

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

**Assembly Member Kevin McCarty, Chair**

**TUESDAY, MAY 17, 2016  
9 AM, STATE CAPITOL, ROOM 444**

#### HIGHER EDUCATION MAY REVISE PROPOSALS

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	<b>PAGE</b>
<b>ISSUE 1</b>	<b>CLOSING THE STATE DEGREE GAP</b>	<b>2</b>
<b>6400</b>	<b>UNIVERSITY OF CALIFORNIA</b>	<b>3</b>
ISSUE 2	A-G SUCCESS INITIATIVE	3
<b>6610</b>	<b>CALIFORNIA STATE UNIVERSITY</b>	<b>5</b>
ISSUE 3	STUDENT SUCCESS PROPOSALS	5
<b>6980</b>	<b>CALIFORNIA STUDENT AID COMMISSION</b>	<b>8</b>
ISSUE 4	GRANT DELIVERY SYSTEM PROPOSALS	8
<b>6870</b>	<b>CALIFORNIA COMMUNITY COLLEGES</b>	<b>10</b>
ISSUE 5	BASE APPORTIONMENT INCREASE	11
ISSUE 6	ONLINE EDUCATION INITIATIVE	12
ISSUE 7	STRONG WORKFORCE PROGRAM TRAILER BILL CHANGES	14
ISSUE 8	ZERO-TEXTBOOK-COST DEGREES TRAILER BILL CHANGES	17
ISSUE 9	FULL-TIME STUDENT SUCCESS GRANT INCREASE	19
ISSUE 10	EQUAL EMPLOYMENT OPPORTUNITY PROGRAM	21
ISSUE 11	ADULT EDUCATION TECHNICAL ASSISTANCE AND APPORTIONMENT	23
ISSUE 12	INMATE DIGITAL INSTRUCTIONAL MATERIALS	25
ISSUE 13	TELECOMMUNICATIONS AND TECHNOLOGY INFRASTRUCTURE PROGRAM INCREASE	26
ISSUE 14	OTHER SPENDING PROPOSALS	28
<b>6120</b>	<b>CALIFORNIA STATE LIBRARY</b>	<b>31</b>
ISSUE 15	AUGMENTATION FOR LIBRARY SERVICES	31

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## ITEMS TO BE HEARD

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### ISSUE 1: CLOSING THE STATE DEGREE GAP

The Subcommittee will hear a presentation from the Public Policy Institute of California (PPIC) regarding a strategy to improve production of bachelor's degrees to meet future state workforce needs.

#### PANEL

- Hans Johnson, Public Policy Institute of California

#### BACKGROUND

A March 2nd joint hearing with the Assembly Higher Education Committee, the Subcommittee discussed 2015 reports by the Public Policy Institute of California and California Competes highlighting the degree and credential attainment gaps the state will face over the course of the next 10 to 15 years.

Based on this hearing, staff asked the two groups to work on a specific plan that would increase degree production to meet state workforce needs. PPIC will provide a potential plan at this hearing.

**6400 UNIVERSITY OF CALIFORNIA****ISSUE 2: A-G SUCCESS INITIATIVE**

The Subcommittee will discuss the May Revise proposal to provide the University of California (UC) with \$4 million General Fund on a one-time basis to develop high-quality online middle school and high school classes and curriculum that would be approved by the UC for purposes of satisfying the “a-g” subject requirements.

**PANEL**

- Maritza Urquiza, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California Office of the President

**BACKGROUND**

As discussed at the May 10<sup>th</sup> hearing, UC operates multiple programs to raise student achievement levels generally and to close achievement gaps among groups of students throughout the K-20 pipeline. These programs are referred to as Student Academic Preparation and Educational Partnerships (SAPEP).

Among these programs is the UC College Preparation program, often referred to as Scout. Scout offers interactive online courses for middle and high school students, including Advanced Placement, honors, credit recovery and "a-g" college preparation courses. Since 2012-13, Scout has enrolled 13,810 students from 387 California public schools. In 2014-15, UC spent \$2.4 million on this program.

**The May Revise**

The May Revise proposes trailer bill language that would provide UC with \$4 million one-time General Fund to allow the Scout program to develop at least 45 high-quality middle school and high school classes and curriculum that would be approved by UC for purpose of satisfying "a-g" subject requirements. UC would be required to report back to the Legislature on this program by January 1, 2017.

**STAFF COMMENT**

The Subcommittee took action last week on part of a UC Budget Package, including a plan to increase California resident enrollment by 30,000 in the next six years, reduce nonresident enrollment by more than 10,000 students, and create an independent oversight office to review UC budgeting practices. In addition, the Governor's budget proposes a \$125.4 million General Fund increase for UC.

Regarding this proposal, the Administration states this proposal will allow greater access for all high school students to become UC-eligible, and this fits in with the Administration's push to increase the use of technology in education. The Subcommittee has indicated interest in increasing funding for SAPEP, particularly to increase enrollment at UC of low-income and underrepresented students.

However, staff notes several concerns with this specific proposal:

**Recent discussion did not highlight this program.** At the May 10 hearing, UC officials noted that if they had increased funding for SAPEP, they would likely re-invest in informational and outreach programs that have been de-funded since the recession. There was no discussion of the Scout program. Staff notes that Scout funding has been cut by UC more significantly than some other SAPEP programs, potentially indicating UC has felt like scarce resources should be spent on other programs.

**Scout does not appear to serve low-income students.** According to UC information, only about 30% of students in the Scout program qualify for free and reduced-price meals in school. This could be an indicator that the program serves higher-income students, which may not be a priority for UC enrollment increases.

#### Potential Questions

- Who is this funding increase expected to help?
- Why shouldn't this funding be used to expand other SAPEP programs?
- How would UC choose to use \$4 million in one-time funding to improve outreach efforts to low-income or underrepresented students?

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**Staff Recommendation: Hold Open**

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**6610 CALIFORNIA STATE UNIVERSITY****ISSUE 3: STUDENT SUCCESS PROPOSALS**

The Subcommittee will discuss two May Revise proposals for California State University. The first provides \$25 million one-time General Fund if CSU increases graduation rate improvement targets. The second provides \$1.1 million ongoing General Fund to create the CSU Student Success Network.

**PANEL**

- Maritza Urquiza, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Ryan Storm, California State University Chancellor's Office
- Andrea Venezia, Education Insights Center, California State University, Sacramento

**BACKGROUND**

At its April 19<sup>th</sup> hearing, the Subcommittee discussed CSU graduation rates, which are depicted below.

<b>Cohort</b>	<b>4-Year Grad Rate</b>	<b>5-Year Grad Rate</b>	<b>6-Year Grad Rate</b>
First-Time Freshman	17.8%	44.7%	57.0%

<b>Cohort</b>	<b>2-Year Grad Rate</b>	<b>3-Year Grad Rate</b>	<b>4-Year Grad Rate</b>
CCC Transfers	26.7%	62.4%	72.9%

CSU has sought to improve graduation rates and is continuing work on this issue. A previous Graduation Initiative proposed to increase six-year graduation rates by eight percentage points, and cut the achievement gap in half. Results published in 2015 indicate six-year graduation rates actually rose by 11 percentage points for the 2009 student cohort. The achievement gap for underrepresented students was not significantly reduced system-wide, however, although this is in part attributed to rising graduation rates for all students.

CSU has launched a second Graduation Initiative, which seeks to make improvements by 2025. This initiative sets specific goals for each campus, but also includes the following system-wide goals.

### CSU Graduation Initiative 2025

Graduation Metric	2025 Systemwide Target
Six-Year Graduation Rate	60%
Four-Year Graduation Rate	24%
Gap by Ethnicity (50% Reduction)	7 Points
Gap by Pell Eligibility (50% Reduction)	5 Points
Transfer Students' Four-Year Graduation Rate	76%
Transfer Students' Two-Year Graduation Rate	35%

In the January *Governor's Budget Summary*, the Administration commended CSU for seeking improvements but questioned whether the targets set are too modest. CSU officials have acknowledged this concern and are preparing meetings this summer to discuss revising their targets.

#### **The May Revise**

The Administration proposes trailer bill language to appropriate \$25 million from the General Fund to CSU on a one-time basis. Release of these funds would be contingent upon certification by the Director of Finance by September 31, 2016 that the plans approved by the Trustees would increase system-wide and campus four-year graduation rates and two-year transfer graduation rates to at least the rate of other institutions and to increase graduation rates for low-income students to at least the rate of other students.

Additionally, the May Revise includes \$1.1 million ongoing General Fund to create the CSU Student Success Network. This new network would be led by faculty, staff, and administrators across campuses and administered by the Education Insights Center at CSU Sacramento. The network would support campus leaders who are committed to exploring new ways to improve outcomes for students and scaling effective practices more broadly by convening them to identify common challenges, conducting research on interventions, and disseminating information across the system.

#### **STAFF COMMENT**

In addition to this May Revise proposal, the Governor's Budget proposes an increase of CSU support by \$148.3 million.

Regarding the May Revise proposal: While access to CSU remains the top Assembly priority, improved outcomes also are a major concern. Funding to better outcomes is needed. The CSU Student Success Network seems like an appropriate use of a small amount of General Fund.

However, staff notes the following concerns with the \$25-million proposal:

***It is unclear how the money would be spent.*** The proposal releases the funding once the Board of Trustees have adopted more aggressive graduation-rate improvements. But there is no language describing how the money should be spent. The Administration suggests CSU spend the money on implementing services to help students graduate, but there is no requirement.

**Does not include targets for underrepresented students.** In addition to an achievement gap between low-income students and other students, there is also concern about gaps between underrepresented students and other students, as shown in the chart below. This proposal could be altered to require improvement in addressing this achievement gap.

Race/Ethnicity	4-Year Grad Rate	5-Year Grad Rate	6-Year Grad Rate
White	27.1%	55.6%	64.1%
Asian/Pacific Islander	14.1%	43.3%	60%
Black or African-American	8.2%	29.6%	41.8%
Hispanic or Latino	11.7%	37%	51.5%

**CSU was already planning to do the activity the new funding requires.** CSU has already indicated that it would be convening campuses this summer to review current targets and determine if they could be improved. This proposal seems to reward CSU for an activity they were already planning to carry out.

**Governor's CSU funding would not support significant enrollment growth.** The key Assembly concern regarding CSU has been the lack of access to CSU campuses. More than 30,000 qualified students have been turned away annually in recent years. CSU has indicated that without additional funding, it will only increase enrollment by 1% in 2016-17, or about 3,565 full-time equivalent students. With additional funding, CSU would seek to grow by 3%, or 10,700 full-time equivalent students.

#### Potential Questions

- Why doesn't the Administration's plan tie the new funding to a specific activity?
- What would CSU do with this funding?
- What types of activities would the CSU Student Success Network undertake?

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**Staff Recommendation: Hold Open**

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**6980 CALIFORNIA STUDENT AID COMMISSION****ISSUE 4: GRANT DELIVERY SYSTEM PROPOSALS**

The Subcommittee will discuss two May Revise proposals for the California Student Aid Commission. The first provides \$396,000 one-time General Fund for planning purposes related to the procurement of a new Grant Delivery System. The second is \$2 million General Fund for security upgrades to the existing Grant Delivery System. Of this amount, \$526,000 is provided on an ongoing basis and \$1,445,000 is provided on a one-time basis.

**PANEL**

- Jack Zwald, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Lupita Cortez Alcala, California Student Aid Commission

**BACKGROUND**

At its March 15<sup>th</sup> hearing, the Subcommittee discussed information technology issues at the Student Aid Commission. The Commission currently operates a 30-year-old system that holds 10 million records.

The Budget Act of 2015 provided the Student Aid Commission with \$840,000 and three positions to begin planning for a new information technology system to administer financial aid programs. Last year's funding allowed the Commission to conduct a thorough assessment of security risks related to its current legacy system. That assessment was completed in February, and found multiple high-risk vulnerabilities.

At the March hearing, the Commission provided information regarding its request for \$8.8 million General Fund, including \$5.7 million in one-time funding, to address current security issues and support the next two phases of the Grant Delivery Modernization Project. The proposal included 21 positions.

**The May Revise**

The Administration proposes \$396,000 one-time General Fund for planning purposes related to the procurement of a new Grant Delivery System, and \$2 million General Fund for security upgrades to the existing Grant Delivery System. Of the \$2 million, \$526,000 is provided on an ongoing basis and \$1,445,000 is provided on a one-time basis.

Regarding the planning funding, the proposal would allow the Commission to complete the second phase of the project, per the Department of Technology procedure, and would support \$296,000 for project management, \$54,000 for project oversight, and \$46,000 for independent verification and validation.

Regarding the security funding, the Department of Finance has provided the following information.

Approved Elements of the Security BCP	16-17 Amount	Ongoing Cost
<b>Staff</b>		
Audit and Compliance (Staff Information Systems Analyst)	\$108,000	\$108,000
Senior Database Administrator (Systems Software Specialist III)	131,000	131,000
Vulnerability and Penetration (Systems Software Specialist II)	118,000	118,000
Network Firewall Admin (Systems Software Specialist II)	118,000	118,000
<b>Equipment and Associated Costs</b>		
Rack Mounted Servers (Virtual Host)	59,000	10,000
New Switches for TMS	14,000	2,000
OS Licenses (Bundled with servers)	0	0
Surface Pro 4	2,000	0
Nessus Enterprise	60,000	10,000
Logrhythm/Secure Works	108,000	18,000
Honeypots-IDS/IPS	24,000	4,000
Wireless Heat Map	6,000	0
Security Contractor for Build Out	104,000	0
MS-ISAC Albert IDS	14,000	7,000
Sumuri Paladin	0	0
Laptop	5,000	0
Consulting for Perimeter Hardening	100,000	0
<b>Consulting</b>		
Oracle Database Mitigation	500,000	0
Application Mitigation	500,000	0
<b>Total</b>	<b>\$1,971,000</b>	<b>\$526,000</b>

#### STAFF COMMENT

The need for a new system is clear, as is the need for improved security for the existing system, which holds a significant amount of private information regarding students. However, it remains difficult to assess this proposal, as it is difficult to determine appropriate funding levels for these activities. Staff notes that the Department of Finance and the Commission have met and discussed these issues multiple times, before arriving at the current proposal.

#### Potential Questions

- Does this proposal provide sufficient protection for the current system?
- How much does the Commission expect the development of the new system to cost, in total?
- Should the Legislature expect a significant proposal next year for the procurement phase?

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**Staff Recommendation: Hold Open**

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**6870 CALIFORNIA COMMUNITY COLLEGES**

<b>2015-16 CCC Proposition 98 Spending Changes</b>			
<i>(In Millions)</i>	January	May	Change
<b>2015-16 Budget Act Spending Level</b>	<b>7,914</b>	<b>7,914</b>	<b>—</b>
<b>Technical Adjustments</b>	11	-52	-62
<b>Policy Changes</b>			
Pay down mandate backlogb	73	76	3
Provide technology infrastructure funding		7	7
Backfill apportionments for property tax shortfall		39	39
<i>Subtotals</i>	<b>73</b>	<b>122</b>	<b>49</b>
<b>Total Changes</b>	<b>83</b>	<b>70</b>	<b>-14</b>
<b>Revised 2015-16 Spending Level</b>	<b>7,997</b>	<b>7,983</b>	<b>-14</b>
All proposals shown, except for technical adjustments, reflect one-time spending. Posted May 2016			
<b>2016-17 CCC Proposition 98 Spending Changes</b>			
<i>(In Millions)</i>	January	May	Change
<b>Revised 2015-16 Spending</b>	<b>7,997</b>	<b>7,983</b>	<b>-14</b>
<b>Technical Adjustments</b>			
Remove one-time spending	-372	-372	0
Other technical adjustments	-90	-34	56
<i>Subtotals</i>	<b>-461</b>	<b>-406</b>	<b>56</b>
<b>Policy Adjustments</b>			
Provide apportionment increase (above growth and COLA)	0	75	75
Fund deferred maintenance and instructional equipment (one time)a	255	189	-66
Provide COLA for apportionmentsb	29	0	-29
Augment technology infrastructure funding	0	5	5
Fund technical assistance to adult education consortia (one-time)	0	5	5
Provide instructional materials for incarcerated adult students	0	3	3
Extend Full-Time Student Success Grant to Cal Grant C recipients	0	2	2
Provide COLA for selected student support programsb	1	0	-1
Augment funding for systemwide Academic Senate	0	0	0
Increase apprenticeship reimbursement rate	2	2	0
Implement workforce recommendations of BOG task force	200	200	0
Fund 2 percent enrollment growth	115	115	0
Make CTE Pathways Initiative ongoing	48	48	0
Augment Basic Skills Initiative	30	30	0
Fund Innovation Awards at community colleges (one time)	25	25	0
Increase funding for Institutional Effectiveness Initiative	10	10	0
Fund development of "zero-textbook-cost" degree programs (one time)	5	5	0
Improve systemwide data security	3	3	0
<i>Subtotals</i>	<b>723</b>	<b>717</b>	<b>-6</b>
<b>Total Changes</b>	<b>262</b>	<b>311</b>	<b>50</b>
<b>2016-17 Spending</b>	<b>8,259</b>	<b>8,295</b>	<b>36</b>
a Budget provides an additional \$23.8 million in Proposition 98 settle-up and \$6.4 million in unspent Proposition			
b Rate estimated at 0.47 percent in January, finalized at 0 percent in May.			
Posted May 2016.			

**ISSUE 5: BASE APPORTIONMENT INCREASE**

The Subcommittee will discuss a May Revise proposal to provide \$75 million Proposition 98 General Fund for a base apportionment increase to support increased operating expenses in the areas of facilities, retirement benefits, professional development, full time faculty, and other general expenses.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The 2015 Budget Act provided community colleges with \$267 million Proposition 98 General Fund for a base apportionment increase.

**The May Revise**

The Administration proposes \$75 million Proposition 98 General Fund to provide another base apportionment increase. The proposal provides colleges with flexible funding that could be utilized for many purposes, including facilities, retirement benefits, professional development, or increasing full time faculty.

**STAFF COMMENT**

At the April 5th Subcommittee hearing, the Chancellor's Office and many other stakeholders advocated for some kind of increase to allow colleges more flexible, ongoing funding to handle increasing business costs. Of particular concern are rising pension costs, in both the CalPERS and STRS systems. The Chancellor's Office reports that colleges will face about \$400 million in additional pension costs by 2020.

On a related note, staff notes that the May Revise does not adjust enrollment funding for the current year or budget year. The 2015 Budget Act called for 2.75% enrollment growth, and the Governor's Budget proposes 2% enrollment growth. The LAO has noted that colleges appear likely to miss the current-year enrollment target.

Potential Questions

- Is \$75 million the appropriate amount for a base allocation increase?
- Is the chancellor's office concerned about hitting the current-year enrollment target, or the proposed 2% enrollment growth target for 2016-17?

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**Staff Recommendation: Hold Open**

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**ISSUE 6: ONLINE EDUCATION INITIATIVE**

The Subcommittee will discuss a May Revise proposal to increase support for the Online Education Initiative by \$20 million one-time Proposition 98 General Fund.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

Beginning with the 2013 Budget Act, the state has provided community colleges with at least \$10 million annually to support the Online Education Initiative, which seeks to increase access for community college students to high-quality online courses and student support services. A key piece of the initiative is the online course exchange, which allows students to take for-credit online courses that count toward the certificate or degree they are seeking, regardless of which college they attend.

The exchange is expected to offer about 20 courses in Fall 2016.

The Governor's Budget again provided \$10 million for this purpose.

**The May Revise**

The Administration proposes \$20 million one-time Proposition 98 General Fund to increase support for this program. The Administration's goal is to increase the number of courses available on the exchange, while also increasing student support services.

**STAFF COMMENT**

The Administration estimates there are currently about 11,000 community college courses offered on-line. The challenge has been to vet those courses and provide technology support to allow them to be accessed by students throughout the system.

A significant amount of high-quality, online courses would help students access courses that may not be conveniently offered on their home campus. Thus, this funding could address a significant need.

However, staff notes that the Legislature has appropriated more than \$30 million over the past three years for this effort, with only 19 such courses just coming available. It is unclear how many more courses could be offered with this funding, or what other support services would be available.

Potential Questions

- What are the specific goals the Administration or Chancellor's Office is expecting to meet with this funding?
- What have been the obstacles to building a larger number of high-quality courses available on the exchange? Is it a funding issue, or are there other issues?
- How is the system ensuring that these online courses are accessible to all students, regardless of their access to technology?

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**Staff Recommendation: Hold Open**

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**ISSUE 7: STRONG WORKFORCE PROGRAM TRAILER BILL CHANGES**

The Subcommittee will discuss a May Revise proposal to make some changes to the Strong Workforce proposal introduced in the Governor's Budget. The funding level - \$200 million to increase support for career technical education – remains the same.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The Governor's Budget proposed the Strong Workforce Program, providing \$200 million in ongoing Proposition 98 General Fund to expand the availability of quality CTE and workforce development courses, pathways, and programs resulting in certificates, degrees, and other credentials.

Trailer bill language called for the following:

- **Regional planning and funding.** Community colleges would coordinate CTE programs within 14 regions identified under the state's implementation of the federal Workforce Innovation and Opportunity Act (WIOA). These regions would create "collaboratives" of community college districts, local education agencies, interested CSU and UC campuses, civic representatives, workforce development boards, representatives from the organized labor community, and economic development and industry sector leaders. Collaboratives would meet at least annually to develop four-year plans to meet regional workforce education needs. These plans would include a needs assessment based on regional labor market analyses, efforts to coordinate existing programs in the region, student success goals, and work plans for meeting regional priorities. Funding would be distributed to a college in each region acting as a fiscal agent; that college would distribute funding to other colleges within the region based on the plan. The Chancellor's Office would recommend a funding allocation to the Department of Finance for approval prior to distributing funds. The allocation would reflect each region's share of the state's: (1) unemployment, (2) CTE enrollment, (3) projected job openings, and (4) after the first year, successful performance outcomes. The Chancellor's Office could reserve up to 5 percent of annual program funding for statewide coordination activities.
- **Performance Measures and Performance Funding.** The proposal calls for the Chancellor's Office to align the performance measures, to the extent possible, with federal WIOA performance measures. (These include measures of degree and certificate completion, employment, and earnings.) Collaboratives would set measurable goals for performance in each of these areas and provide annual

updates of their progress in meeting the goals. Beginning January 1, 2018, the Chancellor would be required to report annually to the Governor and Legislature on each region's performance outcomes (disaggregated for underserved demographic groups). As part of these reports, the Chancellor would be required to provide recommendations for program improvement and for future allocations to collaboratives based on program outcomes.

- **Further Policy Change Recommendations.** The Chancellor's Office would be required to develop recommendations, including policies, regulations, and guidance necessary to facilitate sharing of best practices and curricula across colleges, streamline course and curriculum approval, and eliminate barriers to hiring qualified instructors (including reevaluating the required minimum qualifications for CTE instructors), among other efforts. The Chancellor would present the recommendations to the Board of Governors by June 30, 2017. Beginning with the 2013 Budget Act, the state has provided community colleges with at least \$10 million annually to support the Online Education Initiative, which seeks to increase access for community college students to high-quality online courses and student support services. A key piece of the initiative is the online course exchange, which allows students to take for-credit online courses that count toward the certificate or degree they are seeking, regardless of which college they attend.

### The May Revise

The Administration proposes the same funding level but makes several changes to trailer bill language, including:

(1) requiring the Chancellor's Office to provide the Legislature and Administration with a plan to expedite and improve the course approval process, (2) authorizing the Chancellor's Office to distribute 60% of funds directly to community colleges, (3) requiring that a portion of this funding be used on one-time expenditures, (4) requiring the Chancellor's Office, the Department of Finance (Finance), and the Legislative Analyst's Office to investigate future consolidation of community college career technical education programs into the Strong Workforce Program, (5) establishing a career technical education faculty subcommittee within the Academic Senate of the California Community Colleges to provide feedback and guidance on career technical education matters, and (6) various other clarifying amendments.

### STAFF COMMENT

The Administration's proposed level of funding for this purpose appears to have widespread support, from the Chancellor's Office and many other stakeholders. There was significant concern about some of the trailer bill language, and the Administration has made changes that appease many of these concerns.

Potential Questions

- Should more than 60% of this funding go directly to colleges?
- How does the Administration and Chancellor's Office envision how the 40% of funding going to regions be spent? What types of programs and courses would be added due to this funding?

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**Staff Recommendation: Hold Open**

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**ISSUE 8: ZERO-TEXTBOOK-COST DEGREES TRAILER BILL CHANGES**

The Subcommittee will discuss a May Revise proposal to make some changes to the Zero-Textbook-Cost (ZTC) Degrees program. The funding level - \$5 million – remains the same.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The Governor's Budget proposed \$5 million one-time Proposition 98 General Fund to incentivize community college campuses to create associate degree, certificate or credential programs with no textbook costs. Colleges would compete for grants of up to \$500,000 each. Priority would be given to developing a new degree from an existing transfer degree.

The funding would support expenses such as faculty release time or development of new OER materials.

Under the Governor's proposal, the Chancellor's Office could allocate up to 10% of this funding to a community college district to administer the program and provide technical assistance to participating colleges.

Grant winners would be required to post their new degree program online, so that other faculty and colleges could use the program as well. The Chancellor's Office would report to the Legislature by June 30, 2019 on the number of degrees implemented, the number of students who have completed the degree programs, the costs savings to students, and recommendations for improving and expanding the program. The Governor's Budget proposed the Strong Workforce Program, providing \$200 million in ongoing Proposition 98 General Fund to expand the availability of quality CTE and workforce development courses, pathways, and programs resulting in certificates, degrees, and other credentials.

**The May Revise**

The Administration proposes the same funding level but makes several changes to trailer bill language, including to:

- (1) change the maximum grant amounts per ZTC degree to \$200,000, (2) clarify that discretionary student printing costs are allowable within a ZTC degree, (3) prioritize existing open educational resources and initiatives to expedite development of ZTC degrees, (4) clarify that districts comply with existing copyright and accessibility law, and (5) reflect various other clarifying amendments.

**STAFF COMMENT**

This proposal addresses a top Assembly priority of ensuring the affordability of higher education. Absent significant increases in financial aid for community college students, which seems unlikely in the current budget climate, lowering textbook costs may be the best method to help low-income community college students afford their courses. The Administration has responded to many concerns raised by the LAO.

Potential Questions

- The LAO recommended a significant portion of this funding go to statewide professional development for faculty, administration and staff on this issue. Should there be a set-aside for professional development?

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**Staff Recommendation: Hold Open**

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**ISSUE 9: FULL-TIME STUDENT SUCCESS GRANT INCREASE**

The Subcommittee will discuss a May Revise proposal to provide \$2.2 million Proposition 98 General Fund to increase support for the Full-Time Student Success Grant. The increase will allow Cal Grant C recipients to receive financial aid under this program, and allows for an increased estimate of eligible Cal Grant B students in fiscal year 2016-17.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The 2015 Budget Act created the Full-Time Student Success Grant, which provides increased financial aid to low-income community college students using Proposition 98 General Fund. The budget act allocated \$39 million Proposition 98 General Fund to provide additional grants to Cal Grant B recipients who take 12 or more units. Based on the amount provided and the number of students eligible, the community colleges provided each Cal Grant B student with an additional \$600 (\$300 per semester) to help address textbook costs and other living expenses.

The Administration continued the program at the same amount in the January Governor's Budget.

The Cal Grant C program provides financial aid to students seeking career technical education certificates or degrees. Community college students who qualify for a Cal Grant C receive \$574 for textbook costs and other living expenses.

**The May Revise**

The Administration proposes to increase support for this program by \$2.2 million, which would account for an increased amount of Cal Grant B students in 2016-17, and allow Cal Grant C students to also receive the additional \$300 per semester. As part of this proposal, the Administration includes budget language directing the Chancellor's Office "to determine the number of students eligible for this funding, and distribute a maximum of \$300 per semester, or prorated amount for colleges using a quarter system, to community college districts to distribute an equal amount of funding to each eligible student as funding allows. If eligible students exceed funding available in this item, awards shall be proportionally reduced to fit within available funds."

**STAFF COMMENT**

The Full-Time Student Success Grant addressed an Assembly concern that community college students receive less state-funded financial aid than their UC or CSU peers, despite often times being lower income and facing the same living expenses. The program has been a success. This proposal seeks to increase support for community college CTE students, who receive significantly less support for living expenses than Cal Grant B students. Aside from this program, Cal Grant B students receive \$1,648 annually, compared to the \$574 annually that Cal Grant C students receive. Thus, the proposal appears to meet a significant concern.

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**Staff Recommendation: Hold Open**

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**ISSUE 10: EQUAL EMPLOYMENT OPPORTUNITY PROGRAM**

The Subcommittee will discuss a May Revise proposal to provide \$2.3 million from the Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community college districts.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The Legislature has long sought to ensure that higher education faculty reflect California's diversity. Education Code 87100 states the intent of the Legislature to "require community college districts to adopt and implement programs and plans for ensuring equal employment opportunity in their employment practices." The statute also requires community colleges to have "a work force that is continually responsive to the needs of a diverse student population [which] may be achieved by ensuring that all persons receive an equal opportunity to compete for employment and promotion within the community college districts and by eliminating barriers to equal employment opportunity."

Currently the community colleges have one categorical program related to ensuring compliance with equal employment opportunity requirements, but it only receives \$767,000 system-wide.

**The May Revise**

The Administration proposes to use \$2.3 million from the Employment Opportunity Fund to pursue activities outlined in statute that are designed to ensure equal opportunity in hiring, such as activities designed to encourage community college students to become qualified for, and seek, employment as community college faculty or administrators; outreach and recruitment; in-service training on equal employment opportunities; and accommodations for applicants and employees with disabilities.

This is one-time funding.

**STAFF COMMENT**

The Subcommittee questioned the Chancellor's Office (and UC and CSU officials) regarding faculty diversity at budget overview hearings in March. The Chancellor's Office has noted that colleges serve a highly diverse student population, with 55% to 70% underrepresented students. Yet, in the past ten years, the Chancellor's office states that only 20% to 30% of fulltime faculty hires were from underrepresented communities.

Studies demonstrate the educational benefits of a diverse faculty, which have closed achievement gaps by 19 to 51 percent. Due to recent funding increases (\$62.3 million), the Chancellor's Office projects that in academic years 2014-17 California community colleges will have an exponential increase in full-time faculty hiring not seen for nearly two decades – with an estimated 1,100 new full-time faculty members this academic year alone.

Thus, it appears critical to ramp up efforts now to improve faculty diversity. The Chancellor's Office already has begun this effort, with four major efforts to increase compliance with legal EEO requirements, including professional development, peer review of EEO Plans, a new allocation model for the EEO Fund, and the development of a proposed "AA to MA Faculty Diversity Pathway" program to encourage community college students to teach at community colleges.

This funding meets a critical need and addresses an Assembly concern. However, the proposal provides one-time funding for an ongoing need.

Potential Questions

- How would the Chancellor's Office specifically use this one-time funding?
- How would the Chancellor's Office use ongoing funding in this area if it was provided?

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**Staff Recommendation: Hold Open**

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**ISSUE 11: ADULT EDUCATION TECHNICAL ASSISTANCE AND APPORTIONMENT**

The Subcommittee will discuss a May Revise proposal to appropriate \$5 million one-time Proposition 98 General Fund to provide statewide technical assistance, coordination, and capacity-building assistance to adult education consortia. The Administration also proposes trailer bill language to clarify that an adult education consortia fiscal agent shall develop a process to apportion funds to each member of a consortium within 45 days of receiving the funds from the state.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The 2013 Budget Act provided \$25 million Proposition 98 General Fund to support the formation of regional adult education consortia, which were directed to identify current adult education programs in their region, current needs, and a plan to better serve need. Most consortia include one community college district, school districts in the region, and some other members, such as libraries and community-based organizations. Consortia were required to provide regular updates to the Department of Education and Chancellor's Office, and based on direction in the 2013 Budget Act and SB 173 (Liu), Chapter 545, Statutes of 2014, the two state agencies were required to submit a final report to the Legislature that included a summary of regional findings and recommendations for improving the overall system.

The 2015 Budget Act provided \$500 million in ongoing Proposition 98 funding for Adult Education Block Grant for the California Department of Education (CDE) and Community College Chancellor's Office to distribute to the 71 regional consortia. Consortia members include school districts, community college districts, COEs, and joint powers agencies (JPAs). Each regional consortium can choose to allow the state to allocate the block grant funds directly to each consortia member, or designate a fiscal agent to allocate the funds.

Consortia can use block grant funds in seven program areas. These include:

1. Elementary and secondary basic skills
2. Citizenship and English as a second language
3. Workforce programs for older adults
4. Programs to help older adults assist children in school
5. Programs for adults with disabilities
6. Career technical education
7. Pre-apprenticeship programs

The Governor's Budget provided no policy changes to this program and proposed to continue \$500 million in funding for 2016-17.

### **The May Revise**

The Administration proposes \$5 million one-time Proposition 98 General Fund for a three-year contract with a community college district to provide statewide technical assistance, coordination, and capacity-building assistance to adult education consortia. This funding would build on some current activities being carried out by CDE and the Chancellor's Office. Trailer bill language states the activities can include:

- (1) The development and dissemination of effective practices and other guidance documents;
- (2) Providing adult education consortia with technical assistance to enhance the effectiveness of their local adult education programs;
- (3) Providing professional development opportunities to adult education consortia;
- (4) Providing weekly webinars;
- (5) The establishment and maintenance of a website containing programmatic guidance;
- (6) Researching effective adult education practices in other states;
- (7) Enhancing programmatic collaboration with other state and federal education and workforce development programs.

The proposal also requests trailer bill language to clarify that an adult education consortia fiscal agent shall develop a process to apportion funds to each member of a consortium within 45 days of receiving the funds from the state.

### **STAFF COMMENT**

The funding may help meet a need. Providing advice on best practices and administrative support for some regional consortia appear necessary. Additionally, staff is aware of funding difficulties in some regions, in which fiscal agents have been slow to distribute money, which causes significant problems for providers.

However, staff also is aware that many advocates believe \$500 million is insignificant to meet local needs. This funding could provide more direct services to adult education learners.

### Potential Questions

- Is this the appropriate funding level for this purpose?
- What are the key administrative needs of adult education consortia?
- Will this language resolve consortia issues regarding funding dispersal?

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**Staff Recommendation: Hold Open**

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**ISSUE 12: INMATE DIGITAL INSTRUCTIONAL MATERIALS**

The Subcommittee will discuss a May Revise proposal to provide \$3 million Proposition 98 General Fund to support digital course content to inmates under the jurisdiction of the California Department of Corrections and Rehabilitation (CDCR) that are enrolled in a California community college course or courses.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The Legislature has sought to increase educational opportunities for CDCR inmates. Recent legislation allows community colleges to receive apportionment funding for incarcerated students enrolled in courses, and the 2015 Budget Act allowed colleges to use up to \$5 million in state funding to leverage with private matching funds to develop community college courses for state prison inmates.

**The May Revise**

The Administration proposes \$3 million ongoing Proposition 98 General Fund to provide digital course content to inmates under the jurisdiction of the CDCR that are enrolled in a California community college course or courses. Budget language states that to the extent possible, community college districts providing digital course content pursuant to this subdivision are encouraged to first use open educational resources.

**STAFF COMMENT**

The Administration states that community college faculty working with inmates state that the top obstacle for increasing and improving courses for inmates is the cost of textbooks and other instructional materials. The Administration also notes that CDCR has a large supply of e-reader devices, which could house digital course content.

The funding appears to meet a legislative interest. However, it is unclear if this is the appropriate amount of funding, or how this funding would be distributed.

**Potential Questions**

- How much more material will be available to students based on this proposal?
- How will the funding be distributed?
- How does this proposal interact with other efforts to increase digital content for community college students?

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**Staff Recommendation: Hold Open**

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**ISSUE 13: TELECOMMUNICATIONS AND TECHNOLOGY INFRASTRUCTURE PROGRAM INCREASE**

The Subcommittee will discuss a May Revise proposal to provide a \$12 million Proposition 98 General Fund increase to the Telecommunications and Technology Infrastructure Program to expand broadband capacity across community college campuses to ensure appropriate internet access is available for students, faculty, and community college administrators. Of this funding, \$5 million is ongoing and \$7 million is one-time.

**PANEL**

- Keith Nezaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community Colleges Chancellor's Office

**BACKGROUND**

The Telecommunications and Technology Infrastructure Program (TTIP), was created by Budget Act language in fiscal year 1996-97 to provide system-wide technical innovations and support and to coordinate activities that maximize the system's investment in technology. In recent years, this funding has allowed community colleges to join the Corporation for Education Network Initiatives in California (CENIC), an optical network formed by charter partners (University of California, California State University, Stanford University, California Institute of Technology, and University of Southern California) to provide high speed / high capacity networking and represent the common interests of California's higher education academic and research communities.

TTIP funding reached a high of \$44 million, but the program was significantly reduced during the recession. Colleges and districts currently rely heavily on general apportionment and other non-TTIP revenue sources to support their technology needs.

The Budget of 2014 provided some increases to allow colleges to replace end of life equipment and to restore backup circuits and upgrade existing circuits. Current year funding for this program is \$19.9 million Proposition 98 General Fund.

**The May Revise**

The Administration proposes \$5 million ongoing Proposition 98 General Fund and \$7 million one-time Proposition 98 General Fund to increase funding for this program.

**STAFF COMMENT**

This is a Chancellor's Office request that would allow more colleges to address increasing bandwidth demand. The Chancellor's Office states that the majority of circuits connecting the colleges to the CENIC backbone should be upgraded to 10Gig. In addition, all approved college center sites should receive 1Gig primary and 1Gig secondary circuits. Finally, most districts pay for intra-district circuits outside of CENIC. These circuits should be paid for and managed centrally to take advantage of the economies of scale that CENIC offers.

To this end, the Community Colleges have submitted a FY15-16 Budget Change Proposal for the following:

- \$7M estimated one-time funding for equipment upgrade to 10Gig
- \$2.5M estimated annual increase for 10Gig circuits
- \$2.5M estimated annual increase to ensure 1Gig Primary & Secondary Circuits at approved off-site centers and include Intra-district circuits under CENIC discounted contracts and management

It is expected that these upgrades would begin in FY15-16 and continue through FY17-18 at which point, with 10G circuits, the network should have sufficient capacity for at least 10 years at current annual demand acceleration.

Potential Questions

- How many colleges will this funding reach?
- Will this allow students on every college campus to have free access to high-speed Internet?

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**Staff Recommendation: Hold Open**

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**ISSUE 14: OTHER PROPOSALS**

This is not a discussion item. Below is a summary of other community college proposals, not included in the Governor's Budget or May Revise, that advocates and stakeholders have brought to the Subcommittee in public comment or in letters.

- **Puente Project.** Puente works to increase the number of underrepresented students who transfer, enroll in four-year colleges and universities, earn degrees, and return to their communities as leaders and mentors to future generations. The program currently operates on a \$1.2 million budget and provides services to over 24,000 students and provides professional development to 72 programs and more than 160 faculty, and includes 1,500 trained volunteers who serve as mentors.

Puente is seeking a \$1 million augmentation to expand Puente professional development for non-Puente instructors (\$400,000); expand the Puente Pipeline Initiative (\$250,000), which provides a structured pathway toward transfer to rising high school seniors; help develop the Puente Stem Pathway (\$350,000), which will continue Puente's asset-based focus on English and counseling, and the counseling class will incorporate a STEM emphasis to help students develop core competencies in that area.

- **Veterans Resource Centers.** The Subcommittee has received a letter signed by 12 members of the Assembly supporting the creation of a program to support Veterans Resource Centers at community colleges. Veterans Resource Centers have proven to improve outcomes for veterans at community colleges. The program would provide \$15 million ongoing Proposition 98 General Fund to offer grants to colleges to open centers on campuses. Colleges seeking funding would be required to provide specific staff for the center, spend all funding on services going directly to veteran students, collaborate with other support services on campuses, have a direct referral service to federal VA programs in place within first year, and collect data on enrollment, persistence, retention and completion. Other specifications that are best practices for improving veterans' college success rates also would be included.

Advocates for this proposal note that about 70,000 veterans are currently enrolled in community colleges and the numbers will likely increase in the next few years.

- **City College of San Francisco.** In July 2013, the Accrediting Commission for Community and Junior Colleges (ACCJC) voted to terminate accreditation for City College of San Francisco City (CCSF) effective July 31, 2014, subject to review and appeal. In June of 2014, the ACCJC appeal panel upheld the decision to terminate accreditation but informed CCSF of their option to apply for "restoration status" – a status created by ACCJC for the purposes of allowing CCSF to continue to be accredited while it works to achieve accreditation standard compliance. In January 2015, CCSF was granted "restoration status" by ACCJC. Under restoration status, CCSF will remain accredited and have two years to come into full compliance with all ACCJC eligibility requirements,

standards and policies. To avoid termination of accreditation, CCSF is required to submit a comprehensive self-evaluation in the fall of 2016. This will be followed by a site visit by an ACCJC evaluation team. ACCJC is expected to consider the review at its meeting in January 2017.

Due in large part to the accreditation challenges, in 2013 CCSF began to face significant declining student enrollment. In response to the potentially deep funding cuts associated with serving fewer students, the Legislature took action to stabilize CCSF funding. SB 860 (Committee on Budget and Fiscal Review, Chapter 34, Statutes of 2013) provided three fiscal years of stabilization funding to allow the college to work to restore student enrollment and maintain accreditation. Under the plan, the district received funding in 2014-15 equal to the amount it received in the 2013-14 fiscal year. The amount was reduced by 5%, and 10%, in 2015-16 and 2016-17, respectively. In order to receive the third year of funding, CCSF was required to meet or exceed benchmarks related to fiscal management and controls, as specified. The college has met those benchmarks.

The chart below, compiled by the Senate Education Committee, illustrates the actual FTES experience of the college as well as the annual funded FTES under the stabilization funding authorized by the provisions of SB 860.

<b>Fiscal Year</b>	<b>Funded FTES</b>	<b>Actual FTES</b>
2010-11	37,057	37,056
2011-12	32,632	32,632
2012-13	32,632	32,621
2013-14	32,632	26,264
2014-15	32,632	23,628
2015-16	30,990	21,291

As previously noted, the stabilization funding provided in SB 860 will expire in 2016-17. The three years of stabilization funding has not been enough to allow CCSF to make adjustments necessary for fiscal stability and enrollment restoration.

CCSF is seeking changes to allow it to receive funding in excess of its growth cap for any actual growth it may realize in future years after stabilization funding. Specifically, CCSF would be allowed to exceed its calculated growth cap and would be eligible for growth to the level of full-time equivalent students in the 2012-13 fiscal year. This bill would result in a "set aside" of funds for possible use at CCSF that would otherwise be allocated to other colleges.

According to CCSF, the college faces significant challenges related to the difficulty in restoring student enrollments, the demographic of San Francisco, and collective bargaining agreement commitments and negotiations, among others. The district opines that it could take more than 10 years to restore FTES back to the 30,000 level. Based on this information, the Committee may wish to consider extending the number of years that CCSF would be eligible for additional growth to five years. Additionally, the Committee may wish to consider providing funding specifically to support outreach and education regarding CCSF offerings to the San Francisco community.

- **Funding for Faculty.** The Budget Act of 2015 provided \$62.3 million Proposition 98 General Fund for the purpose of increasing the number of full-time faculty on campuses. This is a clear student-success issue: full-time faculty are more available to students, more able to work on improving and expanding curricula, and more likely to aid in campus-wide efforts to increase student completion. The funding may add more than 660 new faculty statewide. In addition, there are multiple categorical programs that support part-time faculty, who teach more than 40% of community college courses. Increased funding for part-time faculty office hours, for example, could allow more students to meet with faculty outside of class. The part-time faculty office hour program has remained at the same funding level – about \$3.5 million – for years.

The Chancellor's Office and the Faculty Association of California Community Colleges have advocated this year for increased funding for faculty.

- **Student Outreach.** Funding for the “I Can Afford College” campaign has remained constant at \$2.8 million since 2003-2004. As a result, the campaign can buy only 54 percent of the radio advertising now as it did 12 years ago. This eroded purchasing power has forced the campaign to cease the production and airing of radio advertisements in Spanish. The Chancellor's Office has advocated for more funding for this program to restore Spanish-language radio advertising, create bilingual collateral materials for the colleges, high schools and community and faith-based partners for outreach to Dream Act students, and other television and social media aimed at the Hispanic markets.

**6120 CALIFORNIA STATE LIBRARY****ISSUE 15: AUGMENTATION FOR LIBRARY SERVICES**

The Subcommittee will discuss a May Revise proposal to provide \$505,000 General Fund to support additional costs of publications, database subscriptions, and other resources.

**PANEL**

- Jack Zwald, Department of Finance
- Natasha Collins, Legislative Analyst's Office
- Greg Lucas, California State Library

**BACKGROUND**

The State Library acts as a repository for publications and databases, allowing the public and state government staff and officials access to these items for research purposes.

**The May Revise**

The Administration proposes \$505,000 ongoing General Fund to support additional costs of publications, database subscriptions, and other resources. Increasing subscription costs have strained current resources, requiring this additional funding, according to the Administration. The funding will allow ongoing subscriptions to 16 databases, including the Los Angeles Times, a legal database, congressional databases, and the Statistical Abstract of the United States, and 28 periodical subscriptions, including Physician's Desk Reference, World Almanac, and national fire codes.

**STAFF COMMENT**

As a key repository for publications and databases, this funding may be needed to allow the Library to perform this duty. It is not unreasonable to assume rising costs warrant occasional increases in funding. However, it is difficult for the Subcommittee to assess whether this specific amount of funding is required.

Potential Questions

- How does the Library track user needs? Are all of these databases and publications routinely used?
- How does the Library determine which documents to obtain online, versus in hard copy format?

- What is the total funding for publications and databases? How much do costs related to these type of documents and databases rise annually?

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**Staff Recommendation: Hold Open**

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