

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

**Assemblymember S. Joseph Simitian, Chair**

**WEDNESDAY, MAY 5, 2004  
STATE CAPITOL, ROOM 126  
4:00 P.M.**

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**REGULAR BUSINESS**

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## PROPOSED CONSENT CALENDAR

### ITEM 6600 HASTINGS COLLEGE OF LAW

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#### ISSUE 1: CAPITAL OUTLAY PROJECT

The issue for the Subcommittee to consider is the proposed Hastings College of Law Code Compliance Upgrade for the 200 McAllister Street Facility for \$18,758,000. None of the funds proposed for expenditures are from the General Fund, but rather come from the Higher Education Bond Fund of 2002.

## ITEMS TO BE HEARD

### ITEM 6870 CALIFORNIA COMMUNITY COLLEGES

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#### ISSUE 1: MAJOR BUDGET ADJUSTMENTS

The issue for the Subcommittee to consider is the California Community Colleges (CCC) major budget adjustments.

#### BACKGROUND

The California Community Colleges (CCC) provide instruction to about 1.7 million students at 109 campuses operated by 72 locally governed districts throughout the state. The system offers academic, occupational, and recreational programs at the lower-division (freshman and sophomore) level. Based on agreements with local school districts, some college districts offer a variety of adult education programs. In addition, pursuant to state law, many colleges have established programs intended to promote regional economic development.

The Governor's budget includes significant increases in Proposition 98 funding and student fee revenue increasing total funding for CCC by 8 percent. In regards to the CCC share in Proposition 98 funding, the Governor's budget includes \$4.7 billion in Proposition 98 funding for the community colleges in 2004-05. As proposed by the Governor, CCC would receive 10 percent of total Proposition 98 funding, K-12 education would receive 89.8 percent, and the other state agencies would receive the remaining 0.2 percent.

State law calls for CCC to receive approximately 10.9 percent of total Proposition 98 appropriations. However, in recent years, this provision has been suspended in the annual budget act and CCC's share of Proposition 98 has been lower than 10.9 percent. The Governor's budget proposal would again suspend this provision.

<b>Community College Budget Summary</b>					
<i>(Dollars in Millions)</i>					
	Actual 2002-03	Estimated 2003-04	Proposed 2004-05	Change	
				Amount	Percent
Community College Proposition 98					
General Fund	\$2,642.1	\$2,244.1	\$2,414.4	\$170.3	7.6%
Local property tax	1,981.0	2,114.8	2,264.4	149.7	7.1
Subtotals, Proposition 98	(\$4,623.1)	(\$4,358.9)	(\$4,678.8)	(\$319.9)	(7.3%)
<i>Other Funds</i>					
General Fund	\$237.4	\$125.7	\$221.7	\$96.1	76.4%
Proposition 98 Reversion Account	85.4	0.1	—	-0.1	-100.0
State operations	10.9	8.6	8.6	—	—
Teachers' retirement	74.1	40.3	90.5	50.2	124.6
Bond payments	66.9	76.6	122.6	46.0	60.0
State lottery funds	141.2	140.9	140.9	—	—
Other state funds	11.3	11.0	10.9	-0.1	-0.5
Student fees	169.2	265.1	356.1	91.0	34.3
Federal funds	228.2	228.2	228.2	—	—
Other local funds	1230.2	1230.2	1230.2	—	—
Subtotals, other funds	(\$2017.6)	(\$2001.1)	(\$2188.0)	(\$187.0)	(9.3%)
<b>Grand Totals</b>	<b>\$6,640.7</b>	<b>\$6,360.0</b>	<b>\$6,866.9</b>	<b>\$506.9</b>	<b>8.0%</b>
Deferrals <sup>a</sup>	-\$115.6	\$200.0	— <sup>b</sup>	-\$200.0	-100.0%
Programmatic spending levels	6,525.1	6,560.0	\$6,866.9	306.9	4.7
<sup>a</sup> Adjustments to reflect when funds are spent on programs as opposed to when funds are appropriated. <sup>b</sup> Net effect of zero because \$200 million payment of 2003-04 costs is backfilled with a new deferral of \$200 million in 2004-05 costs to 2005-06.					

### MAJOR BUDGET PROPOSALS:

The Governor's budget includes the following proposals:

- An increase of student fees from \$18 per unit to \$26 per unit. For students already holding a bachelor's degree, the fee would increase to \$50 per unit. The budget assumes that the proposed fee increases will generate about \$91 million in revenue facilitating General Fund savings in the same amount.
- \$121.1 million or 3 percent, increase in enrollment growth funding to serve an additional 33,120 full-time equivalent (FTE) students.

- \$81.3 million for COLA general apportionment (\$76.4 million) and selected categorical programs (\$4.9 million)
- \$59.8 million for equalization of credit FTE students
- \$4.8 million for growth for selected categorical programs
- \$4 million to serve an additional 1,900 FTE students in noncredit courses. This additional noncredit funding would be available only to districts that did not receive any of the \$59.8 million in equalization funding.

<b>California Community Colleges Governor's Budget Proposal</b>	
<i>Proposition 98 Spending (In Millions)</i>	
<b>2003-04 (Enacted)</b>	<b>\$4,365.5</b>
Property tax shortfall (not backfilled)	-\$6.6
<b>2003-04 (Revised)</b>	<b>\$4,358.9</b>
2003-04 costs deferred to 2004-05	\$200.0
<b>2003-04 Base</b>	<b>\$4,558.9</b>
<b>Proposed Budget-Year Augmentations</b>	
Enrollment growth of 3 percent	\$121.1
Equalization	59.8
Additional enrollment growth in noncredit programs	4.0
Increase lease purchase payments	2.3
Additional BOG <sup>a</sup> fee waiver administrative costs	1.8
Other adjustments	5.7
Subtotal	(\$214.9)
<b>Proposed Budget-Year Reductions</b>	
Apportionments (reduction to be backfilled with anticipated increase in student fee revenue)	-\$91.0
Eliminate Teacher and Reading Development program and Fund for Instructional Improvement	-4.0
Subtotal	(-\$95.0)
<b>2004-05 (Proposed)</b>	<b>\$4,678.8</b>
<b>Change From 2003-04 (Revised)</b>	
Amount	\$319.9
Percent	7.3%
<sup>a</sup> Board of Governors.	

**Clarification of budget for CCC COLA.** The January 9, 2004 budget did not include an estimated \$81 million needed for COLA that would normally be provided to the CCC. The administration indicated that this omission was unintended and later clarified that the CTA agreement had requested that COLA be provided for both K-12 and CCC. The administration submitted a Budget Change Proposal (BCP) to amend this proposal. The April 1 letter reduced the CCC equalization funding to \$59.8 million.

**Proposition 98 Spending by Major Program.** The table below shows the Proposition 98 expenditures for various community college programs. The Governor's proposal seeks to consolidate and reorganize funding for some CCC programs. These programs support a wide range of activities—from services to disabled students to part-time faculty health insurance. Apportionment funding (available to districts to spend on general purposes) accounts for \$3.9 billion in 2004-05, or about 84 percent of total Proposition 98 expenditures. Total Proposition 98 funds available for general purposes would increase to about \$4.3 billion, or 92 percent of Proposition 98 funding, under the Governor's categorical reform proposal.

<b>Major Community College Programs Funded by Proposition 98<sup>a</sup></b>				
<i>(Dollars in Millions)</i>				
	Estimated 2003-04	Proposed 2004-05	Change	
			Amount	Percent
<b>Apportionments</b>				
State General Fund	\$1,702.1	\$1,671.7	-\$30.4	-1.8%
Local property tax revenue	2,114.8	2,264.4	149.7	7.1
Subtotals	(\$3,816.9)	(\$3,936.1)	(\$119.2)	(3.1%)
<b>Categorical Programs<sup>b</sup></b>				
Partnership for Excellence	\$225.0	\$225.0	—	—
Extended Opportunity Programs and Services	94.9	94.9	—	—
Disabled students	82.6	82.6	—	—
Matriculation	54.3	54.3	—	—
Services for CalWORKs <sup>c</sup> recipients	34.6	34.6	—	—
Part-time faculty compensation	50.8	50.8	—	—
Part-time faculty office hours	7.2	7.2	—	—
Part-time faculty health insurance	1.0	1.0	—	—
Maintenance, repairs, instructional equipment, and library materials	24.9	24.9	—	—
Economic development program	35.8	35.8	—	—
Telecommunications and technology	22.1	22.1	—	—
Basic skills and apprenticeships	40.6	40.6	—	—
Financial aid/outreach	46.4	47.3	\$0.8	1.8%
Teacher and Reading Development	3.7	—	-3.7	-100.0
Growth in noncredit full-time equivalent student	—	4.0	4.0	—
Fund for Student Success	6.2	6.2	—	—
Other programs	12.0	11.6	-0.4	-3.4
Subtotals	(\$742.0)	(\$742.7)	(\$0.7)	(0.1%)
Lease-revenue bonds <sup>d</sup>	(\$55.0)	(\$57.4)	(\$2.3)	(4.3%)
<b>Totals</b>	<b>\$4,558.9</b>	<b>\$4,678.8</b>	<b>\$119.9</b>	<b>2.6%</b>
<p><sup>a</sup> Includes costs deferred to later fiscal years. Thus, costs are expressed on a programmatic spending basis.</p> <p><sup>b</sup> Governor's budget proposes to consolidate and reorganize some of these programs. See Figure 4 and associated discussion later in this section.</p> <p><sup>c</sup> California Work Opportunity and Responsibility to Kids.</p> <p><sup>d</sup> Included as part of General Fund apportionments.</p>				

**COMMENTS:****STUDENT FEES****LAO Recommendations:**

- Approve the \$8 per unit increase (from \$18 to \$26 per unit) since the current fee is the lowest in the nation.
- Approve the \$50 per unit for students that already hold a bachelor's degree. When resources are limited, it is best to target higher education subsidies where they are needed the most.

Budget staff notes that on the differential fee proposal many of these students may be enrolled in CCC due to changing careers, training to advance in their current jobs or training for a new career after being unemployed for a period of time.

**CCC's concern:**

The state increased the enrollment fee for all students by 64 percent in Fall 2003 from \$11 per unit to \$26 per unit. According to CCC staff, the Department of Finance estimates that the latest proposed fee increase would cause a decline in enrollment of about 37,000 FTE students.

The CCC notes that an identical \$50 per unit fee was established in 1992, but was rescinded by the Legislature in 1996. The \$50 differential fee was difficult for campuses to implement and had a punitive effect on access, particularly for adults in need of mid-career training (including public safety and emergency personnel) and retraining for second careers.

**ENROLLMENT FUNDING**

Although the Governor's budget proposes to increase CCC enrollment funding by 3 percent, there are concerns about whether these funds will be enough to address the enrollment growth demands of traditional CCC students as well as the needs of the redirected UC and CSU students.

***What happens if enrollment growth isn't funded?*** Community colleges are obligated under the Master Plan for Higher Education to provide open access to higher education for all adults "who can benefit from instruction." Consistent with this goal, campuses do not generally impose admissions requirements, and as such, have no means to deny admission or otherwise turn students away. If student enrollment exceeds the amount for which they are budgeted, campuses will be forced to accommodate students without the financial support to do so.

While "unfunded enrollment" is nothing new (statewide, the community colleges are "overenrolled" by approximately 42,000 FTE), budget staff notes that – coupled with the budgetary reductions – class sections may be cancelled, instructors may be laid-off and students may be unable to take the courses that they need in order to earn a degree, transfer to a four-year institution or otherwise meet their educational objectives. In most cases, how individual campuses implement these cuts will determine how many students drop out (or fail to

attend all together). The actions taken by each of the campuses ultimately determines the mechanisms used to "manage" enrollments.

***What's the appropriate level of enrollment growth at the Community Colleges?*** Budget staff notes that the Governor's enrollment growth proposal does not take into account the likely shift of some enrollment demand from the UC and CSU to the community colleges resulting from the proposed student fee increases and the lack of courses offered at the UC and CSU campuses due to budget reductions. It is important to recognize that other than the 7,000 students the administration is asking the UC and CSU to redirect to community colleges, there will also be a significant number of students that will "self redirect" to their local community college. In addition, it is difficult to measure the impact of the CSU remediation policies which requires students who do not successfully complete required remedial courses within the first year of attendance at CSU to go to a local community college before continuing their education at the CSU. Although it is difficult to accurately predict how many students will enroll in public colleges and universities in the coming fiscal year, it is clear that community colleges will continue to receive a significant number of students that will cascade down from the other two higher education segments.

**CCC concern:**

Due to the Governor's proposed Dual Admissions Program, the UC and CSU campuses are aggressively managing their enrollment for Fall 2004. These enrollment funds will shift enrollment demand to the CCC in various ways beyond the redirection of first time freshmen. For example, the CSU plans to reduce overall enrollment by 16,700 FTE students. Most of this reduction will create enrollment pressures in the CCC. Students already in the transfer "pipeline" will have to stay in community colleges longer before CSU will allow them to transfer. In addition, as more CSU students experience difficulty obtaining needed courses at their campus, many will try to enroll in CCC courses at their community colleges.

**ISSUE 2: EQUALIZATION FUNDING**

The issue for the Subcommittee to consider is the Governor's proposed funding for equalization.

**BACKGROUND**

The Governor released his proposed 2004-05 budget on January 9, 2004. This budget did not include several program augmentation requests that the CCC Board of Governors had requested although the budget included funds for K-12 augmentations in similar areas such as PERS costs, facility maintenance and COLA. An estimated \$81.3 million needed for COLA that would normally be provided to the CCC was the largest single omission. The administration indicated that this omission was unintended and later clarified that the CTA agreement had requested that COLA be provided for both K-12 and CCC. The administration submitted a Budget Change Proposal (BCP) to the Legislature to amend this proposal. The April 1<sup>st</sup> letter reduced the proposed \$80 million CCC equalization funding by \$20.1 million to fund the COLA adjustment for CCC as well as COLA and statutory growth adjustments for selected community college categorical programs.

The Governor's revised budget proposal (April 1<sup>st</sup> letter) would dedicate the \$59.8 million to help equalize the amount of apportionment funding each community college district receives to serve an FTE student. Currently, this amount varies from about \$3,550 to \$8,150 per FTE student, with a statewide average of about \$3,800.

**Efforts to Equalize Funding Have a Long History.** According to the Legislative Analyst, the Governor's proposal is the latest in a number of efforts to equalize community college funding. In fact, current law already contains funding allocation mechanisms that are in part intended to gradually equalize district funding. For example, the allocation of the California Community College's COLA funding involves a number of calculations that in theory should gradually move funding for low-revenue districts closer to the statewide average. In addition, funding for new enrollment growth is allocated relatively equally on a per-student basis, and thus would have the effect of equalizing funding at the margin. Finally, the state has made special additional appropriations for equalization. For example, the 1996-97 Budget Act appropriated \$14 million for this purpose, and the 1997-98 Budget Act appropriated an additional \$8.6 million for this purpose.

**COMMENTS:****LAO recommendation:**

- Given the state's current fiscal situation, funding for new programs such as the Governor's equalization plan should instead be directed to existing fiscal obligations.

Budget staff notes that although the Governor is supportive of CCC in his budget proposals, the main issue for the community colleges districts now is how to allocate the equalization funds. The CCC will speak on the allocation methodology currently being considered for the allocation of these funds.



**ISSUE 3: CATEGORICAL REFORM**

The issue for the Subcommittee to consider is the Governor's proposed categorical reform.

**BACKGROUND**

The Governor's budget proposal would restructure the funding for a number of categorical programs.

<b>Governor's Categorical Reform Proposal</b>		
<i>General Fund (In Millions)<sup>a</sup></i>		
<b>Program Consolidations</b>	<b>2003-04</b>	<b>2004-05</b>
General Apportionments		
Base general apportionments	\$1,589.1	\$1,589.1
Partnership for Excellence	225.0	
Matriculation	54.3	
Part-time faculty compensation	50.8	350.8
Part-time faculty office hours	7.2	
Part-time faculty health insurance	1.0	
TTIP <sup>b</sup>	12.5	
<b>Totals</b>	<b>\$1,939.9</b>	<b>\$1,939.9</b>
Telecommunication and Technology Services		
TTIP <sup>b</sup>	\$9.6	10.9
California Virtual University	1.3	
<b>Totals</b>	<b>\$10.9</b>	<b>\$10.9</b>
Targeted Student Services		
Extended Opportunity Programs and Services	\$94.9	101.1
Fund for Student Success	6.2	
<b>Totals</b>	<b>\$101.1</b>	<b>\$101.1</b>
Physical Plant and Institutional Support		
Maintenance, repairs, equipment, and library materials	\$24.9	29.3
Hazardous substances	4.4	
<b>Totals</b>	<b>\$29.3</b>	<b>\$29.3</b>
<b>Program Deletions</b>		
Teacher and Reading Development Program	\$3.7	—
Fund for Instructional Improvement	0.3	—
<b>Program Additions</b>		
Special growth allocation for noncredit instruction	—	\$4
<p><sup>a</sup> Includes costs whose payments are deferred to subsequent fiscal year.</p> <p><sup>b</sup> Telecommunications and Technology Infrastructure Program.. Current-year funding of \$22.1 million is split in budget year between general apportionments and new Telecommunication and Technology Services category.</p>		

**The categorical proposal consists of the following:**

- 1) Shifting the funding of five and a half categorical programs into base apportionment. These programs include the Partnership for Excellence, Matriculation, and the Part-Time Faculty Health Insurance, Compensation and Office Hours and part of the Telecommunications and Technology Infrastructure Program.
- 2) Grouping of five and a half other categorical programs into three larger items in the budget display. These programs include the Extended Opportunity Program and Services, Fund for Students, California Virtual University, Maintenance, repairs, equipment and library materials and hazardous substances and part of the Telecommunications and Technology Infrastructure Program.
- 3) Eliminating two small programs, the Teacher and Reading Development Partnership and the Fund for Instructional Improvement.

**COMMENTS****LAO recommendations:**

- Delete provisional language specifying funding levels for the combined categorical programs since it defeats the purpose of consolidating them.
- Include accountability measures to ensure that districts address specific priorities.

**CCC's concern:**

The CCC budget request for 2004-05 proposed consolidating the Partnership for Excellence funds into the general apportionment. This statute was based on the fact that the statute for the program is scheduled to sunset in 2004-05 and that these funds are general purpose funds already. This proposal is also justified as a way of simplifying local district reporting requirements.

The Governor's proposal to consolidate Matriculation, the Part-Time Faculty Compensation, Office Hours and Health Insurance and a portion of the Telecommunications Technology Infrastructure Program (TTIF) raise potential concerns that do not exist in the case of the Partnership for Excellence funds. The main concern is how the CCC system would continue to assure that the program objectives, desired by the Legislature and the system, are met if the funding is consolidated into general apportionment.

Budget staff notes that although these programs would give districts greater fiscal and program flexibility, the subcommittee may want to consider whether districts would continue to use state

funds to address the Legislature's priorities and whether the Governor's proposed accountability measures are adequate provisions.

The LAO notes in their analysis that although categorical programs are designed to address situations where local incentives lead districts to under-invest in a particular input that the state views as critical to the educational process, the drawback to this approach can be a lack of local flexibility. There can be situations where districts identify ways to provide more or better services for their students, but categorical restrictions prevent districts from implementing them. In regards to the accountability provisions, language in the Governor's budget proposal would require that districts receiving these consolidated funds agree to two conditions: (1) that they will "assure that courses related to student needs for transfer, basic skills, and vocational and workforce training are provided to the maximum extent possible within budgeted funds" and (2) that they will "make annual increases in the number of transfer ready and transfer students, the number of degrees and certificates awarded, rates of successful course completion, and workforce development and basic skills improvement."

In addition, proposed trailer bill language would prohibit districts that accept the consolidated funds from using them to fund the concurrent enrollment of K-12 students in physical education, dance, recreation, study skills, and personal development courses.

#### **ISSUE 4 NON-CREDIT FUNDING**

The issue for the Subcommittee to consider is the Governor's proposed \$4 million in additional funding for noncredit students.

#### **BACKGROUND**

In addition to the 3 percent enrollment growth funding, the budget proposal includes an additional \$4 million to serve an additional 1,900 FTE students specifically in noncredit courses. This additional noncredit funding would be available only to districts that do not receive any of the \$59.8 million in equalization funding that the budget provides for CCC.

When the two growth funding amounts are combined, the Governor's budget provides for overall growth of 3.2 percent. Because \$4 million is earmarked for noncredit instruction, noncredit enrollment is projected to grow by at least 5 percent from the current-year level.

**COMMENTS**LAO recommendations:

Reject the \$4 million augmentation for the following reasons:

- By creating a categorical program for the entire noncredit programs administered by districts, the administration appears to work against its proposal to remove categorical boundaries in order to provide greater flexibility for districts in allocating their funding across programs.
- The Governor's proposal states that the special noncredit funding would be available only to districts that did not benefit from equalization. Since equalization funding goes to districts whose level of funding per credit FTE student is lower than a specified target, the districts that would be eligible for the special noncredit growth allocation would be those whose funding per FTE student is above that level.

**ISSUE 5: APRIL 1 DOF LETTER--EQUALIZATION FUNDING, GROWTH & COLA ADJUSTMENTS**

The issue for the Subcommittee to consider is the DOF letter that reduces the proposed \$80 million equalization funding by \$20.2 million to provide increases in funding to COLA and growth adjustments.

**BACKGROUND**

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

**6870-101-0001, Reduce Equalization Funding (Issue 103)**

It is requested that Schedule (1) of this item be reduced by \$20,196,000, to fund a COLA adjustment for community college apportionments, as well as COLA and statutory growth adjustments for selected community college categorical programs.

**6870-101-0001, COLA Adjustments (Issue 104)**

It is requested that his item be increased by the following amounts, to provide a 1.84 percent COLA adjustment for community college apportionments and selected community college categorical programs:

- Schedule (1), Apportionments, \$76,405,000
- Schedule (2), Basic Skills and Apprenticeship, \$521,000
- Schedule (6), Targeted Student Services, \$1,778,000 (\$1,549,000 for EOPS and \$229,000 for CARE)
- Schedule (7), Disabled Students, \$1,547,000
- Schedule (10), Matriculation, \$1,018,000

**6870-101-0001, Growth Adjustments (Issue 105)**

It is requested that this item be increased by the following amounts, to provide a 1.83 percent statutory growth adjustment to selected community colleges categorical programs:

- Schedule (2), Basic Skills and Apprenticeship, \$509,000
- Schedule (6), Targeted Student Services, \$1,737,000 (\$1,513,000 for EOPS and \$224,000 for CARE)
- Schedule (7), Disabled Students, \$1,511,000
- Schedule (10), Matriculation, \$994,000

It is additionally requested that conforming changes be made to the dollar figures referenced in Provisions 6, 7 and 12 of this item.

**ISSUE 6: APRIL 1 DOF LETTER—SUPPORT AND LOCAL ASSISTANCE**

The issues for the subcommittee to consider are two support and local assistance issues for the California Community Colleges included in April DOF letters amending the Governor's January 10 budget.

**BACKGROUND**

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

**6870-001-0574, Capital Outlay Positions (Issue 101)**

It is requested that this item be increased by \$223,000 and 2.0 positions to provide additional state operations support for the Chancellor's Office capital outlay unit. The additional support will assist the unit in reviewing, administering and allocating funding for the increasing number of bond projects resulting from the passage of Proposition 47 in 2002 and Proposition 55 in 2004.

**6870-101-0909, Fund for Instructional Improvement (Issue 102)**

It is requested that this item be reduced by \$312,000 to reflect the redirection of General Fund support for the Community College Fund for Instructional Improvement grant program as part of the Administration's January, 10, 2004, categorical reform proposal for the community colleges. This action is a conforming technical correction for that proposal, and will maintain the \$302,000 loan portion of the program.

**ITEM 6440            UNIVERSITY OF CALIFORNIA**  
**ITEM 6610            CALIFORNIA STATE UNIVERSITY**  
**ITEM 6870            CALIFORNIA COMMUNITY COLLEGES**  
**INTERSEGMENTAL ISSUES**

**ISSUE 1: OUTREACH**

The issue for the Subcommittee to consider is the Legislative Analyst's Office recommendation on academic outreach programs.

**BACKGROUND**

The state maintains over 35 different K-14 outreach programs that focus on preparing students from disadvantaged backgrounds for college. The *2003-04 Budget Act* included \$233.3 million for such programs. This amount consists of \$94.2 million from the General Fund (non-Proposition 98), \$50.7 million in Proposition 98 funds, and \$88.4 million in federal and other funds. Of the over 35 programs, the UC administers 23 programs and the CSU administers 5 programs. The CCC, Student Aid Commission, and the State Department of Education (SDE) administer the remaining programs.

***Current-Year Proposal.*** For 2003-04, the Governor proposes to reduce General Fund support for outreach by \$12.2 million (or 38 percent) at UC and \$12.5 million (or 24 percent) at CSU. The Governor has proposed to make these reductions pursuant to Section 27.00 of the *2003-04 Budget Act*. Under the Governor's proposal, the segments would have full discretion in allocating the reductions across their various programs.

***Budget-Year Proposal.*** For 2004-05, the Governor's budget expands the proposed mid-year reductions to UC and CSU outreach programs. Specifically, the budget reduces outreach funding for UC by an additional \$21.1 million (for a total of \$33.3 million over the two-year period) and for CSU by an additional \$39.5 million (for a total of \$52 million over the two-year period). These actions would eliminate all General Fund support for UC and CSU outreach programs, including Educational Opportunity Program financial aid grants at CSU.

The Governor's budget for 2004-05 also eliminates funding for the Academic Improvement and Achievement Act, which is an outreach program administered by SDE. This reduction would

result in General Fund (Proposition 98) savings of \$5 million. The proposed budget also reduces outreach funding for CCC by \$1 million (Proposition 98), but does not propose any outreach funding adjustments for the Student Aid Commission.

<b>COMMENTS</b>
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**LAO Recommendation:**

Although the LAO agrees that outreach programs ensure continued access to higher education, the Analyst believes that the state should revisit and assess the overall outreach strategy.

The LAO is recommending the following:

- College Preparation Block Grant targeted at K-12 schools with very low college participation rates.
- Preserve selected outreach programs at UC and CSU by redirecting funds proposed by the Governor for the redirection counseling services under the dual admissions program.

Budget staff notes that in making their recommendations, the Analyst revisits many of their recommendations from the last two years including their suggestion to consolidate existing programs to reduce inefficiencies and administrative overlap. In addition, staff understands that SDE was not approached to get their input or feedback on this recommendation.

In the analysis, the LAO proposes that school districts have the flexibility to use outreach funds and select a service delivery model that best meets the needs of the students whether this is accomplished by developing their own programs or contracting with UC, CSU or another provider. As a condition of receiving funds through the block grant, the LAO proposes requiring school districts to submit a plan to SDE specifying the types of outreach services that will be provided and how these services will accomplish measurable objectives. Given K-12's commitment to many other state funded programs, it may not be feasible for school districts to take on another state program and establish a new process for delivering outreach services to students.