California State Assembly

Agenda

Assembly Budget Subcommittee No. 3
on Education Finance

Assemblymember David Alvarez, Chair

Tuesday, April 23, 2024
9:00 A.M. – State Capitol, Rm 447

ITEMS TO BE HEARD		
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Public Comment will be taken in person before or after the completion of all panels and any discussion from the Members of the committees, at the discretion of the chair.

Items To Be Heard

Issue 1: Student Centered Funding Formula Review/Apportionments Proposal

The Subcommittee will discuss the Student Centered Funding Formula and the Governor's Budget proposal to support the 0.76% cost-of-living adjustment (COLA).

Panel 1

- Gregory A. Smith, Chancellor, San Diego Community College District
- Tawny M. Dotson, President, Yuba College
- Mario Rodriguez, Vice Chancellor for Finance and Administration, Los Rios Community College District

Panel 2

- Justin Hurst, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Wrenna Finche, California Community Colleges Chancellor's Office

Background

The following background is comprised of LAO and staff research and includes information on the Student Centered Funding Formula (SCFF), colleges' revenues, expenditures, cost pressures and reserves.

SCFF includes three components. The 2018 Budget Act enacted the SCFF, which replaced a previous community college funding formula that had been in effect between 2006 and 2017. While the previous formula was almost exclusively focused on enrollment, SCFF has three over-arching components:

- The base allocation, which includes set funding by the number of colleges and education centers in a district, and enrollment, which is generally calculated using a three-year average.

- The supplemental allocation, which is intended to compensate districts for the level of student socioeconomic need and to create a financial incentive for colleges to help students apply for and receive financial aid. A district's supplemental allocation is computed according to its prior year headcount of Pell Grant recipients, Promise Grant recipients, and undocumented students.

- The student success allocation, which pays districts for their counts of students who achieve one of nine outcomes. Outcomes include earning an Associate Degree for Transfer, a certificate, completing a transfer-level math or English class, completing 9 or more units in a career technical education program. More funding is earned if the student achieving the outcome is a Pell Grant or Promise Grant recipient.

The chart below is from the SCFF Dashboard on the Chancellor's Office website, and shows statewide funding distribution for the three components based on the 2022-23 fiscal year.

Noncredit courses and instruction for incarcerated students and dually enrolled high school students are funded based on enrollment only (not SCFF's supplemental and success components).

Hold harmless and other provisions have continued since the SCFF was first implemented. To ease the transition between the old formula and SCFF, a hold harmless provision was included such that between 2018–19 and 2020–21, each district was provided a funding floor equal to its 2017–18 apportionment revenue plus the corresponding COLA funding in each year to protect against revenue losses. The state extended the hold harmless period in each of the 2019–20, 2020–21 and 2021–22 budgets. The 2022 Budget Act changed the hold harmless provision such that beginning in 2025–26, a district's funding floor will be equal to the amount of apportionment funding it received in 2024-25. This new funding floor is not set to expire, but it is also not adjusted for inflation. This means that in the years following 2024–25, a district's funding floor could decrease as its costs of delivering services rise with inflation.

In addition to the hold harmless provisions, the Chancellor's Office implemented a COVID-19 emergency conditions allowance to ensure that districts did not lose revenue because of enrollment declines following the onset of the pandemic. In 2019–20 through 2022–23, the Chancellor's Office computed a district's instructional funding using pre-pandemic FTES levels. For a district funded at its SCFF-computed level, this measure prevents a revenue decline resulting from reduced enrollment. For a district funded at its hold harmless level, this measure does not affect revenue since its hold harmless funding level was higher than its SCFF-computed funding level prior to the onset of the pandemic.

According to the Chancellor's Office, 25 districts will receive their funding based on SCFF in 2023-24, 36 will receive funding based in part on the emergency conditions allowance, and 11 will receive funding based on hold harmless provisions.

California Community Colleges Funding by Source

(Dollars in Millions Except Funding Per Student)

	2022-23 Revised	2023-24 Revised	2024-25 Proposed	Change From 2023-24	
				Amount	Percent
Proposition 98					
General Fund[a]	$7,634	$8,425	$8,679	$255	3.0%
Local property tax	3,860	4,036	4,210	175	4.3
Subtotals	**($11,494)**	**($12,460)**	**($12,890)**	**($430)**	**(3.4%)**
Other State					
Other General Fund	$618	$606	$661	$55	9.1%
Lottery	367	316	316	—[b]	-0.1
Special funds	24	103	98	-4	-4.1
Subtotals	**($1,009)**	**($1,025)**	**($1,075)**	**($50)**	**(4.9%)**
Other Local					
Enrollment fees	$407	$407	$409	$1	0.4%
Other local revenue[c]	3,514	3,537	3,559	22	0.6
Subtotals	**($3,921)**	**($3,944)**	**($3,968)**	**($24)**	**(0.6%)**
Federal	**$441**	**$441**	**$441**	—	—
Totals	**$16,865**	**$17,869**	**$18,373**	**$504**	**2.8%**
FTE students[d]	1,100,681	1,100,417	1,098,591	-$1,826	-0.2%[e]
Funding per student[f]	$10,442	$11,323	$11,733	$410	3.6%

[a] Includes withdrawals from the Proposition 98 Reserve ($11,000 in 2022-23, $236 million in 2023-24, and $486 million in 2024-25).

[b] Difference of less than $500,000.

[c] Primarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

[d] Reflects budgeted FTE students.

[e] Reflects the net change after accounting for the proposed 0.5 percent systemwide enrollment growth together with all other enrollment adjustments.

[f] Reflects Proposition 98 funding, including reserve withdrawals, per budgeted FTE student.

FTE = full-time equivalent.

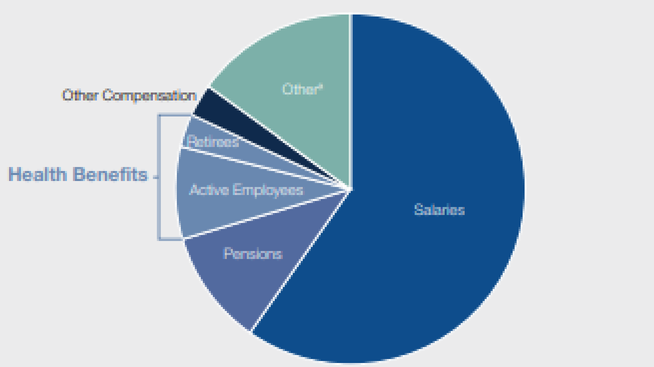
Colleges face multiple cost pressures. Colleges use the bulk of apportionment funding on employee compensation. As LAO Figure 6 shows, all compensation-related costs—including salaries, retirement benefits, health care benefits, workers' compensation, and unemployment insurance - typically account for 80 percent to 85 percent of a district's budget. Most community college employees are represented by labor unions. Several unions represent faculty throughout the state, with the largest being the California Federation of Teachers. The California School Employees Association is the main union for classified staff. Each community college negotiates with the local branches of these unions. Through collective bargaining agreements, community college districts and their employees make key compensation decisions, including salary decisions. These agreements are ratified by local community college district governing boards. The Legislature does not ratify these local agreements. Over the past several years, salaries for community college faculty have generally increased. For tenure and tenure-track faculty, the average salary was $114,630 in 2022.

The remainder of a district's budget is for various other core operating costs, including utilities, insurance, software licenses, equipment, and supplies.

Figure 6

Bulk of District Spending Is for Compensation

Stylized Community College District Budget



[a] Includes operating expenses such as campus utility and technology costs.

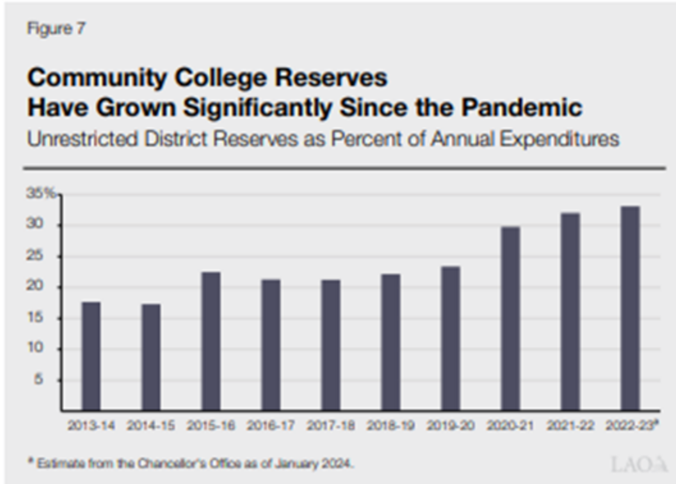
The LAO notes that due to both inflation and wage growth (across the nation and in California), districts will likely continue feeling pressure to provide their employees with salary increases, particularly in districts that report having challenges recruiting faculty and other staff due to less competitive salary levels. Other cost pressures include rising pension costs, health care premiums, insurance, equipment, supplies, and utilities. Health care costs are the largest of these remaining cost pressures. Districts are likely to face even greater pressure in this area than normal, as premiums in 2024 are increasing at historically high rates. Cost drivers include new medical technologies, increases in prescription drug costs, and inflation. Districts generally cover premium increases for their respective health care plans, though those decisions are collectively bargained. In some cases, employees are responsible for covering all or a portion of the premium increases.

Staffing levels have declined, particularly among part-time faculty. While districts are facing pressure to increase salaries and cover pension and health care rate increases, staffing levels systemwide are down. From fall 2019 to fall 2022, the total number of CCC FTE employees declined by 2.5 percent, falling from nearly 66,000 FTE employees in fall 2019 to approximately 64,000 FTE employees in fall 2022. Part-time faculty—which historically have made up nearly half of all CCC employees — experienced the largest decline (14 percent in both FTE and headcount terms). This decline was due to districts offering fewer course sections as a result of lower enrollment. When districts reduce course sections, they typically reduce their use of part-time faculty, who are hired as temporary employees, compared to full-time faculty, who are hired as permanent employees. The LAO notes that recent enrollment growth could lead to increased staffing.

Apportionment Funding Has Increased Significantly Over Past Three Years. Although the state is not statutorily required to provide a COLA for apportionments (as it is for school districts' LCFF), the state has a long-standing practice of providing a COLA when Proposition 98 funds are available. Over the past three years, community colleges have received historically large COLAs— with COLAs of 5.07 percent in 2021-22, 6.56 percent in 2022-23, and 8.22 percent in 2023-24. In 2022-23, districts received an additional 8.3 percent base apportionment increase on top of the COLA. These apportionment funding increases are much higher than the average COLA rate over the past 30 years, which is just under 3 percent.

As a result of these apportionments increases—as well as funding increases for numerous categorical programs in recent years—budgeted per-student Proposition 98 funding is at an all-time high. Since 2018-19, per-student funding has reached new all-time highs nearly every year. Under the Governor's Proposition 98 plan, budgeted CCC per-student funding in 2024-25 would be approximately $1,500 (14 percent) higher than that pre-pandemic level (2018-19), after adjusting for inflation. Moreover, actual funding per student is significantly above budgeted funding per student due to the hold-harmless provisions discussed earlier. We estimate actual funding per student in 2022-23 is approximately $3,100 (31 percent) higher than the 2018-19 level, after adjusting for inflation.

Systemwide Reserves Continue to Increase. In addition to the state's Proposition 98 Reserve, districts maintain their own local reserves. Figure 7 shows that district unrestricted reserves increased over the past several years. Whereas unrestricted reserves totaled $1.8 billion (22 percent of expenditures) in 2018-19, they grew to an estimated $3.1 billion (33 percent of expenditures) in 2022-23. Both the Government Finance Officers Association and the Chancellor's Office's recommend that unrestricted reserves comprise a minimum of 16.7 percent (two months) of expenditures.



Enrollment is rebounding. As discussed in the March 13th hearing, after three years of significant enrollment drops, data from the Chancellor's Office indicates that enrollment rose overall in 2022-23—increasing by an estimated 4 percent (in FTE terms) over 2021-22 levels. Fall 2023 data suggests stronger growth in 2023-24, with Fall 2023 FTE at about 7% higher than Fall 2022 FTE.

Governor's 2024-25 Budget

The Governor's budget includes $69 million to cover a 0.76 percent COLA for apportionments. This is the same COLA rate the Governor proposes for the K-12 LCFF. The Governor's budget also includes a 0.76 percent COLA for seven CCC categorical programs, at a total cost of $9 million. The COLA rate will be revised in late April, as new data from the federal government is released at that time.

This funding is available due to the overall Governor's Budget Proposition 98 General Fund architecture, which includes using more than $722 million in Proposition 98 reserves and the proposal to borrow non-Proposition 98 funds in future years to support costs from the 2022-23 fiscal year.

As discussed at the March 13th hearing, the Governor's Budget also includes $30 million ongoing Proposition 98 General Fund to support 0.5% enrollment growth, or 5,400 additional FTES.

LAO Comments

COLA Assessment

Assessment Proposed COLA Worsens State's Funding Shortfall for CCC. Under the Governor's budget, the state has insufficient Proposition 98 funds to cover even existing CCC costs, before applying any COLA in 2024-25. Given Proposition 98 funding is insufficient to cover CCC costs, the Governor proposes to draw down $486 million in Proposition 98 reserves. The

Governor must dedicate $78 million of his proposed Proposition 98 Reserve withdrawal for covering the added ongoing cost of the proposed COLA for CCC apportionments and certain CCC categorical programs. Historically, the state has not used reserves to augment ongoing spending. Rather, the state historically has used reserves during times of recessions to mitigate program reductions.

COLA Recommendation

Reject Proposal, Revisit Available Funding Next Year. As a first step in addressing the lowered estimates of the minimum guarantee, we recommend the Legislature not provide a COLA to CCC apportionments or any CCC categorical programs, thereby containing ongoing spending in 2024-25. This would result in savings of $78 million Proposition 98 General Fund relative to the Governor's budget. Under the Governor's budget proposal, one-time reserves are required to cover these higher ongoing costs. Such an approach sets up the state for more difficult choices next year. Were the Legislature not to provide the COLA in 2024-25, it would lessen the ongoing shortfall for CCC programs and allow for better choices in 2025-26. This recommendation is consistent with our office's recommendations not to increase funding and spending expectations for CSU and UC in 2024-25. If sufficient state revenues do not materialize over the coming months, all higher education segments face the further prospect of ongoing program cuts.

Colleges Likely Would Not Experience Significant Financial Hardship Without a COLA. While a year without a COLA would have implications for districts, it likely would be manageable given the circumstances. The likely leaner budget year comes after several years of high apportionment funding increases, including a large above-COLA base increase in 2022-23. Districts generally also have relatively high local reserves that could be tapped to address cost increases that are unavoidable in the near term (such as higher health care premiums or software licenses and other technology). The impact of not providing a COLA in 2024-25 also might be mitigated by a weakening statewide labor market and slowing wage growth, making it easier for districts to recruit and retain employees.

The LAO also notes the following issue for consideration:

Regulations Give Districts Flexibility on Reporting Summer Enrollment. SCFF calculations rely on data that community college districts report. For some components of SCFF, including the low-income student counts and student success points, districts must report their data for each fiscal year beginning with summer term and extending through spring term (for example, data for the summer 2021 term through spring 2022 term were used for these components of the 2021-22 SCFF calculations). For many years, CCC regulations have contained a loophole for summer enrollment. For SCFF calculations, summer classes that have a census date in one fiscal year and end in the following fiscal year may be reported in either fiscal year. Under these regulations, districts are allowed to "double up" summer enrollment in a given fiscal year—for example, counting both summer 2021 and summer 2022 enrollment to their 2021-22 SCFF enrollment calculations.

A New SCFF Hold Harmless Funding Policy Goes Into Effect in 2025-26. As discussed earlier in this item, SCFF has several funding protections that allow districts to earn more in apportionment funding than they would otherwise earn through the formula's regular calculations and funding rates. The 2022-23 budget modified one of these funding protections by setting a new hold harmless funding level. Specifically, beginning in 2025-26, districts are to receive no less total apportionment funding than they received in 2024-25. The intent of this policy is to provide a funding floor for districts experiencing enrollment declines. In addition, because the hold harmless amount will not grow by COLA each year, the intent is to eventually move all districts off the hold harmless provision and into the regular SCFF formula calculations (whereby districts have incentives to enroll low-income students and have good outcomes for all students).

New Hold Harmless Policy Creates a Strong Incentive for Districts to Use Summer Loophole. Districts use the summer loophole (counting two summer terms toward one fiscal year) to boost district funding in a given year above what it would be otherwise. Over the next few years, using the summer loophole will become even more appealing to districts. This is because many districts likely will be on hold harmless in 2025-26 due to recent enrollment declines. In order to maximize this funding, they have an incentive to push as much enrollment as they can into 2023-24. By doing so, they could boost their funding level in 2024-25 by taking advantage of a different funding protection known as stability. (Some growing districts could receive more funding using the summer loophole if instead they push summer enrollments into 2024-25.)

Left Unchanged, Summer Loophole Could Add Hundreds of Millions of Dollars in SCFF Costs. System-wide, summer enrollment averages 12 percent of total annual enrollment, though the share can be as high as 20 percent in some districts. Doubling up summer enrollment in one year therefore can have large implications on districts' funding. Estimating the cost of the summer loophole, however, is difficult given final 2023-24 enrollment and funding data, including summer 2024 data, are not yet available. Based on our discussions with several districts and some preliminary modeling, we estimate the loophole could result in roughly $100 million in additional costs annually from 2024-25 through 2026-27, for a total of about $300 million in costs. SCFF costs likely would continue to be a few millions of dollars higher beyond 2026-27, until all districts reach enrollment levels moving them off the hold harmless provision. The administration has not built these costs into their SCFF calculations. The summer loophole also will have distributional effects, as districts taking advantage of the summer loophole effectively generate more under the formula (without any workload justification) than other districts. Given projected budget deficits and the prospect of spending reductions, we think this is a particularly bad time to be raising SCFF costs and potentially redistributing available funds among districts to reward those that use a loophole.

Summer Loophole Distorts Enrollment Data. Beyond these issues, the summer loophole can obscure actual enrollment trends. A district could report an enrollment decrease between two years, for example, but that may be due solely to its decision to report two summers' worth of enrollment in the prior year. The summer loophole thus makes enrollment tracking and legislative oversight more difficult.

Recommendation

Recommend Legislature Close Summer Loophole. We recommend the Legislature specify in statute that the summer term is to be the first term counted in a fiscal year and summer-term enrollment is to be reported only once each fiscal year. We recommend including this new policy in a June 2024 trailer legislation and making it apply starting in summer 2024. The new policy would mean that enrollment in the summer 2024 term would be counted only for 2024-25 (and enrollment in the summer 2025 term would be counted only for 2025-26). This approach would align summer enrollment reporting with the reporting of the other components of SCFF. In addition, counting summer term as the first term of the fiscal year is the same as CSU's and UC's policy. It also would eliminate a loophole that would otherwise drive up the cost of the formula substantially over the next few years. Finally, our recommendation would make enrollment reporting more meaningful and allow for improved legislative oversight.

Staff Comments

This issue will allow the Subcommittee to examine and discuss both issues related to the 2024-25 fiscal year and the longer term. The state's budget deficit, recent community college enrollment volatility (as discussed in the March 13 hearing,) and the upcoming implementation of the new hold harmless provision are all inter-related and make the next few budget cycles particularly complex. Many districts suggest a review of the SCFF is needed. For example, in its letter to the Subcommittee, the Los Angeles Community College District states that it supports examining the SCFF, and exploring simulations with some changes to better support colleges in high-cost areas of the state.

Generally, the Subcommittee can consider how to balance colleges' budget health, available Proposition 98 General Fund, and ensuring that colleges' are rewarded and incentivized to increase access and student outcomes. Staff notes the following issues:

Administration uses reserves to support COLA. Funding for the COLA, an ongoing expense, is available through the use of one-time reserves in the Governor's Budget. Specifically, the Governor's plan uses $486 million in Proposition 98 reserves in 2024-25. The LAO has recommended rejecting this proposal. Staff notes that the Legislature supported a deferral for increased ongoing funding for the University of California and the California State University in early budget actions taken this month.

Hold harmless provisions have led to significant funding without corresponding enrollment. This could lead to less funding for high-growth districts. The change to a new funding formula occurred during a period of relatively healthy state budgets, which allowed the Legislature to provide significant relief to districts as they implemented the new formula. In addition, the COVID pandemic led to massive enrollment declines throughout the system, which led to further hold harmless extensions and emergency protections. These actions have resulted in a large group of districts receiving funding that is not tied to actual enrollment. Data from the Chancellor's Office, for example, indicates that in 2022-23, districts received funding for more than 1.1 million FTES, while actually only enrolling 939,317 FTES, a difference of more than 160,000 FTES. While this difference will lessen due to emergency conditions expiring and the change in hold harmless policy, districts that are reporting strong enrollment growth are concerned that there will not be enough funding in the system to support their actual growth.

Districts are receiving widely varying funding per student. The combination of major enrollment declines at many districts, hold harmless protections and the components of the SCFF have led to significant differences among districts as to how much funding they receive per student. Data from the Chancellor's Office indicates about three districts received more than $19,000 per actually enrolled student in 2022-23, for example, while 13 districts received less than $9,000. Rural districts and districts with significant enrollment declines that are utilizing hold harmless or emergency conditions allowances are receiving much more funding per actually-enrolled student. Districts with comparatively lower funding per actual student tended to be larger, more urban, or whose enrollments didn't drop as steeply during the pandemic.

It is unclear how the hold harmless change in 2025-26 will impact districts and the system. The change to the hold harmless policy will mean that the 2024-25 year will play a major role in system and district finances. Early Chancellor's Office projections suggest 30 districts might be on hold harmless in 2025-26 – more than 40% of districts, although that projection is based on multiple assumptions related to enrollment levels and COLAs. More discussion is needed to understand the ramifications of this change, and how it will impact district budgets. Districts in hold harmless in 2025-26 and beyond will not receive a COLA. Staff also notes that the concern the LAO is raising regarding summer enrollment could play a role in how the new hold harmless provision functions, as districts could count two summers worth of enrollment in the 2023-24 year to increase their baseline budget for 2025-26.

Districts in high-cost areas concerned they are not being properly supported in supplemental allocation. A reoccurring concern about SCFF is that the supplemental allocation, which relies in part on the number of Pell Grant recipients enrolled, may be under-reporting low-income students due to the program's income eligibility limits and other issues with the Pell Grant program. Income limits are set nationally and do not account for the cost of living in specific regions, meaning some students may have incomes too high to be eligible for Pell, but low enough in a high-cost area that they still face significant financial barriers to accessing and completing college. Other issues with the Pell include students' difficulties in completing the FAFSA form, or some students deciding to wait until they transfer to a four-year university to accept the Pell, even if they are eligible. This issue has been discussed in the past: the SCFF Oversight Committee, which was created when SCFF was implemented, issued a final report in 2019 noting that the committee was deadlocked on whether a change was needed, or how the issue should be resolved. Any change in this area, or other areas, of the formula would likely create winners and losers and therefore must be carefully considered.

SCFF's impacts on student outcomes are unclear. Districts receive some funding based on outcomes, but it is unclear whether the formula has led to better results, particularly given the COVID disruption and other systemic changes that have occurred during the past five years. (For example, state legislation has sought to eliminate non-transfer level math and English courses, which may be a larger driver in increases of students taking transfer-level math and English courses.) The Chancellor's Office posts student success metrics on its website through the 2021-22 academic year, and show mixed results. A smaller percentage of students earned Associate's Degrees and Associate Degrees for Transfer in 2021-22 when compared to previous years, for example. Staff notes that the outcomes component of the SCFF is complex: there are nine different outcomes for three types of students, with more points for outcomes if the student is a Pell Grant or Promise Grant student. It may be difficult for districts to focus on that many metrics at once.

Suggested Questions:

- What are the strengths/weaknesses of the SCFF? Overall, how has SCFF changed the system? With so many districts under various protections from full SCFF implementation, is it possible to judge the effectiveness of the formula?
- How will districts handle a state budget with a very small COLA, or no COLA?
- What issues should the Legislature be aware of before the 2025-26 fiscal year, when the new hold harmless provision takes effect?
- How would a change to the supplemental allocation to consider the cost of living of a region impact the SCFF?
- Will high-growth districts be able to collect full funding for enrollment growth in 24-25 and 25-26?
- How are districts still facing significant enrollment declines preparing for 2025-26?

Issue 2: Nursing Program Proposal

The Subcommittee will discuss the Governor's Budget proposal to provide $60 million one-time Proposition 98 General Fund to provide additional support for community college nursing programs.

Panel

- Justin Hurst, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- David O'Brien, California Community Colleges Chancellor's Office

Background

The following background is comprised of LAO and staff research and includes information on current nursing education programs and recent data regarding statewide and regional demand for nurses.

RNs Must Be Licensed to Work in California. California's more than 300,000 RNs provide a variety of health care services in various settings, including hospitals, medical offices and clinics, extended care facilities, and laboratories. All RNs in the state must have a license issued by the California Board of Registered Nursing. To obtain a license, students must graduate from an approved nursing program, pass a national licensing examination, and complete certain other steps (such as undergoing a criminal background check).

Students Have Three Main Education Routes to Becoming a Nurse. In California, three main types of pre-licensure education programs are available to persons seeking to become an RN. The most common option is for students to enroll in a four-year program at a university culminating in a Bachelor's of Science in Nursing (BSN) degree. The next most common route is for students to enroll at a two-year program at a community college culminating in an Associate Degree in Nursing (ADN). The third route is for students to enroll in a university program culminating in a Master's of Science in Nursing (MSN) degree. Pre-licensure master's programs accept individuals who hold a bachelor's degree in a non-nursing field. Generally, students in such a master's program complete educational requirements for an RN license in about 18 months, then continue for another 18 months to obtain an MSN. All three types of pre-licensure programs combine classroom instruction, "hands on" training in a simulation lab, and clinical placement in a hospital or other health facility.

Figure 8

California Has Many Pre-Licensure Nursing Programs

2022-23

	Programs	Graduates
Associate Degree in Nursing		
CCC	77	4,488
County of Los Angeles program	1	73
Private institutions	14	866
Subtotals	(92)	(5,427)
Bachelor's of Science in Nursing		
CSU	17	1,804
UC	2	94
Private institutions	28	5,851
Subtotals	(47)	(7,749)
Master's of Science in Nursing[a]		
CSU	1	42
UC	4	176
Private institutions	8	588
Subtotals	(13)	(806)
Totals	**152**	**13,982**

[a] Reflects programs enrolling students who do not yet have a registered nursing license.

Community Colleges Have Developed BSN Partnerships With Universities. State law limits community college RN programs to offering the ADN. In a number of cases, though, community colleges have collaborated with universities, particularly CSU campuses, to design pathways from the ADN to the BSN. For example, 13 Los Angeles-area community colleges have partnered with CSU Los Angeles to create an accelerated ADN-to-BSN program. In that program, CCC students begin taking upper-division courses through the university while still enrolled in their ADN program, enabling them to earn a BSN from CSU Los Angeles within one year of graduating from one of the partnering community colleges.

CCC Nursing Funding Main Source of CCC Nursing Funding Is Apportionments. Just like other types of instruction, community college districts claim apportionment funding (through SCFF) for each FTE student enrolled in one of their nursing programs. Under SCFF, community college districts receive additional funding if an enrolled student is low income and for each successful student outcome (including graduation). We estimate that community college districts generated about $100 million in SCFF funding for the 11,845 FTE nursing students enrolled in 2022-23 (about $8,500 per actual FTE student).

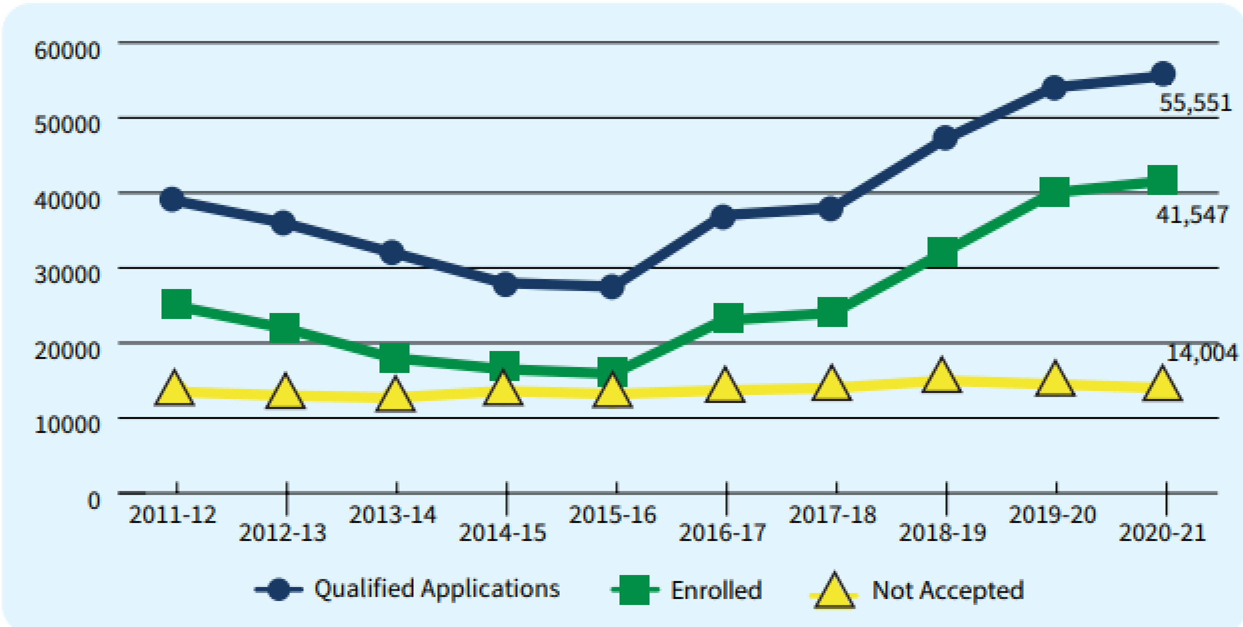
State Also Funds a CCC Nursing Categorical Program. Since 2006-07, the state also has funded a CCC nursing categorical program designed to expand enrollment and provide supplemental student support (such as tutoring). Since 2009-10, the Legislature has provided $13.4 million annually in Proposition 98 General Fund. Funding is distributed through grants to virtually every ADN program in recognition of the relatively high cost to educate nurses. High costs are mainly due to smaller required student-to-faculty ratios in simulation labs and clinical settings as well as the need for specialized equipment.

Colleges Also Can Use Strong Workforce Program and Other Categorical Program Funds for Nursing Education. In addition to providing supplemental funds for nursing specifically, since 2016-17, the Legislature has provided ongoing funding for the CCC Strong Workforce Program (SWP). The associated $290 million in Proposition 98 General Fund support is intended to help career technical education programs (like nursing) cover their higher instructional costs. SWP funds also are intended to make programs more aligned with industry demand and to facilitate regional planning and coordination. The majority of SWP funds go directly to colleges, with the remainder allocated to eight regional SWP consortia. Based on our discussions with several consortia and colleges, some SWP funding is being used annually for nursing. Some SWP funds, for example, are helping to purchase lab equipment or start new programs. In addition to SWP funds, colleges can use funding they receive from the Student Equity and Achievement program and other student services programs to support their nursing students.

Some CCC Nursing Programs Also Receive State-Funded "Song-Brown" Grants. Originally established by SB 1224 (Song, Chapter 1175 of 1973), the Song-Brown program was created to address shortages of primary care physicians by increasing support for training programs. Since that initial legislation, the Song-Brown program has expanded to support nursing and certain other education and training programs. Recently, the Legislature has provided $50 million one-time non-Proposition 98 General Fund over three years ($20 million in 2022-23 and $15 million each in 2023-24 and 2024-25) for grants specifically to pre-licensure nursing programs in the state. Priority is given to programs in medically underserved areas that prepare students to serve in multi-cultural communities, low-income neighborhoods, and rural communities. In March 2023, the Department of Health Care Access and Information (HCAI), which administers this initiative, awarded a total of $17 million to 34 nursing programs, including 17 community college ADN programs. HCAI intends to announce the next round of grantees in March 2024.

Thousands of qualified applicants are turned away by community college programs. A 2023 report to the Legislature by the Chancellor's Office on the nursing categorical program noted that colleges typically turn away some qualified applicants seeking entrance to a nursing program. The next chart indicates that more than 14,000 applicants were not accepted to nursing programs in 2021-22.

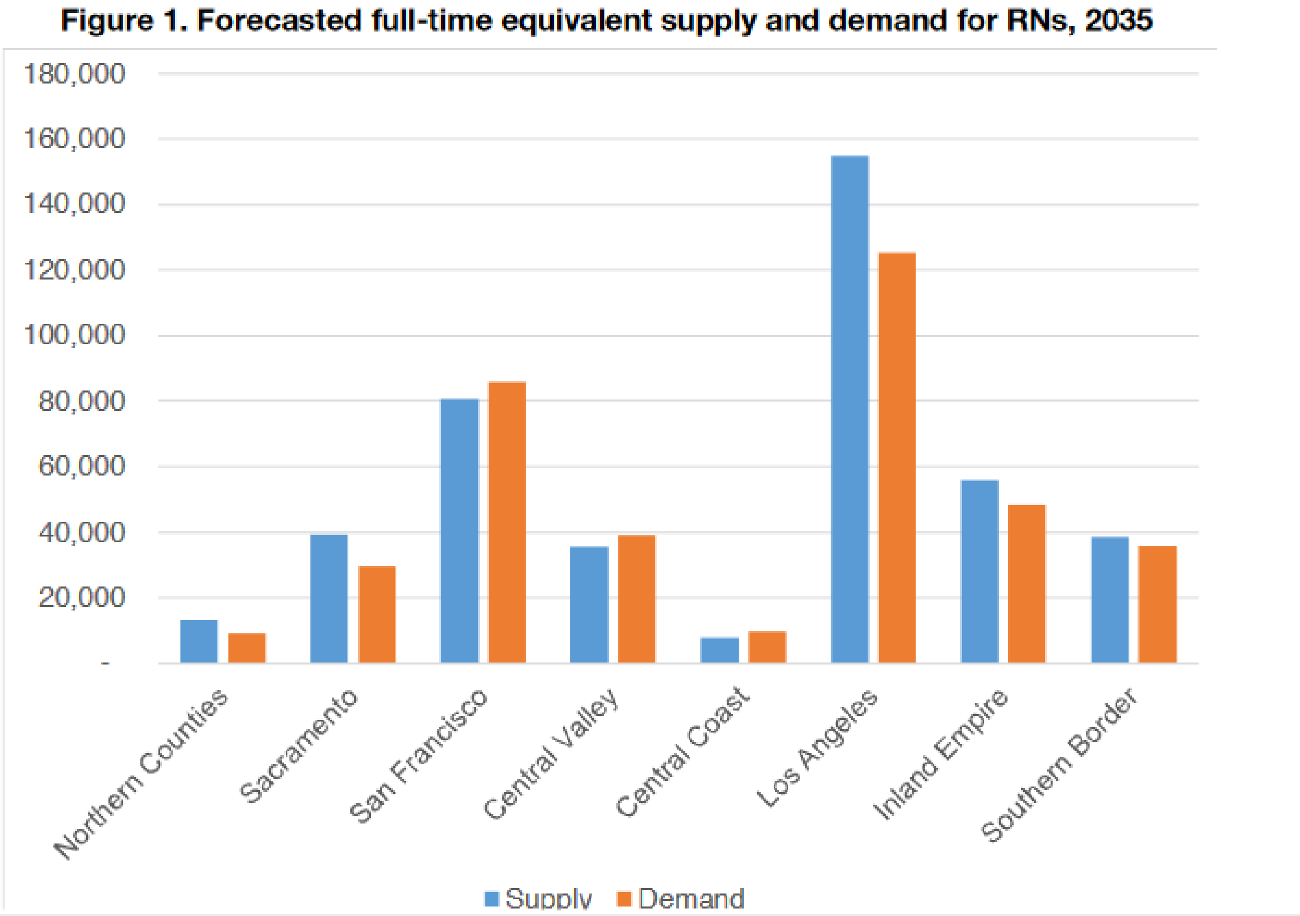
Figure 11. Qualified applications accepted and not accepted to RN programs.



Source: California BRN Annual Schools Report 2020-21.

California currently has a nursing shortage, although some forecasts suggest shortage will abate. Regional shortages will likely continue, however. A February 2024 report from the University of California San Francisco noted that a shortage of Registered Nurses exists today, as a result of older RNs retiring and some younger RNs leaving the workforce. The report notes that projected increases in new enrollments and graduations from RN education programs and a higher rate of migration of RNs into California from other states are anticipated to drive growth in the RN workforce, even as there are projected to be increases in rates of RNs moving to other states and allowing their licenses to lapse. The analysis indicates there is currently a shortage of RNs, but the gap is projected to close by 2027.

Despite this projection of the shortage lessening, previous UCSF reports had noted significant differences by region in California, and those differences may remain. The next chart is from a 2019 report and indicates a long-term shortage in the San Francisco Bay Area, Central Valley, and Central Coast.



Source: Regional Forecasts of the Registered Nurse Workforce in California, Healthforce Center at UCSF

Governor's 2024-25 Budget

The higher education trailer bill that was part of the 2023 Budget Act included a plan to provide additional funding for community college nursing programs. The legislation called for $60 million appropriations for five years, beginning in 2024-25. Per the legislation, the Governor's Budget provides $60 million one-time Proposition 98 General Fund for this purpose. The Administration has provided no further detail on how funding should be spent.

LAO Comments

Assessment

Nursing Enrollment Is Back on Track. After declining during the pandemic, nursing programs reported in Fall 2023 that they have capacity and plans to increase enrollment slots. Nursing programs also are reporting strong demand from students again, with community college and many other nursing programs reporting far more applications than they can accommodate. CCC programs have an incentive to enroll these students because they are funded based on enrollment and receive additional state funding for their nursing programs. Private programs, meanwhile, have an incentive to fill enrollment slots with tuition-paying students. Given these circumstances, it is unclear why additional state funding is needed as proposed in the Governor's budget.

SWP Designed to Address Regional Challenges. To the extent regional supply challenges persist, existing SWP funding is well-suited to support nursing programs. The underlying rationale for SWP is that some programs (just like nursing) have especially high costs due to equipment and low student-faculty ratios. In addition, the Legislature recognized when it created SWP that some industry sectors (like health care) might benefit from regional coordination and planning. The SWP structure allows for providers and employers to identify workforce needs and develop a regional strategy. Data provided by the Chancellor's Office show that all eight regional consortia have large annual surpluses of SWP funding (particularly the Central Valley/Mother Lode, South Central Coast, and Inland Empire/ Desert consortia). These funds are available to use for nursing programs and other local and regional workforce priorities.

Staffing Attrition Appears to Be Key Threat to a Balanced Workforce in the State. Various studies have identified dissatisfaction among nurses. A 2022 survey of RNs by the Board of Registered Nursing found that 6 percent of RNs feel "completely burned out," with another 31 percent reporting that they are "definitely burning out." The highest burnout rates are most common among nurses under 45 years old. UCSF has warned that shortages could persist if RNs are not retained in the workforce. State funding for community colleges, as proposed by the Governor, would not address this problem. UCSF recommends instead that employers "redouble their efforts to retain experienced RNs" and develop programs for newly graduated RNs to promote successful transition into the workforce. A number of researchers and policy groups suggest that health care employers consider a number of evidence-based strategies toward that end, including providing more workplace flexibility, providing services such as childcare, and developing peer support groups. Such employer initiatives could help not just with retaining existing staff but potentially attracting back former RNs.

Recommendation

Recommend Legislature Reject Proposal. Given that data suggests the current mismatch between supply and demand of RNs is temporary and that lack of state funding does not seem to be a key reason underlying the shortage, we recommend the Legislature reject this proposal. To the extent individual regions continue to seek increases in their nursing supply pipeline in response to local shortages, colleges already have funding from apportionments, SWP, and other state programs that can be used for this purpose.

Staff Comments

Staff notes that the funding available to support a nursing program expansion is available based on the Administration's overall proposal regarding Proposition 98 General Fund, which includes using reserves and borrowing non-98 funds in the future. The May Revise and subsequent discussions between the Administration and Legislature will determine if there is new, uncommitted funding available for 2024-25.

The Legislature has long been concerned about ensuring an appropriate supply of nurses is available throughout the state, as evidenced by existing programs and funding. And while there is some indication that a statewide shortage of nurses that exists today may lessen in the future even without new investments, it seems likely that regional shortages will continue. In addition, data indicates that community college nursing programs are turning away qualified applicants and could produce more nurses if they expanded. The 2023 report from the Chancellor's Office notes that issues such as a shortage of nursing faculty and clinical sites willing to provide learning opportunities for students limit programs' growth. More funding could be helpful to address these issues.

The Administration has not provided a detailed proposal for this funding, which allows the Legislature the opportunity to create a program that addresses current and future needs. Ideas range from creating a grant program to support colleges' efforts to expand associate degree nursing programs or Bachelor of Science in nursing partnerships to creating a community college bachelor's degree in nursing.

Suggested Questions:

- Does the Administration plan on providing a more specific proposal at May Revise, or is the preference to continue discussion with the Legislature?
- How can this funding be best utilized to expand nursing program capacity?
- What are possible solutions to problems such as a lack of available nursing faculty, or a lack of clinical sites to accommodate student learning?

Staff Recommendation: Hold Open

Issue 3: Past Appropriations Review

The Subcommittee will discuss previous community college appropriations that may have unspent funds. The item is intended to provoke conversation about state support for community colleges during the state budget downturn.

Panel

- Paul Steenhausen, Legislative Analyst's Office
- Justin Hurst, Department of Finance
- Wrenna Finche, California Community College Chancellor’s Office

Background

Recent state budgets have allowed the Administration and Legislature to support numerous initiatives at community colleges to support faculty, staff and student needs. Funding was added to existing programs, such as the Strong Workforce career technical education program, the Student Success Completion Grant, which provides up to $8,000 in financial aid for full-time, low-income community college students, and part-time faculty office hours, which supports part-time faculty to hold office hours to meet with students. New programs also were created, such as funding to support districts’ offering health insurance to part-time faculty and a program to support the creation of degree programs without any textbook costs for students.

The chart on the next page was compiled by the LAO, and is based on spending information from January. The Chancellor’s Office is working to provide updated numbers for this hearing.

Figure 10

Some Funds From Recent CCC Initiatives Remain Available for Budget Solution

Proposition 98 General Fund One-Time Solutions (In Millions)

Program	Amount	Implementation Update
Strong Workforce Program	$381[a]	Amount shown reflects total unspent regional and district funds of $27.4 million from 2020-21, $105.7 million from 2021-22, and $248 million from 2022-23. Unspent funds from years prior to 2020-21 might still be available to sweep too. By March 2024, the Chancellor's Office will have an update on regional and district spending from 2023-24 allocations. (In 2023-24, regions received $110.4 million and districts received $165.5 million.)
Part-Time Faculty Health Insurance program	177[a]	Of the $200.5 million ongoing appropriated for this program in 2022-23, only $23.3 million was claimed by districts for reimbursement. Program participation might be low again in 2023-24. The Legislature will have an update on how much was claimed for reimbursements in 2023-24 by June 2024.
Health care pathways for English learners	100	The 2022-23 budget provided $130 million for allocation over three years ($30 million in 2022-23 and $50 million each in the following two years). The first round of awardees, which includes community colleges and adult schools, was announced in summer 2023 and the first $30 million was disbursed in December 2023.
Student Success Completion Grant	100[a]	In 2022-23, the state provided $413 million for these grants, which are available to financially needy students attending college full time. According to the Chancellor's Office, colleges have not been able to fully award that amount because there were not enough eligible students. Additional savings might be realized in 2023-24 depending on the take-up rate. (The 2023-24 budget provided $363 million for the program.)
Zero Textbook Cost initiative	66	The 2021-22 budget provided $115 million one-time funding for this initiative. As of the end of February 2024, the Chancellor's Office expects to have allocated $48.6 million for grants and other program expenses.
Part-time Faculty Office Hours program	51[a]	Amount shown includes savings of $27 million from 2021-22 and $23.6 million from 2022-23 due to low participation by districts. Program might have additional savings in 2023-24. The Legislature will have an update on how much was claimed for reimbursements in 2023-24 by June 2024. (The 2023-24 budget provided $24 million for the program.)
California Apprenticeship Initiative	43	Amount shown includes savings of $2.4 million from 2021-22 and $10.2 million from 2022-23, as well as $29.9 million in unallocated funds from 2023-24.
Classified Employee Summer Assistance program	10[a]	The 2022-23 budget provided $10 million ongoing for this new program. The Chancellor's Office reports low participation by employees in 2022-23. Systemwide, 128 classified employees participated, generating a total of $473,000 in program costs. Program might have additional savings in 2023-24 if participation remains low.
Enrollment growth	8	Amount shown reflects an estimate of unearned and unused enrollment growth funds in 2022-23. (The June 2023 budget reverted the entire $24 million in enrollment growth funding from 2021-22, as none of it was earned.)
Calbright College	—[b]	At the end of 2022-23, Calbright had $43 million in remaining one-time startup funds. By early March 2024, Calbright will provide an update on year-to-date spending in 2023-24.
COVID-19 block grant	—[b]	As of June 30, 2023, districts had spent or encumbered $127 million of the $650 million provided for this block grant. Colleges reported using these funds for discharging unpaid student fees, providing emergency student grants, purchasing technology for faculty and staff, and conducting student outreach activities, among other uses. The 2023-24 budget also permitted block grant funds to be used for facilities maintenance. By March 1, 2024, the Chancellor's Office is required to provide the Legislature an update on spending by districts. Potentially, a large amount of savings could remain.
Total	**$936[a]**	

[a] Reflects the minimum amount of budget solution available based on data through January 2024. As more data become available over the coming months, the Legislature very likely could achieve additional savings from the 2023-24 appropriation.

[b] A savings estimate will be available by early March 2024.

Staff Comments

The state's budget deficit requires difficult conversations about state support for colleges, and how the Legislature and the system can work together to weather a budget downturn. Reviewing past appropriations is a necessary part of the budget process this year. Staff notes that all of the spending displayed in these charts was a priority for legislators, the Administration, or other stakeholders, and pulling back unspent funding could disrupt key programs impacting the state in some way. Staff also notes that unspent funds may not indicate an unsuccessful program or activity; many of these projects intend to spend the money over several years or require significant time to fully implement. Some programs require new collective bargaining; while grant programs require time to develop an application and distribution process. Other programs may require matching funds or have other requirements that may be limiting usage.

As the LAO notes, the Subcommittee may wish to gather fresh information on available funds. For example, the Chancellor's Office notes that as of Jan. 31, $403.3 million was expended or encumbered from the COVID 19 Block Grant, and $246.7 million was unspent.

The Subcommittee can discuss with the Chancellor's Office and districts ways to identify programs' progress to understand whether they are achieving intended results, or facing difficulties in implementation.

Suggested Questions:

- Are there typical reasons why some programs have significant unspent funds?
- If community college funding had to be reduced due to the budget deficit, should the Subcommittee consider pulling back some unspent funds from programs, or consider other options?
- Can the Chancellor's Office provide updates on program spending by the May Revise?

Staff Recommendation: Hold Open.

Issue 4: Calbright College Update

The Subcommittee will hear an update on Calbright College. This is an oversight item.

Panel

- Ajita Talwalker Menon, President and CEO, Calbright College
- Amy Costa, President, Calbright Board of Trustees
- Hildegarde Aguinaldo, Vice President, Calbright Board of Trustees
- Alicia Rangel, Calbright student

Background

The 2018 Budget Act created a new online community college to be administered by the CCC Board of Governors. The online college was intended to focus on short-term programs for working adults who have no postsecondary credentials. Trailer bill language required the college to develop at least three short-term program pathways linked with industry needs, and to use existing industry certifications, competency-based learning, and prior learning assessments to reduce the amount of additional courses students need to complete their pathway. The Budget Act provided $20 million ongoing and $100 million Proposition 98 General Fund to launch the college, which is now called Calbright.

The 2020 Budget Act reduced support for the college by $5 million ongoing and $40 million one-time, leaving the college with $15 million ongoing and $60 million one-time. Calbright has provided the following updates regarding enrollment, programming, and budget information.

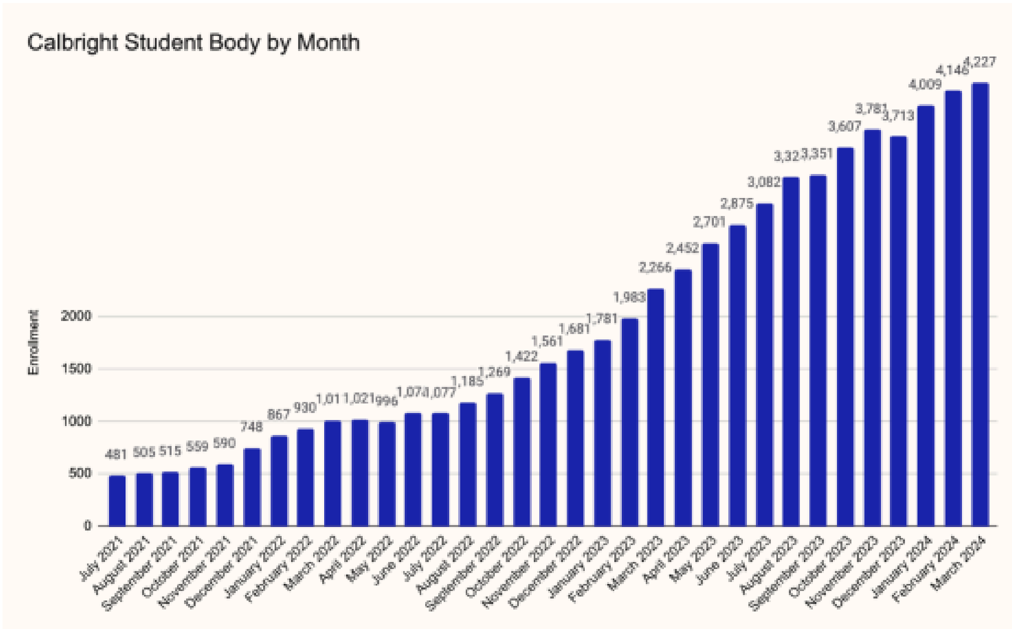
Calbright reports the following updates:

Enrollment continues to grow, but Calbright remains a small college. Calbright reports more than 4,000 students in headcount in March 2024, and about 2,300 full-time equivalent students (FTES) as of Fall 2023. Enrollment has grown steadily since the college opened in 2021. Comparing Fall 2023 FTES at all community college districts, Calbright is among the smallest college districts, with about 58 of the other 72 districts reporting higher Fall 2023 enrollment. The chart on the next page shows Calbright headcount enrollment by month.

Students demographics include the following, which are also included in charts on the next page:

- About 51% male, and 43% female, and about 5% non-binary or decline to state.
- About 36% of students are white, 32% are Latinx, 23% are Black or African American and 18% are Asian.
- More than 51% are ages 25-29, and another 39% are over 40.

- While 44% report no prior postsecondary degree, about 33% report having received a bachelor's degree or higher. About 10% have previously earned an associate's degree.



Gender	Pct
Female	43.3%
Male	51.2%
Non-binary	1.5%
Decline to state	3.7%
(No Selection)	0.30%

Race Groups	Pct*
American Indian or Alaskan Native	4.8%
Asian	18.2%
Black or African American	22.9%
Latinx	31.9%
Native Hawaiian or Other Pacific Islander	2.1%
White	36.2%
None Stated	1.7%

Age Range	Pct
<20	1.6%
20-24	8.6%
25-39	51.2%
40+	38.6%

Higher Education Level (College)	Pct
No degree	44.4%
Received a bachelor's degree or higher	32.8%
(No response)	12.5%
Received an associate degree	10.3%

Calbright has offered 6 programs, but is currently only offering enrollment to 3. Calbright reported enrollment in 6 different programs as of Fall 2023, with most FTES in Information Technology Support and Cybersecurity programs. However, the college has recently closed three programs after determining the programs were either not attracting enough students or not in line with labor market needs. The first chart on the next page indicates Fall 2023 enrollment by program. The college lists 17 total programs that have been offered, are being offered, or are planning to be offered. The second chart on the next page indicates each program and its current status, including whether the program has been approved by the Board of Governors, the Chancellor's Office, and accreditors.

Table 2: Fall 2023 FTES by Program

Program	Non-Credit FTES
IT Support	1404.34
Cybersecurity	197.49
Career & College Essential Skills*	640.86
Medical Coding	19.54
Customer Relationship Management	56.17
Upskilling for Equitable Health Impacts Diversity, Equity and Inclusion	1.03
Data Analysis	4.42
Calbright Total	2323.85

*Career & College Essential Skills is part of the IT Support and Cybersecurity programs. Some students enroll in the IT Support and Cybersecurity programs and are only required to take the course once, so FTES are reported separately for the Career & College Essential Skills course. Recently, Calbright has sunsetted the Career & College Essential Skills course and embedded these skills into all programs.

Table 4: Program Status & Approvals

Occupation Cluster	Program Name	Board Approved	CCCCO Approved	Accreditation Approval	Program Status
Business	Customer Relationship Management	2/16/2021	3/2/2021	approved	Open for enrollment
Business	Data Analysis	6/15/2022	7/22/2022	approved	Open for enrollment
Business	Project Management	2/22/2023	6/26/2023	approved	Pilot; Currently closed to new enrollments
Business	HR-Talent Acquisition	3/21/2023	9/27/2023	Sept/Oct 2024	Fall 2024
Business	HR-Learning and Development	3/21/2023	9/27/2023	Sept/Oct 2024	Fall 2024
Business	Entrepreneurship	6/21/2023	Waiting for Approval	TBD	TBD
Computer Technology/ Computer Information System	IT Support	7/15/2019	9/23/2019	approved	Open for enrollment

Computer Technology/ Computer Information System	Cybersecurity	7/15/2019	9/23/2019	approved	Enrollment temporarily paused to re-align to the new CompTIA Security+ (SY0-701) certification exam.
Computer Technology/ Computer Information System	Network Technology	5/24/2021	12/1/2021	approved	Pilot; Currently closed to new enrollments
Computer Technology/ Computer Information System	Full Stack Developer	2/22/2023	6/26/2023	June/July 2024	Fall 2025
Design Innovation	UX/UI	2/22/2023	6/26/2023	TBD	Spring 2025
Design Innovation	3D Animation and Game Design	6/21/2023	Waiting for Approval	July-September 2024	Fall 2025
Healthcare	Medical Coding	7/15/2019	9/23/2019	approved	Not currently accepting new students; Potential re-launch Summer 2024
Healthcare	DEI	4/21/2021	7/14/2021	approved	Not currently accepting new students; Will be submitting to DEAC for discontinuation
Healthcare	Community Health Worker	3/26/2024	Waiting for Approval	Sept/October 2024	Spring 2025
Healthcare	Medical Billing	3/21/2023	Waiting for Approval	June/July 2024	Fall 2024
Healthcare	Licensed Vocational Nursing	12/14/2022	2/21/2023	TBD	TBD

About half of Calbright's students have withdrawn from the college before completion. Calbright reports that about 49% of its students have left school, as the chart on the next page indicates. The chart shows all students who began at Calbright within the 13 weeks of each quarter based on the calendar year. Students must complete an assignment before they are considered actively enrolled. Withdrawal rates were very high through the first quarter of 2022, with most cohorts seeing 80% or more of students withdrawing. Calbright notes that it developed stronger student support programs that launched in 2023, and withdrawal rates have decreased.

Calbright students have earned about 550 certificates. Calbright reports issuing 556 certificates through March 2024. IT Support and Customer Relationship Management are the most successful programs, with more than 200 certificates issued for each. Calbright does not have data on labor market changes attributed to these certificates, however, in part because noncredit applications do not require students to report income levels, according to Calbright officials. The college is seeking to improve its data collection to better understand labor market outcomes in the future.

Withdrawal Rates

Table 5: Overall Status by Cohort Start

Cohort Start	Completed		In Progress		Withdrawn		Total
2019-20-BETA	50	8.88%	11	1.95%	502	89.17%	563
2020-Q3	14	9.09%	1	0.65%	139	90.26%	154
2020-Q4	8	4.49%	16	8.99%	154	86.52%	178
2021-Q1	12	9.76%	15	12.20%	96	78.05%	123
2021-Q2	10	10.20%	4	4.08%	84	85.71%	98
2021-Q3	9	7.76%	7	6.03%	100	86.21%	116
2021-Q4	38	9.41%	30	7.43%	336	83.17%	404
2022-Q1	30	8.98%	35	10.48%	269	80.54%	334
2022-Q2	26	9.45%	46	16.73%	203	73.82%	275
2022-Q3	56	10.49%	111	20.79%	367	68.73%	534
2022-Q4	58	8.68%	145	21.71%	465	69.61%	668
2023-Q1	56	6.05%	294	31.75%	576	62.20%	926
2023-Q2	66	5.71%	503	43.51%	587	50.78%	1156
*2023-Q3**	*57*	*5.06%*	*633*	*56.22%*	*436*	*38.72%*	*1126*
*2023-Q4**	*55*	*4.39%*	*1128*	*90.02%*	*70*	*5.59%*	*1253*
*2024-Q1**	*9*	*0.82%*	*1069*	*97.89%*	*14*	*1.28%*	*1092*
Calbright Total	**554**	**6.16%**	**4048**	**44.98%**	**4398**	**48.87%**	**9000**

**Preliminary numbers for Cohorts still in progress*

Certificates Issued By Program

Certificate Title	2019-20	2020-21	2021-22	2022-23	2023-24	Program Total
Introduction to Information Technology Support (A+)	2	28	21	53	115	219
Introduction to Cybersecurity (Security+)	2	12	12	13	34	73
Medical Coding for Professional Services		7	2	1	2	12
Customer Relationship Management (CRM) Platform Administration			29	71	100	200
Upskilling for Equitable Health Impacts: Diversity, Equity and Inclusion			1	2		3
Introduction to Data Analysis				30	19	49
Total by Academic Year	**4**	**47**	**65**	**170**	**270**	**556**

Calbright increased spending significantly this year. Calbright ended the 2022-23 fiscal year with $9.8 million in ongoing funding left, and $65 million in one-time funding. The college is spending a large amount of funding this year, however, and expects to have spent more than $17 million of ongoing funding in 2023-24, and more than $50 million of the one-time funding. Calbright reports that it will spend nearly $10 million on capital outlay this year, and more than $23 million on other operating expenses and services.

	2023-2024 Budget	
	SubFund 11 (Ongoing Funding)	**SubFund 12 (1x State Funding)**
Beginning Balance 6/30/23	**9,811,190**	**65,078,506**
State Revenues	15,000,000	-
Interest Income	127,000	1,480,000
Total Revenues	**15,127,000**	**1,480,000**
Academic Salaries	3,496,076	4,189,654
Non Academic Salaries	8,403,206	7,770,345
Employee Benefits	4,792,254	5,165,579
Supplies & Materials	65,500	30,000
Other Operating Expenses & Services	431,530	23,315,331
Capital Outlay	-	9,669,288
Total Expenses	**17,188,566**	**50,140,197**
Revenues less Expenditures	**(2,061,566)**	**(48,660,197)**
Ending Fund Balance 6/30/24	**7,749,624**	**16,418,309**

	DRAFT 2024-2025	
	SubFund 11 (Ongoing Funding)	**SubFund 12 (1x State Funding)**
Beginning Balance 6/30/24	**7,749,624**	**16,418,309**
State Revenues	15,000,000	-
Interest Income	387,481	820,915
Misc. Revenue	-	1,000,000
Total Revenues	**15,387,481**	**1,820,915**
Academic Salaries	3,496,076	4,189,654
Non Academic Salaries	8,403,206	7,770,345
Employee Benefits	4,792,254	5,165,579
Supplies & Materials	65,500	30,000
Other Operating Expenses & Services	431,530	700,000
Capital Outlay	-	383,646
Total Expenses	**17,188,566**	**18,239,224**
Revenues less Expenditures	**(2,188,566)**	**(16,418,309)**
Ending Fund Balance 6/30/25	**5,561,058**	-

As of March 2024, Calbright employs 19 full-time faculty members and 16 adjunct faculty members.

Staff Comments

Currently in its 5th year of funding, Calbright College remains a small college that has issued relatively few credentials while receiving a significant amount of one-time and ongoing funding. Unlike other colleges, Calbright receives ongoing funding - $15 million – that is not tied to enrollment or outcomes. The Governor's Budget proposes no changes to Calbright funding. The LAO recommends pulling back funds from programs that are not key priorities for the Legislature.

While it is difficult to compare Calbright's programs to other colleges, its withdrawal rates seem high and the number of certificates it has issued are a small percentage of the community college system's noncredit certificate production. A typical course at a community college is three units, which is somewhat equivalent to some of Calbright's programs. The average credit course success rate for community college students identified as "short-term career students," is 75 percent to 80 percent, according to the Chancellor's Office Student Success Metrics Dashboard available on its website. Meanwhile, at least half of Calbright students withdraw from their program. Calbright's 556 certificates issued during the college's two and half years of enrollment can be compared to more than 13,000 noncredit certificates issued by the community college system in 2021-22 alone.

The college appears to have numerous programs in the pipeline, but is currently only enrolling students into three programs and has closed or is redesigning three others. The college has been added to the California Community College Launchboard, which will match student information with the Employment Development Department to track graduates' wages, but Calbright is currently unable to provide meaningful outcomes data due to data collection issues with the community college noncredit application process.

Calbright appears to be in the middle of its biggest expenditure-year ever, planning to spend more than $50 million in one-time funding and more than $17 million in ongoing funding. Staff notes that it appears that a significant amount of one-time funding appears to be used for salaries and benefits, which are often ongoing costs. Staff also notes significant expenditures on capital outlay – about $9.7 million – for a college without a campus.

In previous years, the Assembly has sought to close Calbright through both budget and policy vehicles. AB 2820 (Medina and Quirk-Silva, 2022), and AB 1432 (Low, 2021) would have both closed Calbright. Both bills were approved in the Assembly but not in the Senate. In addition, a 2021 report by the State Auditor criticized the college for poor planning and failing to develop adequate student support programs, among other things. The college has implemented all of the audit recommendations except one requiring the college to report on its progress to the Legislature.

Suggested Questions:

- What are the college's goals for certificate production?
- What is the college doing to lower the withdrawal rate?
- Why is the college using one-time funding for purposes such as salaries and benefits, which are typically ongoing costs?
- Is the college on track to spend more than $65 million in the current year, as proposed?
- Why is the college spending $9.7 million on capital outlay?
- What are examples of the "Other Operating Expenses and Services" budget category that is proposed for $23 million in expenditures this year?
- How is the college working with employers to facilitate improved employment outcomes for its graduates?
- What is the college doing to track labor outcomes for its graduates?
- How can the Legislature determine whether a Calbright certificate has value and improves students' wages?
- Does Calbright need special, ongoing funding forever? Should the Legislature move the college into the apportionment system, with all other colleges?

Staff Recommendation: This is an oversight item.

This agenda and other publications are available on the Assembly Budget Committee's website at: Sub 3 Hearing Agendas | California State Assembly. You may contact the Committee at (916) 319-2099. This agenda was prepared by Mark Martin.