

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

THURSDAY, MARCH 9, 2017
UPON ADJOURNMENT, STATE CAPITOL - ROOM 447

HIGHER EDUCATION 2017-18 BUDGET PROPOSALS

I. OPENING REMARKS

Assembly Member Kevin McCarty, Chair
Committee Members

II. GOVERNOR'S BUDGET PROPOSALS

Christian Osmena, Principal Program Budget Analyst, Department of Finance
Maritza Urquiza, Budget Analyst, Department of Finance
Jennifer Kuhn, Deputy Legislative Analyst, Legislative Analyst's Office

III. SEGMENT PERSPECTIVES

Janet Napolitano, President, University of California
Timothy P. White, Chancellor, California State University
Eloy Ortiz Oakley, Chancellor, California Community Colleges

VI. HIGHER EDUCATION FUNDING PROPOSAL

Dr. Antonio Flores, President & CEO, Hispanic Association of Colleges &
Universities
Hans Johnson, Center Director & Senior Fellow, Public Policy Institute of
California
Ralph Washington Jr., President, University of California Student Association

VI. PUBLIC COMMENT

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
6870 CALIFORNIA COMMUNITY COLLEGES

BACKGROUND/STAFF COMMENTS

The 2016 Budget Act provided more than \$15 billion in state support for higher education segments and students, addressing the key Assembly priorities of access, affordability and student success. Among the highlights:

Higher Education General Fund Support by Segment^a

(Dollars in Millions)

	2014-15 Actual	2015-16 Revised	2016-17 Enacted	Change From 2015-16	
				Amount	Percent
California Community Colleges	\$5,389	\$5,853	\$6,029	\$176	3%
California State University	3,018	3,297	3,572	275	8
University of California	2,991	3,259	3,541	282	9
California Student Aid Commission ^b	1,922	1,998	2,110	111	6
California Institute for Regenerative Medicine	275	369	274	-95	-26
Awards for Innovation in Higher Education	50	—	25	25	N/A
Hastings College of the Law	11	12	15	3	27
Totals	\$13,655	\$14,789	\$15,566	\$777	5%

^aIncludes state General Fund support for pensions (for community colleges and CSU), retiree health care (for CSU), debt service (for community colleges and Hastings), and deferred maintenance (for CSU, UC, and Hastings) that comes from outside the segments' main budget-act appropriations.

^bIncludes Temporary Assistance for Needy Families and Student Loan Authority Fund support that directly offsets General Fund costs.

Posted July 2016.

- \$18.5 million in incentive funding for the University of California. Per the Budget Act, UC will receive \$18.5 million in additional funding in May if they are able to show they will increase California undergraduate enrollment by at least 2,500 students in the 2017-18 school year, when compared to the 2016-17 enrollment level, and if the Board of Regents adopts a policy that limits nonresident enrollment. UC has indicated it will increase enrollment and adopt the policy to earn the funding.
- Funding for enrollment growth and student success at the California State University. The Budget Act set an expectation of 1.4% enrollment growth at CSU (about 5,194 full-time equivalent students) and provided \$35 million in one-time funding if CSU adopted a plan to improve graduation rates. The funding was released to CSU after the Board of Trustees adopted the Graduation Initiative 2025. The initiative has multiple goals, including increasing freshmen and transfer graduation rates and eliminating achievement gaps for specific groups of students.

- Funding access, student success and workforce development at community colleges. The budget supported 2% enrollment growth at community colleges. In addition, the budget provided \$30 million for a second round of grants for remedial education reform, \$15 million to support regional promise partnership programs with K-12 districts and public universities, and \$5 million to support the development of programs with no textbook costs. The budget also included \$200 million in new funding to support the Strong Workforce program, which seeks to improve the availability and quality of career technical education at colleges.

Among the issues the Subcommittee can consider while discussing the 2017-18 higher education budget are:

Access still an issue. Despite recent legislative successes in increasing access for Californians to higher education, California students still face enrollment difficulties at UC and CSU. Fall 2016 enrollment numbers at UC indicate a surge in California enrollment. UC continues to increase the number of nonresident students at many campuses, however, which has made admittance to some UC campuses much more difficult. The chart below indicates resident and nonresident undergraduate enrollment during the past five years. Nonresident undergraduates have grown from 9 percent of the student body in 2012 to 16.5 percent of the student body in 2016.

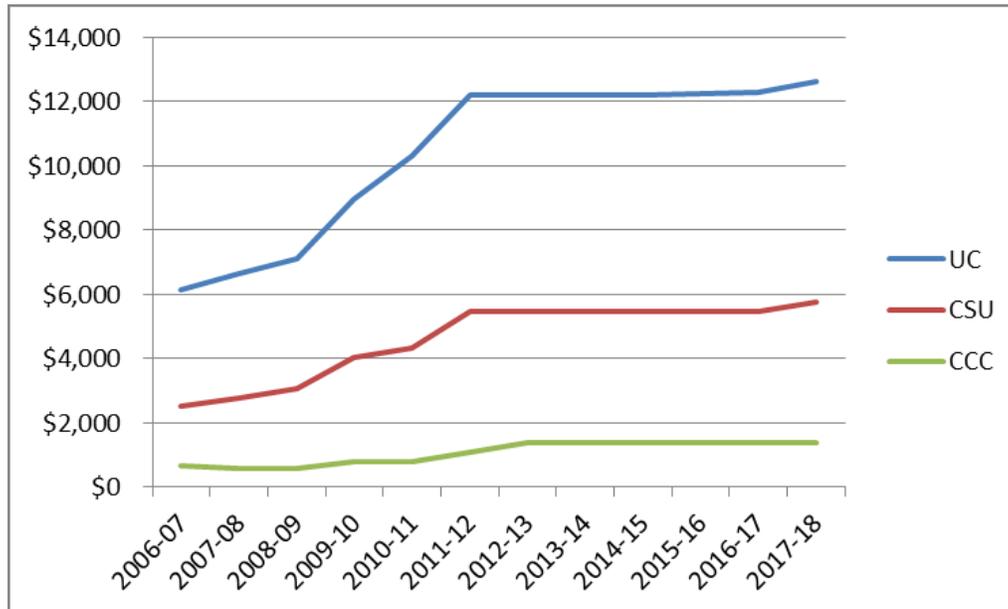
UC Undergraduate Enrollment	2012	2013	2014	2015	2016	Change, 2012 to 2016	% Change, 2012 to 2016
CA Resident	166,269	166,254	168,624	168,134	175,447	9,178	6%
Nonresident	16,929	21,754	26,188	30,732	34,721	17,792	105%

CSU students also face difficulties getting into the campuses they seek. Despite an increase in enrollment during the past three years, CSU continues to report turning away thousands of students who qualify, as the chart below indicates. CSU admissions are complicated by impaction, which means some campuses and programs receive more applicants than they have room for, while other campuses do have spaces but may not receive as many applicants as they could accommodate. The Assembly should discuss the implications of impaction in budget discussions this year.

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Admitted	194,564	212,152	212,538	216,755	222,192
Qualified But Not Admitted	22,123	26,430	30,665	31,825	31,401

Tuition may increase, and living expenses threaten college affordability. Tuition grew dramatically at all three public segments during the Great Recession. While tuition levels have remained flat during the past five years at all three segments, both the UC Board of Regents and the CSU Board of Trustees are considering increases for the 2017-18 school year. The UC Regents approved a proposed 2.5% tuition increase (\$282 per student) and a 5% system-wide student services fee increase (\$54 per student) at their January meeting. The CSU Trustees will consider a 5% tuition increase (\$270 per student) at their March meeting.

The chart below illustrates tuition and system-wide fees during the past several years and includes the proposed changes for 2017-18.



As the Subcommittee discussed in its Feb. 27 joint hearing with the Assembly Higher Education Committee, living expenses beyond tuition greatly impact students' ability to cover college costs. According to the segments:

- UC estimates a student's total cost of attendance in 2016-17 to be about \$34,200;
- A CSU student faces a total bill ranging from \$21,722 to \$26,084 annually;
- And community college students' total cost of attendance is about \$19,545.

Graduation Rates Can Improve. The Administration, Legislature and the segments have all increased focus on student outcomes. Reports released by all three segments including the following data:

- UC states that about 64% of the Fall 2011 freshmen cohort graduated within 4 years, and six-year graduation rates are about 85%. UC notes that while four-year graduation rates for low-income students are lower than other students, six-year graduation rates are about the same. About 55% of students who transferred from community colleges graduated within two years.
- CSU reports a four-year graduation rate of 19%, and the system reports a 57% graduation rate within 6 years. There is an achievement gap of 5 to 7% for low-income students at CSU, when comparing both 4 and 6-year graduation rates. About 31% of community college transfer students graduate within 2 years, while about 62% graduate within 3 years.
- At community colleges, about 47% of students complete their program within 6 years. For students in remedial education, or basic skills courses, data indicates that only 33% of remedial math students complete a college-level course within 6

years, and only 45% of remedial English students complete a college-level course in 6 years. Only 29% of English Language Learners complete a college-level course within 6 years.

All three segments have ongoing programs to improve outcomes and time-to-degree. Based on a 2015 agreement between the Administration and UC President Janet Napolitano, UC is working on improving pathways for community college students to transfer more easily to UC, developing three-year degree programs and exploring efforts to increase the use of summer school. CSU has launched the Graduation Initiative 2025, which sets system-wide and campus-specific targets for improved graduation rates through the use of curriculum redesign, enhanced student support programs and other evidence-based practices. The state provides community colleges with significant funding for student support programs, including \$285 million Proposition 98 General Fund for the Student Success and Support Program and \$155 million Proposition 98 General Fund for Student Equity Plans; both programs seek to improve outcomes and close achievement gaps by investing in counseling, supplemental instruction, and coordination with local education agencies to improve transitions from high school to community college. The chart below indicates state spending for community college student support programs.

Figure 19
Ongoing State Funding for CCC Student Success Programs
(In Millions)

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Revised	2016-17 Enacted	Increase From 2012-13
Student Success and Support Program	\$49	\$85	\$185	\$285	\$285	\$236
Student Equity Plans	—	—	70	155	155	155
Extended Opportunity Programs and Services	74	89	89	123	123	49
Disabled Student Program and Services	69	84	114	115	115	46
Basic Skills Initiative	20	20	20	20 ^a	50	30
CalWORKs Student Services	27	35	35	35	44	17
Institutional Effectiveness	—	—	3	18	28	28
Technology Projects ^b	—	14	14	14	14	14
Fund for Student Success ^c	4	4	4	4	6	2
Totals	\$243	\$331	\$604	\$769	\$820	\$577

^a In addition to the ongoing funding shown, the state provided \$85 million in one-time funding—\$60 million for the Community Colleges Basic Skills and Outcomes Transformation Program, \$15 million for the College Promise Innovation Grant Program, and \$10 million for the Basic Skills Partnership Pilot Program.

^b Consists of the Common Assessment Initiative, Education Planning Initiative, and electronic transcripts.

^c Supports the Mathematics, Engineering, and Science Achievement program; Middle College High School program; and Puente Project.

GOVERNOR'S 2017-18 BUDGET PROPOSALS
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The following section provides brief summaries of the Governor's budget proposals for each segment, as well as each segment's budget proposals. This section also includes capital outlay proposals from UC and CSU that are now outside of the budget process but still subject to legislative review this spring.

University of California. The Governor's budget includes \$32.8 billion all funds for the University of California (UC) in 2017-18, an increase of \$839 million, or 2.6 percent, from the current year. Of this funding, about \$3.5 billion is direct General Fund support, or about 10.8% of UC's overall budget.

Figure 10

University of California Funding by Source

(Dollars in Millions)

	2015-16 Actual	2016-17 Revised	2017-18 Proposed	Change Over 2016-17	
				Amount	Percent
Core Funds					
General Fund—ongoing	\$3,135	\$3,279	\$3,362	\$83	2.5%
General Fund—one time	124	262	169	-93	-35.0
Subtotals	(\$3,259)	(\$3,541)	(\$3,531)	(\$10)	(-0.3%)
Resident tuition and fees	\$3,211	\$3,371	\$3,449	\$78	2.3%
Nonresident supplemental tuition	833	976	1,050	74	7.6
Subtotals	(\$4,044)	(\$4,347)	(\$4,499)	(\$152)	(3.5%)
Lottery	\$38	\$36	\$36	—	—
Other ^a	318	286	334	\$49	17.1%
Totals—Core Funds	\$7,660	\$8,209	\$8,401	\$191	2.3%
Other Funds					
Medical centers	\$9,467	\$9,751	\$10,044	\$293	3.0%
Sales and services	6,045	6,308	6,497	189	3.0
Federal	3,920	3,994	3,988	-6	-0.2
Private ^b	2,055	2,149	2,234	85	4.0
State special funds	26	59	106	47	80.0
Other	1,400	1,451	1,490	40	2.7
Totals	\$22,913	\$23,711	\$24,359	\$648	2.7%
Grand Totals	\$30,573	\$31,921	\$32,760	\$839	2.6%

^a Includes a portion of overhead funding on federal and state grants and a portion of patent royalty income. Also includes \$50 million in funding freed up for core purposes by Proposition 56 funds.

^b Consists of private gifts and endowment earnings.

- Continues Small Increase in State Support.** State support to UC increases by \$131.2 million ongoing over the current year, continuing the Administration's recent practice of small, unallocated increases for UC (and CSU.) As in previous years, the Administration provides no direction to UC on how to spend the funding. The Budget Summary notes the Administration expects UC to continue work on reforms proposed in a 2015 agreement between UC President Janet Napolitano and the Governor, which include easing the transfer pathway for community college students and conducting "activities-based costing" pilot

projects on three campuses, which attempt to calculate the amount of money spent on specific courses.

- **Assumes Incentive Funding.** The 2016 Budget Act included \$18.5 million General Fund for UC if it enrolls 2,500 more California undergraduates in 2017-18 than it did in 2016-17, and if the UC Board of Regents adopts a nonresident enrollment cap. This money will be released on May 1 if these conditions are met. The Governor's Budget assumes that UC will adhere to these requirements and will receive the funding.
- **Provides Final Payment for Pension Liability.** The Budget provides \$169 million of Proposition 2 funding to address some of the unfunded liability of the UC Retirement Plan. This is the last of three payments from Proposition 2 to UC to address this liability. Total state support for this issue will be \$436 million.
- **Proposition 56 Swap.** The Budget reduces General Fund support for UC by \$50 million and replaces it with \$50 million for graduate medical education provided by Proposition 56 (the Cigarette and Tobacco Products Surtax Fund, adopted by voters in 2016).
- **Eliminates Sustainability Plan.** The Budget eliminates previous language requiring the UC Board of Regents to prepare a report in November projecting revenue, expenditures, enrollment and performance goals for the next three years.
- **Capital Outlay Requests.** Under the state's new capital outlay process for UC and CSU, each university system has the authority to use its main General Fund appropriation to service debt on bonds for academic facilities. Prior to funding, the segments must submit their academic facility projects for state review and approval. Under the new process, the Legislature has from February 1 to April 1 to review projects, with the Department of Finance finalizing project decisions by April 1.

For 2017-18, UC is requesting \$161 million in bond fund authority for capital outlay and deferred maintenance projects. Six projects (totaling \$61 million in state funding) would correct seismic and life safety deficiencies for specific academic facilities, and one project (associated with \$50 million in state funding) would entail constructing a new science facility at the Irvine campus. In addition to state funding, UC anticipates spending \$103 million in non-state funds on these projects. Figure 14 shows the seven proposed projects.

In addition to these seven projects, UC requests authority to use \$50 million in bond funding for deferred maintenance. Of the \$50 million, \$15 million would fund a team of experts to visit each campus and assess the current condition of academic facilities. The goal of the program would be to provide a more accurate estimate of the system's total deferred maintenance backlog and prioritize each facility according to its current condition, likelihood of failure, and life-safety risk. UC estimates the assessment will take up to three years to complete. The remaining \$35 million would fund deferred maintenance projects.

Figure 14**UC's 2017-18 Capital Outlay Request***(In Millions)*

Project Classification	Project Description	Project Phase	2017-18	
			State Costs	Non-State Funds
Irvine				
Program Expansion	Construct new science facility to accommodate enrollment growth in three academic departments.	D/C	\$50	\$69
Los Angeles				
Seismic and fire safety	Correct seismic deficiencies and provide new fire safety system in one facility	C	25	21
Seismic safety	Correct seismic deficiencies at the Neuropsychiatric Institute	C	25	13
San Francisco				
Life safety	Correct exit barriers at one facility	D/C	3	—
Berkeley				
Seismic safety	Reinforce seismic support structures to historic facility.	P/W	3	—
Demolition	Demolish vacant and seismically deficient facility.	W/C	3	—
Seismic safety	Develop renovation and seismic correction plan for two facilities	P	2	—

D = design; C = construction; P = preliminary plans; and W = working drawings.

- **UC Proposals.** The UC Board of Regents approved its own 2017-18 budget plan at its January meeting. Notably, UC is requesting \$25 million General Fund to enroll 2,500 more California undergraduate students in 2018-19, and \$9 million General Fund to enroll 9,000 more graduate students.

Additionally, the board will consider a nonresident enrollment policy at its hearing next week that includes the following:

- Capping nonresident undergraduate students at 20% system-wide.
- Capping nonresident undergraduate students at the current levels at the three campuses with the highest nonresident enrollment (Berkeley at 24.4%; San Diego at 22.9%; and UCLA at 22.8%.)
- Allowing growth of nonresident students at the six other undergraduate campuses until the system-wide 20% cap is reached. (Currently, Irvine is at 19% nonresidents; Davis is at 14.8%; Santa Barbara is at 12.2%; Santa Cruz is at 7.6%; Riverside is at 3.1%; and Merced is at .4%.)

California State University. The Governor's budget includes \$10 billion all funds for California State University in 2017-18, an increase of \$182 million, or 1.8 percent from the current year. Of this funding, \$3.7 billion is direct General Fund, or about 37% of CSU's overall budget.

California State University Funding by Source

(Dollars in Millions)

	2015-16 Actual	2016-17 Estimated	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Core Funds					
General Fund					
Ongoing ^a	\$3,271	\$3,479	\$3,714	\$235	6.8%
One time	5	110	1	-109	-99
Subtotals	(\$3,276)	(\$3,589)	(\$3,715)	(\$126)	(3.5%)
Lottery	\$58	\$55	55	—	—
Tuition and fees ^b	3,022	2,963	2,963	—	—
Subtotals, Core Funds	(\$6,357)	(\$6,607)	(\$6,733)	(\$126)	(1.9%)
Other Funds					
Federal funds	\$1,256	\$1,385	\$1,385	—	—
Other CSU funds ^c	2,104	1,844	1,899	\$55	3.0%
Subtotals	(\$3,360)	(\$3,228)	(\$3,284)	(\$55)	(1.7%)
Totals	\$9,717	\$9,835	\$10,017	\$182	1.8%

^aIncludes CSU debt service on general obligation and lease-revenue bonds and funds for pensions and retiree health benefit costs.

^bIncludes funds that CSU uses to provide tuition discounts and waivers to certain students. In 2017-18, CSU plans to provide \$662 million in such aid.

^cIncludes funds such as housing fees, parking fees, and extended education charges.

- Continues Small Increase in General Fund Support.** Direct General Fund support to CSU increases by \$131.2 million ongoing over the current year, continuing the Administration's recent practice of small, unallocated increases for CSU (and UC.) As in previous years, the Administration provides no direction to CSU on how to spend the funding.
- Provides Other Small Funding Increases.** The Budget provides an additional \$26 million ongoing General Fund, reflecting a 2015 agreement in which savings from the Middle Class Scholarship program have been redirected to CSU. The Budget also provides \$5 million ongoing General Fund to CSU as part of an agreement to provide additional funds based on previous capital outlay commitments.
- Eliminates Sustainability Plan.** The Budget eliminates previous language requiring the CSU Board of Trustees to prepare a report in November projecting revenue, expenditures, enrollment and performance goals for the next three years.
- Capital Outlay Requests.** CSU's 2017-18 capital outlay request includes 27 projects totaling \$1.6 billion. Of these 27 projects, 17 were previously approved by the state (virtually all of them as part of the 2016-17 budget process) but have

not yet been funded by CSU. The other ten requests are new submissions. At its November 2016 meeting, the Board of Trustees approved a multi-year plan for CSU to finance up to \$1 billion of the \$1.6 billion in submitted capital projects using university revenue bonds. Using this bond authority, the Chancellor's Office would fund 12 of the previously approved capital projects. The associated annual debt service is estimated to be about \$50 million.

CSU indicates it would support this associated debt service using existing core funds. This is possible because a like amount of monies were "freed up" from expiring debt from former projects as well as restructuring of outstanding State Public Works Board debt. (Under recent changes in state law, CSU is permitted to pledge its General Fund main appropriation - excluding the amounts necessary to repay existing debt service - to issue its own debt for capital outlay projects involving academic facilities.) The CSU estimates that the first \$200 million in CSU revenue bond proceeds would provide \$35 million for new facility space at CSU Monterey Bay as well as \$165 million for building replacements and renovations to facilities and infrastructure at most campuses in the system.

The ten new requests are on the following page.

1. Pomona Administrative Replacement Building (E): \$1,380,000 of campus reserves to fund equipment for the student services-administrative office complex. Previous phases of this project were funded in Item 6610-301-0668 of the 2013 Budget Act as well as with campus reserves.
2. Los Angeles Physical Sciences (Seismic) Phase 4 (CE): \$60,755,000 (\$28,000,000 SRB and \$32,755,000 campus reserves) for the fourth phase of a project that will upgrade the structural and building systems of the Physical Sciences building. The building was originally built in 1972 and has a seismic level 5 rating. Design and partial construction were previously funded with campus reserves through Statewide Infrastructure Improvements.
3. Sonoma Stevenson Hall Renovation (PWCE): \$72,476,000 SRB to renovate Stevenson Hall to correct deficiencies that will bring the building up to current code and will modernize instructional spaces, ensuring compliance with Disabled Access requirements, health, and fire and life safety guidelines.
4. San Luis Obispo Kennedy Library Addition (PWCE): \$55,000,000 (\$50,000,000 SRB and \$5,000,000 campus reserves) to renovate the existing Kennedy Library to alleviate the existing space and technology deficiencies and upgrade electrical and HVAC systems to meet current code and demand.
5. San Bernardino Theatre Arts Building (PWCE): \$66,566,000 (\$60,395,000 SRB and \$6,171,000 campus reserves) to construct a Theater Arts building including a 500-seat little theater with a main stage and support spaces, interdisciplinary lecture rooms, a dance studio, theater arts teaching labs and six faculty offices.
6. Sacramento Folsom Hall 3rd Floor Improvements (PWCE): \$18,781,000 (\$16,567,000 SRB and \$2,214,000 campus reserves) to remodel the vacant 3rd floor of Folsom Hall to provide classrooms, faculty offices and department offices.
7. San Diego Dramatic Arts Renovation (PWCE): \$21,500,000 (\$13,200,000 SRB and \$8,300,000 campus reserves) to demolish the existing Don Powell theater seating and lobby area and rebuild to provide accessible seating, access to the sound and light booth, and restrooms compliant with the American's with Disabilities Act (ADA).
8. San Marcos Applied Science and Technology Building (PWCE): \$31,844,000 (\$27,239,000 SRB and \$4,605,000 campus reserves) to construct a new facility to provide lecture space, lower division and upper division laboratory space and 35 faculty offices to support the Biological Sciences, Chemistry and Biochemistry, and Physics departments.
9. Pomona Classroom Lab Building Renovation (Seismic) (PWC): \$47,003,000 (\$44,636,000 SRB and \$2,367,000 campus reserves) to renovate the Classroom/Laboratory component of the Classroom/Laboratory/Administration (CLA) Building. The building has seismic, mechanical and building envelope deficiencies, requiring substantial renovation and remediation.
10. San Francisco Science Replacement Building (P): Campus reserves in the amount of \$5,607,000 will fund the preliminary plans phase of this project to construct a science replacement building. The final program capacity will be determined by the feasibility and programming study currently in progress.

- CSU Proposals.** The CSU Board of Trustees adopted its own 2017-18 budget plan at its November hearing. That proposal includes \$167.7 million more in state General Fund support than the Governor is providing. CSU's budget plan includes \$139.1 million to support increased compensation related to recent collective bargaining agreements; \$75 million in support for activities related to the Graduation Initiative, \$55.1 million to support increased compensation for non-represented staff and some represented staff with ongoing agreements; and \$38.5 million to support 1% enrollment growth (about 3,616 full-time equivalent students).

California Community Colleges. The Governor's budget includes \$12.4 billion all funds for California Community Colleges (CCC), an increase of \$91 million, or 0.7 percent from the current year. Of this funding, \$5.5 billion is Proposition 98 General Fund, or about 44 percent of overall CCC funding.

California Community Colleges Funding by Source

(Dollars in Millions)

	2015-16 Revised	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Proposition 98					
General Fund ^a	\$5,304	\$5,443	\$5,465	\$22	0.4%
Local property tax	2,630	2,803	2,959	156	5.6
Subtotals	(\$7,933)	(\$8,246)	(\$8,424)	(\$179)	(2.2%)
Other State					
Non-Proposition 98 General Fund ^b	\$435	\$522	\$472	-\$50	-9.5%
Lottery	232	227	227	—	—
Special funds and reimbursements	76	104	94	-10	-9.4
Subtotals	(\$744)	(\$853)	(\$793)	(\$60)	(-7.0%)
Other Local					
Enrollment fees	\$432	\$436	\$440	\$4	1.0%
Other local revenue ^c	2,437	2,488	2,456	-33	-1.3
Subtotals	(\$2,869)	(\$2,924)	(\$2,896)	(\$28)	(-1.0%)
Federal	\$298	\$297	\$297	—	—
Totals	\$11,843	\$12,320	\$12,411	\$91	0.7%
Full-Time Equivalent (FTE) Students	1,145,637	1,156,810	1,168,379	11,569	1.0%
Proposition 98 Funding Per FTE Student	\$6,925	\$7,128	\$7,210	\$82	1.2%
Total Funding Per FTE Student	\$10,338	\$10,650	\$10,622	-\$28	-0.3%
^a Includes \$500 million each year (and an additional \$5 million in 2016-17) for the Adult Education Block Grant, of which more than \$400 million goes to school districts for their adult education services.					
^b Includes funding for state general obligation bond debt service, state contributions to the State Teachers' Retirement System (STRS), and Chancellor's Office operations. 2017-18 amount includes a \$64 million decline in debt service and a \$23 million increase in STRS contributions.					
^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. Amounts are estimates and do not include federal and state student financial aid for nontuition costs or bond proceeds for capital outlay.					
Posted January 2017.					

- **Proposes New Guided Pathways Program.** The Budget proposes \$150 million Proposition 98 General Fund to create a new Guided Pathways program within the Student Success and Support Program (SSSP.) Guided pathways are an emerging concept in higher education, and allow students to choose an area of interest, develop an academic plan with specific courses to achieve completion of a program, and receive significant guidance and counseling as they seek to complete their program.

Proposed trailer legislation establishes the CCC Guided Pathways Grant Program and tasks the Chancellor's Office with administering it. The language directs the Chancellor's Office, to the extent feasible, to leverage the work of the California Guided Pathways Project, which already has developed programmatic requirements.

- **Funds 1% Enrollment Growth and Makes Other Apportionment Changes.** The Budget proposes \$79.3 million Proposition 98 General Fund to support 1.34% enrollment growth, or about 11,500 new full-time equivalent students. The Budget also makes other adjustments to apportionment funding, including an increase of \$94.1 million for a 1.45% cost-of-living adjustment, an increase of \$3.8 million Proposition 98 General Fund to offset decreased student fee revenue, a decrease of \$56.6 million Proposition 98 General Fund due to unused growth funding in 2015-16, and a decrease of \$147.7 million Proposition 98 General Fund as a result of offsetting local property tax revenue.
- **Provides Unallocated Funding for Operating Expenses.** The Budget provides \$23.6 million Proposition 98 General Fund to support increased operating expenses in areas such as employee benefits, facilities, professional development, and other expenses. Colleges can use this funding however they choose.
- **Proposes New Round of Innovation Awards.** The Budget proposes \$20 million Proposition 98 General Fund to provide grants to colleges who propose innovative practices. This is a similar proposal to one funded in two of the last three budget acts, although the Administration is altering the proposal this time to allow the Chancellor, not a committee chaired by the Department of Finance, to select winners. Trailer bill language indicates that the awards could go to programs that support students from groups that are underrepresented in higher education, services and programs for students who are veterans, programs and frame works that support adults who have been displaced from the workforce, programs that support incarcerated adults in prisons and jails, or programs that incorporate technology to improve instruction and support services.
- **Increases Funding for Online Education.** The Budget provides an additional \$10 million Proposition 98 General Fund for the Online Education Initiative. The state began providing \$10 million per year in 2013-14 to support increased development and use of online courses. An additional \$10 million per year is proposed to allow students at all 113 campuses to access online courses offered throughout the system.

- **Funds Integrated Library System.** The Budget provides \$6 million one-time Proposition 98 General Fund to consolidate 100 stand-alone library systems into on consolidated system that would be available to all students and faculty. The proposal would allow all colleges to share a cloud-based library system.
- **Deferred Maintenance.** The Budget proposes \$43.7 million from Proposition 98 General Fund settle-up funds to support campus deferred maintenance projects. Funding can be used for deferred maintenance, instructional equipment or water conservation projects. No local matching funds are required.
- **Proposition 39.** The Budget provides \$52.3 million in Proposition 39 funding to support campus energy efficiency projects.
- **New Positions at Chancellor's Office.** The Budget creates two new Vice Chancellor positions at the Chancellor's Office, and \$378,000 General Fund to support the positions. The new positions would address efforts to improve student success, reduce achievement gaps, and develop the Guided Pathways program. The Administration states its intent to work with the Chancellor's Office this Spring to reorganize administrative operations to better enable the Chancellor's Office to achieve student success and other goals.
- **COLA for Some Categoricals.** The Budget provides \$5.4 million Proposition 98 General Fund to support a 1.48% cost-of-living adjustment for five categorical programs: apprenticeship, the Extended Opportunity Programs and Services, Disabled Student Programs and Services, Special Services for CalWORKS Recipients, and the Child Care Tax Bailout.
- **Capital Outlay Projects.** The Budget proposes five new capital outlay projects using funding from the 2016 California Community College Capital Outlay Bond Fund, approved by voters as Proposition 51. The chart below indicates the projects.

Figure 24
Governor's Proposed CCC Capital Outlay Projects
Reflects State Costs (In Thousands)

College	Project	2017-18 Cost	Total Cost
City College of San Francisco, Ocean Campus	Utility Infrastructure Replacement	\$2,978	\$76,855
Pasadena City College	Armen Sarafain Building Seismic Replacement	2,199	58,287
El Camino College, Compton Center	Instructional Building 2 Replacement	765	16,591
Fullerton College	Business 300 and Humanities 500 Building Modernization	711	15,270
City College of San Francisco, Alemany Center	Seismic and Code Upgrades	715	15,148
Totals		\$7,368	\$182,151

- **CCC Proposals.** The CCC Board of Governors adopted its own 2017-18 budget proposals at its September meeting. That proposal includes \$793.2 million in increased support, including \$125 million Proposition 98 General Fund for 2% enrollment growth; \$100 million for a cost-of-living adjustment; \$200 million for a base increase to cover general operating expenses; \$100 million to increase full-time faculty; \$25 million to increase support for part-time faculty; \$25 million to expand veterans resource centers; \$15 million to support Promise programs; and \$10 million to increase support for Equal Employment Opportunity practices.

POTENTIAL QUESTIONS

The subcommittee may wish to ask some of the following questions of the segments and Administration:

- What is UC considering for resident and nonresident enrollment growth for 2017-18 and 2018-19?
- Which UC campuses have the most room to accommodate growth? Does UC have a long-range enrollment plan?
- The LAO has raised concern regarding UC's proposal to spend \$15 million to assess campus facilities. How was this cost figure determined? Isn't this a regular activity of campus facility personnel?
- In the UC Regents 2017-18 budget proposal, UC proposes to spend \$50 million to improve academic quality. What types of activities would be funded? What are the outcomes or goals associated with this spending?
- Why does the Administration feel it is appropriate to replace \$50 million in General Fund support for UC with \$50 million in Proposition 56 funding?
- The CSU Board of Trustees 2017-18 proposed budget includes \$167.7 million more in General Fund support than the Governor is proposing. How would CSU use this additional funding?
- CSU proposes spending \$75 million in ongoing funding to support the Graduation Initiative. Please describe the types of activities this funding would be used for, and how it would be distributed to campuses.
- How will the CSU Chancellor's Office determine which Graduation Initiative activities are the most cost efficient and effective?
- How do campus impaction practices affect admissions? How can CSU reduce the number of programs and campuses that are impacted?
- For UC and CSU, is there a long-range plan for tuition?
- For all three segments, how are your systems working to provide support for undocumented students?

- For all three segments, what types of mental health services are available to students?
- How do community colleges support students who are military veterans? What could be done to better support veterans?
- How does the Guided Pathways proposal differ from other student success programs? How did the Administration determine that \$150 million is the correct amount for this proposal? Should funding be limited only to colleges who are truly interested in this program?
- What are the enrollment numbers for the current year? What are colleges doing to increase access?
- Why did the Administration set the Proposition 98 split so that colleges receive 10.87% of funding, instead of the usual 10.93%?
- Only about 56% of community college instruction is delivered by full-time faculty. What can be done to increase this percentage?
- The Chancellor's Office has approved 29 capital outlay projects which could receive Proposition 51 funding. Why did the Administration limit the number of projects to 5?

HIGHER EDUCATION FUNDING PROPOSAL

The Subcommittee has invited representatives of the Hispanic Association of Colleges and Universities (HACU) to present their proposal for a new higher education funding formula.

HACU proposes a formula modeled after the Local Control Funding Formula (LCFF), which was enacted in the 2013 Budget Act to reform K-12 funding. The LCFF consists of a base grant for all students, supplemental funding for English learners, low-income and foster youth, and concentration funding for districts with high proportions of students that qualify for supplemental funding.

HACU proposes a funding formula for California's public colleges and universities that would provide a stable year-to-year funding mechanism while providing additional monies to aid those categories of LCFF students currently targeted at the K-12 level. The additional funds – HACU proposes a 20% increase targeting these students - would be used exclusively for support services and programs designed for underrepresented students that have proven to be best practices across the country.

Additionally, HACU proposes that these funds be tied to accountability metrics and performance measures to hold the public higher education segments accountable for utilizing the additional funds and meeting outlined goals. Metrics that the segments already report on could be used in this new program.

POTENTIAL QUESTIONS

The subcommittee may wish to ask some of the following questions regarding this proposal.

- Under this proposal, would funding be distributed under the new model within each segment or throughout higher education?
- How would this change or impact current funding for campuses?
- What are the Administration, LAO and segment perspectives regarding this proposal?
- Are any other states experimenting with this kind of funding?
- What types of activities would this additional funding support?