusive rights to supply academic technology to the CSU for ten years in return for investing \$300 million for technology infrastructure. However, an actual agreement has yet to be finalized as many questions regarding the contractual details still remain. The CSU plans to address these faculty, student and legislative concerns and officially launch the initiative later in the Spring. The Legislature still may wish to ensure that adequate legislative and budget oversight exists, as the state budget will continue to provide over \$100 million annually for CSU academic technology.

Virtual University: The Governor's budget provides the CSU with \$1 million in new funding to develop courses on the California Virtual University (CVU). The CVU was designed, in 1996, to provide students an opportunity to take university courses via the Internet. Rather than enrolling at specific campuses, students would be able to use the CVU as a gate-way to choose online courses offered by UC, CSU, community colleges and private universities via the Internet. Currently, the CVU offers 500 courses online with 65 accredited California colleges participating. While certain types of distance learning fit into the future plans for higher education, it remains uncertain whether investing in the CVU will sufficiently expand opportunities for students to receive a quality college education. While certain types of distance learning fit into the future plans for higher education, it remains uncertain whether investing in the CVU will sufficiently expand opportunities for students to receive a quality college education.

Teacher Preparation: The Governor's budget provides \$5 million in new General Fund support to expand teacher preparation and development programs. Of this amount, \$3.3 million is designated to expand enrollment in the teacher credentialing program by 600 students, \$1.5 million is designated to provide further training and support for math teachers, and \$200,000 is set aside for teacher recruitment. While this investment is a good start, it may be insufficient to meet the actual teacher preparation demand, especially in light of ongoing efforts to accommodate the Class Size Reduction program.

Building Maintenance: The Governor's budget provides \$1.7 million in new funding to raise the amount budgeted for ongoing maintenance. Despite the increase in funds for ongoing maintenance, it is still insufficiently funded, to address a deferred maintenance backlog estimated at \$351 million. In the 1996-97 budget, the Legislature approved a three-year funding proposal to increase support for on-going maintenance and special repairs that would have halted growth in the deferred maintenance backlog but the Governor vetoed the plan. Thus, the budget still does not adequately meet the needs for deferred maintenance at CSU.

Developing Campuses: The Governor's budget provides \$2.6 million in new funding to continue with the development of the CSU, Monterey Bay campus, which currently enrolls 1,500 full-time-equivalent students.

New Campuses: The budget provides \$5.2 million in start-up funding to assist with the conversion of the Camarillo State Hospital into a 23rd CSU campus, with a goal of enrolling 1,100 students by 1999. The site, affiliated with the Ventura Off-Campus Center of CSU Northridge, will also receive \$11.3 million in capital outlay funds to help with the conversion.

Capital Outlay: The Governor's budget proposes \$161 million in capital outlay expenditures for the CSU. These funds will address 24 projects on 22 campuses with priority on seismic safety, fire/life safety, and vital infrastructure projects. However, in order to accommodate enrollment growth and expand educational capacity, the Legislature may wish to consider increasing the bond amount by at least 50 percent from \$1 billion to at least \$1.5 billion. This would allow the CSU to come closer to its actual annual need, which is \$440 million, by providing \$250 million or more per year over a two-year period for capital outlay projects.

CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) provides a general education program at 106 Community Colleges through 71 local districts, which serve approximately 1.4 million students. By law, Community Colleges **must** admit any Californian seeking admission who has graduated from high school and **may** admit those who have not graduated but who are 18 years of age or older and can benefit from instruction. This policy of "open access" establishes the Community College mission to provide all Californians with the opportunity for education and training.

The *Master Plan* envisioned this goal could be achieved through a tripartite mission: lower-division instruction for students preparing to transfer to the University of California or the California State University; occupational training for those seeking entry or re-entry to the labor force; and basic skills instruction in language and computation for adults functioning below the collegiate level.

The Governor's budget proposes approximately \$4.8 billion for the California Community Colleges (CCC), or a 5.6 percent increase over the \$4.5 billion provided for 1997-98. Table 4 below illustrates funding for the Community Colleges, which includes a General Fund increase of \$181 million, or 8.6 percent, from revised current year funds.

Table 4

Community College Budget Summary (Dollars in thousands)				
	1997-98	1998-99	Change	Percent Change
General Fund	\$2,095,077	\$2,275,671	\$180,594	8.6
Lottery	104,711	120,437	15,726	-15.0
Local Property Taxes	1,391,337	1,448,224	56,887	4.1
Student Fees	165,459	155,330	-10,129	-6.5
Local Miscellaneous	774,136	787,486	13,350	1.7
Other State funds	9,015	9,049	34	.4
Total	\$4,539,735	\$4,796,197	\$256,462	5.6

Budget Adjustments Proposed for 1996-97 / 1997-98: The budget includes \$40 million in one-time funds from amounts owed in satisfaction of the 1996-97 and 1997-98 Proposition 98 guarantees. The \$40 million is for one-time uses including instructional equipment, library materials, technology infrastructure, hazardous materials abatement, structural accessibility, scheduled maintenance, and special repairs.

The budget also includes \$11.2 million to backfill a current year shortfall resulting from lower than expected base property tax revenue. However, the CCC estimates that the shortfall will be closer to \$20.6 million.

Budget Augmentations Proposed for 1998-99: The budget includes the following major proposals for the Community College in 1998-99:

- Baseline increases of \$288.2 million, or 6.4 percent over current year expenditures;
- \$95.4 million, for a three percent growth in enrollments and categorical programs. This level is above the estimated 1.89 percent change in adult population, the current statutory index for system growth;
- \$72.7 million to fund the COLA at 2.22 percent for general apportionments and categoricals;
- \$50 million for a newly proposed Partnership for Excellence Program, which would provide incentives to meet student outcome goals;
- \$10 million to augment the telecommunications and technology infrastructure

program, and \$3.9 million for the development of distance education;

- \$3.9 million to assist districts in the development of distance education, establishing regional centers to provide technical expertise to districts;
- \$4 million to expand the Foster Parent Training Program. This amount includes \$1.9 million of Proposition 98 General Fund and \$2.1 million of Title IV federal reimbursement through the Department of Social Services. The funds are proposed to be used to provide training for foster parents as specified in AB 3062 (Friedman), Chapter 1016, Statutes of 1996. In addition, the funding is sufficient to train relatives acting as foster parents in order to increase the rate of successful adoptions. Under current law no training is required for relatives acting as foster parents;
- An increase of \$835,000 for course and major program articulation agreements between the four-year segments and the community colleges, through the California Articulation Number (CAN) system. This will assist in meeting the new goals for transfer of community college students to the four-year segments recently agreed to by the three public higher education systems; and
- A \$974,000 increase in General Fund for state operations for the Chancellor's Office. Of this amount \$776,000 would be used to provide support services for the Partnership for Excellence Program, Telecommunications and Technology Infrastructure Program, Economic Development Program, Virtual University Program, and Information Systems Management. The balance of \$198,000 would be used for facilities costs related to future office relocation.

Growth and Cost of Living Adjustment: The Governor's budget provides for growth at three percent exceeding the 1.89 percent change in adult education, which is the statutory index used for system growth. This will provide for an additional 28,200 full-time equivalent students to attend the community colleges.

The Governor's budget also provides a 2.22 percent COLA, which is slightly higher than the 2.13 percent required in statute. The Administration proposes a statutory change to the current COLA calculation, which would reflect inflation by utilizing the most recent year-to-year average change in the cost of government goods and services, rather than the year-to-year change from a single quarter as currently prescribed for the community colleges. In addition, the proposal would make the statutory adjustment factors used for both community colleges and the K-12 system consistent.

Partnership for Excellence Program: The Governor's budget proposes \$50 million for a new Partnership for Excellence Program, which would provide incentives to meet student outcome goals. The proposal increases the level of general purpose funding to the colleges in exchange for a commitment to greater local accountability in meeting state outcome objectives. The outcome objectives may include measures for transfers

and retention, completion of degrees and certificates, remedial education, access for the disadvantaged, specialized training and assistance to business, and increased earnings for the workforce.

The Partnership for Excellence Program will be voluntary and those colleges which choose to participate will be allocated funds on an FTES basis. The current proposal would allocate one-half of the funds up front to those districts that choose to participate. The funds will be considered general-purpose funds and as such may be spent at the discretion of each district. Districts must meet the outcome goals in order to receive any additional funding in the future.

The performance-based funding allocations will be effective for the following fiscal year. A concern that has been expressed is that one year will not be sufficient to allow districts to meet the student outcomes goals. This may or may not be the case depending on the outcome goals which are established. It is also questionable as to whether the colleges will be able to adequately measure student improvement or to provide the necessary data to demonstrate student improvement.

The Governor's proposal contains differences and similarities to the proposal originally submitted by the Chancellor's Office. The Legislature will need to review the differences to ensure that the statewide outcome goals and time-lines are equitable for all community colleges regardless of the local needs which rural, urban and suburban districts must address.

Telecommunications and Technology Infrastructure: The Governor's budget provides \$10 million to augment the telecommunications and technology infrastructure program established through the 1996 Budget Act. The program builds on the initial college and district office connections established with the CSU network, seeks to automate library card catalogs, and expand the systemwide network between and among the individual colleges and district offices. This proposal would provide funding for intra-college development providing increases for infrastructure, applications and training.

California Virtual University: The Governor's budget provides \$3.9 million to assist districts in the development of distance education. The funds are proposed to be used to establish regional centers to provide technical expertise to districts in developing new on-line, web-based courses for distance education and provide grants for faculty release time and expenses to encourage course conversion activities. The proposal would establish four regional centers, which would serve as network centers equipped with expert personnel and high-tech equipment. Each network would be responsible for much of the course work development with on-line participation from faculty and staff to develop the final product.

Student Fees: AB 1318 (Ducheny), Chapter 853, Statutes of 1997, reduced student fees from the current \$13 to \$12 per unit, regardless of income level, effective in the budget year.

The budget also includes a \$21 million increase to offset the cost associated with fees waived for financially needy students. As a result, California's community colleges will continue to be the most affordable higher education system in the nation. The national average student fees at community colleges are four times the fees paid in California.

One-time Funds: As mentioned earlier, the budget proposes \$40 million in one-time funds for one-time uses including instructional equipment, library materials, technology infrastructure, hazardous materials abatement, structural accessibility, scheduled maintenance and special repairs. These funds require a local match and are to be allocated in the following manner:

- 70 percent of the funds are allocated for specific projects to address health and safety projects such as the Americans with Disability Act (ADA) compliance, maintenance and repairs, and removal of hazardous materials;
- 30 percent of the funds are allocated on an FTES basis with a minimum allocation of \$30,000 per district; and
- \$100 million for one-time purposes requested by the Board of Governors of the Community Colleges as follows: 1) \$30 million for Instructional Equipment; 2) \$30 million for scheduled maintenance and special repairs; 3) ADA-related \$30 million for architectural barrier removal and; 4) \$10 million for hazardous substance removal.

Proposals not funded in the 1998-99 Budget: The Governor's budget does **not** contain funding for equalization. Equalization funding would be used to bring districts, which are funded below the statewide average up to or close to the statewide average. The 1997-98 budget as adopted by the Legislature contained \$8.6 million in equalization funding for the community colleges. This funding was originally vetoed by the Governor and later restored in AB 1188 (Lempert), Chapter 886, Statutes of 1997.

The Governor's budget does **not** contain any new funding for matriculation services. The 1997-98 budget provided \$10 million for community colleges to expand services to non-credit students. Prior to the 1997-98 allocation, matriculation services such as student counseling and class advising were available only to students enrolled in courses taken for college credit.

The Governor's budget does **not** contain new funding for Disabled Student Programs and Services. AB 1571 (Ducheny), Chapter 928, Statutes of 1997 contained \$3.7 million to expand services for disabled students. These funds were to be the first installment of a total \$17.5 million needed to meet state and federal nondiscrimination law mandates.

The Governor's budget does **not** contain funding to provide for more full-time faculty as required by AB 1725 (Vasconcellos), Chapter 973, Statutes of 1988. The 1997-98 budget as adopted by the Legislature contained \$1 million to increase the portion of full-time faculty; however, the Governor vetoed these funds.

The Governor's budget does **not** contain funding for noncredit instructional equalization. Under current law, the rate for community college noncredit instruction is \$1786 while the K-12 noncredit adult instruction rate is \$1924 per average daily attendance. The funding required to equalize the community college rate to the K-12 rate is approximately \$11 million.

The Governor's budget does **not** expand funding for the Economic Development Program. The 1997-98 budget contained \$20 million for the Economic Development Program. Of this amount \$15 million was to be used for workforce training to meet identified regional growth industry priorities and \$5 million for job development services.

The Governor's budget does **not** expand funding for CalWORKS recipients. The 1997-98 budget contained \$65 million for programs and services related to the community colleges' role in training CalWORKS recipients for employment, pursuant to welfare reform legislation.

Capital Outlay: The Governor's budget proposes \$158.4 million for capital projects, of which \$150 million will be dependent on passage of a proposed Bond Act with the remainder funded from previous bond funds. This funding level would allow the colleges to address 41 projects at 33 campuses. Projects include program expansion, correction of fire/life safety deficiencies, and installation of equipment to complete previously funded projects.

CALIFORNIA STUDENT AID COMMISSION

The California Student Aid Commission (CSAC) is responsible for making higher education affordable and accessible to students in California. CSAC attempts to accomplish this mission by administering 11 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 Program.

The Governor's budget proposes to increase General Fund support for CSAC by \$25 million, or 8.5 percent for a total budget of \$319 million. In addition, the budget provides necessary funding to implement action from the last two budget years (1996-97 and 1997-98) which increased the number of Cal Grant awards and the maximum award amount. However, the Governor's proposal contains no new money to increase the number of new Cal Grant awards. Thus, for every student who receives a Cal Grant award, two qualified students will continue to be denied financial aid.

Table 5 illustrates the Governor's 1998-99 budget proposal for the Student Aid Commission.

Table 5

California Student Aid Commission Budget Summary (Dollars in thousands)				
	1997-98	1998-99	Amount Change	Percent Change
General Fund	\$294,695	\$319,902	25,207	8.55
Federal Trust Fund	354,601	350,224	-4,377	-1.25
State Guaranteed Loan Reserve	50,779	50,779	0	0
Reimbursements	3,859	4,009	150	3.88
Total	\$703,934	\$724,914	\$20,980	2.98

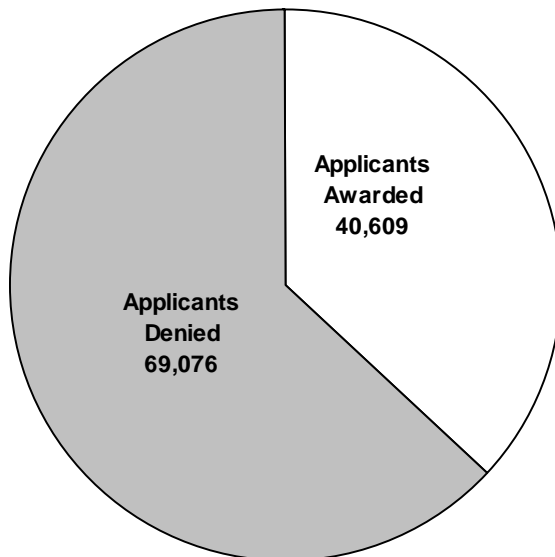
Cal Grant Program: The Cal Grant program has three types of awards, Cal Grants A, B and C. The Cal Grant A Program helps low and middle income students who demonstrate financial need to pay their college tuition and fees. Cal Grant B Program awards provide a living allowance and sometimes tuition and fees for very low income, disadvantaged students. The Cal Grant B Program differs from the Cal Grant A program by placing less reliance on grade point average and more emphasis on financial need for determining which students receive an award. The Cal Grant C Program provides tuition and fee grants, and funds for supplies to students training for vocational careers--primarily community college students.

The Governor's budget provides \$26.3 million to phase-in the 1996-97 and 1997-98 increases in both the number of Cal Grant awards and the maximum award level for students attending private institutions. In addition, consistent with the action taken by of the Assembly Budget Committee in 1997, the budget equalizes the number of awards provided under Cal Grant A and Cal Grant B.

However, the proposed budget does nothing to increase the amount of awards or meet the statutory goal of providing Cal Grants to 25 percent of high schools graduates in California. Current funding levels only provide Cal Grant awards to 14 percent of the state's high school graduates. In 1996, the Student Aid Commission adopted a strategic plan (*CSAC 2000*), with a goal of reaching the 25 percent statutory level by phasing in an increase in the number of new awards over a five-year period. Rather than increase aid, the Governor's budget proposal recommends setting up a broad-based work group, composed of representatives from the higher education segments, the Department of Finance, the Legislative Analyst, the California Postsecondary

Education Commission, and the California Student Aid Commission to re-examine the long term statutory Cal Grant policy and recommend policy changes during the May Revision.

Chart 1

UNMET CAL GRANT NEED

In 1997-98 academic year, 109,685 qualified applicants applied for a Cal Grant; 40,609 were granted awards and 69,076 were denied. In other words, 63 percent applicants were turned away and forced to take additional student loans, increasing their future debt. (See Chart 1).

Assumption Program of Loans for Education (APLE): The Governor's budget proposes to double the amount of awards granted through the Assumption Program of Loans for Education (APLE) from 400 to 800. The APLE program is a state-only loan forgiveness program, which provides loan assumption payments toward outstanding student loans for individuals entering the teaching profession. To receive the maximum award amount, individuals must teach at least three years in designated subject shortage areas or in under-served communities. The maximum loan assumption is \$8,000, with \$2,000 paid after the first year of teaching and \$3,000 a year after the second and third years of teaching.

To meet the crucial need of recruiting new teachers and accommodating the Class Size Reduction program, the legislature may wish to further expand the APLE program, by increasing the number of annual loans to be forgiven and/or increasing the amount to be forgiven.

The California Work-Study Program: For the fifth consecutive year, the Governor's proposed budget does not increase funding for the California Work-Study Program. The California Work-Study Program helps prepare undergraduate students for the workforce by placing them in jobs that relate to their course of study or career goals. The program requires participating colleges or universities in the program to provide matching funds to help pay the wages of each student employed. The current budget provides \$633,000 in funding to allow 710 students to participate in the program.

During the recession, funding for this program was cut by 22 percent and over the last five years, the budget has not increased the funding to pre-recession funding amounts.

Technology Access Matching Grants: The Governor's budget provides \$1 million to create a Technology Access Matching Grant pilot program. These funds are designated to provide 2,000 matching grants of \$500 to help Cal Grant recipients to purchase computer hardware and/or software. The students or the academic institution must also provide matching funds to receive these grants.