

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

**ASSEMBLYMEMBER SARAH REYES, CHAIR**

**WEDNESDAY, FEBRUARY 17, 1999  
STATE CAPITOL, ROOM 126  
4:00 P.M.**

**OVERVIEW**

**OPENING REMARKS**

Assemblymember, Sarah Reyes, Chair  
Committee Members

**GENERAL HIGHER EDUCATION OVERVIEW**

(Background Material Attached)

Warren H. Fox, Executive Director,  
California Postsecondary Education Commission (CPEC)

**UNIVERSITY OF CALIFORNIA (UC)**

(Background Material Attached)

Richard Atkinson, President, UC  
Student Representative, University of California Student Association (UCSA)

**CALIFORNIA STATE UNIVERSITY (CSU)**

(Background Material Attached)

Charles Reed, Chancellor, CSU  
Bob Gurian, Legislative Director,  
California Faculty Association (CFA)  
Student Representative, California State Student Association (CSSA)

**CALIFORNIA COMMUNITY COLLEGES**

(Background Material Attached)

Tom Nussbaum, Chancellor, California Community Colleges  
David Hawkins, Legislative Advocate,  
Faculty Association of Community Colleges (FACC)  
Student Representative, California Student Association of Community Colleges  
(CALSACC)

**ASSOCIATION OF INDEPENDENT CALIFORNIA COLLEGES AND UNIVERSITIES (AICCU)**

(Background Material Attached)

Jonathan Brown, President, (AICCU)

**LEGISLATIVE ANALYST'S OFFICE**

Buzz Breedlove, Coordinator for Higher Education

**PUBLIC COMMENT/QUESTIONS**

**CLOSING COMMENTS**

Assemblymember Sarah Reyes, Chair  
Committee Members

**BACKGROUND:**

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

The last four budgets, from 1994-95 to 1998-99 have included funding for UC and CSU pursuant to a four-year compact for higher education entered into by Governor Wilson and the two systems. The 1999-00 budget does not actually create another compact, but provides funding in a similar fashion to the previous compact. As with the previous compact the budget provides at least a four percent increase in general fund for UC and CSU. The compact does not cover the California Community College system, since they are included under the Proposition 98 minimum funding guarantee.

**COMPACT**

The Governor's budget provides an outline of a new higher education funding compact for UC and CSU. While not actually establishing a new compact, the Governor proposes working with UC and CSU to create a new compact over the coming months. Additionally the Governor describes the early compact proposal from the systems as a "fair starting point". Specifically, the Governor requests that the Secretary of Education and the Director of Finance negotiate a new compact with UC and CSU that encompasses funding stability, negotiated goals, measurable performance objectives, and fiscal consequences for failure to meet objectives.

**1994-98 COMPACT**

The prior four-year compact put both UC and CSU on stable financial ground after years of budget cuts and uncertainty in the early 1990's. Essentially, the previous compact provided a four percent annual general fund increase in exchange for UC and CSU meeting various requirements such as accepting all new enrollment up to one percent annually, improving transfer rates from community colleges, ensuring timely graduation for students, restoring competitive faculty salaries, and making annual productivity savings of \$10 million. The compact also called for student fees to be increases annually by ten percent, however, the Legislature consistently "bought out" those increases.

**NEW COMPACT**

In addition to directing his administration to work with UC and CSU to negotiate a new compact, the Governor's budget also sets a framework for developing a new compact. The Governor proposes supporting in principle a compact that provides a stable funding source with at least a four percent annual increase and past principles such as full funding enrollment growth, an increase in transfer of community college students, and maintaining and renovating existing campuses. The Governor additionally outlines some new areas that a compact must address. Following are some of the highlights:

- A serious effort to shorten the time it takes to graduate from UC and CSU;
- A greater emphasis on contributing to improving our K-12 schools;
- Additional commitments to teacher training and preparation and addressing the teacher shortage;
- An expectation to expand transfers and course transferability beyond current levels; and
- Actions to expand the use of existing facilities such as increasing usage during the summer months.

The budget proposes General Fund expenditures of \$7.5 billion for all segments of higher education, which represents an increase of 3 percent, \$226 million, over the current year. The budget increases General Fund support for UC by 1.8 percent, or \$45.9 million, for a total UC budget of \$2.56 billion, and increases General Fund support for CSU by .05 percent, or \$10 million, for a total CSU budget of \$2.13 billion. The budget also increases General Fund support for Community Colleges by 5.4 percent, or \$119 million above current year expenditures for a total General Fund budget of \$2.29 billion.

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

Table 1

<b>PROPOSED GENERAL FUND SUPPORT FOR SEGMENTS OF HIGHER EDUCATION</b> (Dollars in thousands)				
	<b>1998-99</b>	<b>1999-00</b>	<b>Change</b>	<b>Percent Change</b>
University of California	\$2,519,349	\$2,565,337	\$45,988	1.8
California State University	2,127,596	2,138,388	10,792	0.5
California Community Colleges	2,174,830	2,294,206	119,376	5.4
Student Aid Commission	352,068	386,365	34,297	9.7
Hastings College of the Law	13,244	14,434	1,190	8.9
CPEC	2,944	2,933	-11	-0.3
Debt Service	153,694	168,600	14,906	9.6
<b>Total</b>	<b>\$7,343,725</b>	<b>\$7,570,263</b>	<b>\$226,538</b>	<b>3.0</b>

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

## MAJOR PROPOSALS

The major proposals for higher education include:

- General Fund expenditures of \$7.5 billion for higher education for 1999-00, and an increase of three percent over last year;
- Funding to continue the five percent undergraduate student fee rollback for students at UC and CSU and a \$1 per-unit decrease for community college students;
- Full funding for enrollment growth, of 3.1 percent, at UC and CSU and \$78.5 million to fund enrollment growth of 2.5 percent for community colleges;
- \$572 million for capital outlay projects for UC, CSU, community colleges, and the Hastings School of Law, pursuant to Proposition 1A which was passed by the voters in November 1998;
- \$9.9 million to continue development of the 10<sup>th</sup> UC campus in Merced; and

- \$5 million to provide 1,672 new financial aid awards through the Cal Grant Program.

## UNIVERSITY OF CALIFORNIA

The UC system includes eight general campuses and one health science campus in San Francisco. The University of California, founded in 1868 as a public land-grant institution, is the primary state supported academic agency for research, with exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The University of California currently serves an estimated 163,666 Full Time Equivalent (FTE) graduate and undergraduate students.

Table 2 illustrates the Governor's proposed funding for the UC from selected program funds, totaling \$3.55 billion, an increase of \$76.3 million, or 2.1 percent, over the current year. The General Fund expenditure is \$2.56 billion, which represents an increase of \$45.9 million, or 1.8 percent, over the revised current budget year. The total budget, including state, federal, private donations, and other non-state funds for the UC is \$12.5 billion.

Table 2

<b>UNIVERSITY OF CALIFORNIA</b>				
<b>BUDGET SUMMARY</b>				
(Dollars in thousands)				
	1998-99	1999-00	Change	Percent Change
General Fund	\$2,519,349	\$2,565,337	\$45,988	1.8
Student Fees	629,420	648,542	19,122	3.0
UC General Funds Income	305,579	316,106	10,527	3.4
Lottery Education Fund	20,097	20,854	757	3.7
<b>Total</b>	<b>\$3,474,445</b>	<b>\$3,550,839</b>	<b>\$76,394</b>	<b>2.1</b>

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

**Enrollment:** The budget provides funding for full enrollment growth at 3.1 percent, thus making UC more accessible for California students. This amount is much greater than the previous compact, which promised funding for one percent annual enrollment growth. These funds will allow the UC to expand enrollment by 4,600 students bringing total budgeted general campus (FTE) enrollment to 163,666 in 1999-00.

**New Admissions Policy.** These funds for enrollment growth will allow the UC to enroll new students though the new admissions policy currently being developed. The budget states a support for this new policy, which would admit the top four percent of graduating seniors of each high school in California. This system is seen as one which would place a greater emphasis on student achievement without penalizing students who attend high schools with fewer funding resources.

**Student Fees:** For the fifth consecutive year, the 1999-00 budget does not include an increase in undergraduate student fees. Furthermore, the Governor's budget provides funds to continue the five percent fee reduction enacted in 1998-99, pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997. With this action, students and their families will continue to pay \$3,609 for fees at the UC in 1999-00.

In addition, the budget does not include any increase in graduate student fees. However, the proposed budget does not yet include funds to reduce graduate fees by five percent pursuant to SB 1896 (Peace), Chapter 734, Statutes of 1998.

**Student Academic Outreach:** The 1998-99 budget included \$38.5 million to expand outreach programs at the UC. The Governor's proposed 1999-00 budget sustains that level of funding in an effort to respond to last year's dramatic decline in minority enrollment at UC. The programs augmented are designed to help level the playing field for K-12 students and serve economically disadvantaged students with tutoring, mentoring, academic counseling, SAT preparation, AP exams, and college preparation.

Of these funds, \$15 million was set aside for student centered programs such as Mathematics, Engineering, Science, Achievement (MESA), Puente, Early Academic Outreach Program (EAOP), \$15 million for regional K-12 school partnerships, \$3.5 million for community college transfer centers, \$1 million for outreach in the Central Valley, and \$1 million for the UC San Diego charter school. With such a large increase in funding for UC outreach the legislature may wish to evaluate and review these programs during the Budget Subcommittee process.

**Merced Campus:** The Governor's continues \$9.9 million in funding for the development of the 10<sup>th</sup> University of California campus in Merced. The tenth campus, scheduled to open in 2005, is essential to expanding access, accommodating enrollment growth, and serving the historically under-represented Central Valley. The Governor's budget proposal also emphasizes his commitment to expediting the development of UC Merced.

**K-12 Teacher Preparation Programs:** The Governor's budget includes \$13 for UC three initiatives in the UC system to improve and enhance teacher preparation in California.

- Provides \$12 million for the Reading Professional Development Institutes. With this program, UC and other higher education institutions will provide periodic, intensive staff development training and follow-up to ensure that 6,000 of California's newest teachers in California are proficient in teaching reading. Of this amount, \$6 million is from Proposition 98 funds to provide stipends for participants in the program;
- Provides \$500,000 for the planning and development of the Governor's Teacher Scholars, a rigorous new 15-month credential and master's degree program that will provide the State's most talented prospective teachers with full scholarships in exchange for teaching in schools which are the most difficult to teach; and
- Provides \$500,000 for the planning and development of the Governor's Principal Leadership Institute, which is designed to offer broad based training and full scholarships to highly talented prospective school principals in exchange for their service as principals in schools which are the most difficult to administer.

**Substance Abuse Research:** The Governor's budget provides \$2.5 million for substance abuse research at UC San Francisco. This research is designed to help strengthen the development of pharmacological treatments for drug addiction and alcoholism. Coupled with \$16.8 million from the 1998-99 budget, funding for the program would be \$19.3 million in 1999-00.

**Capital Outlay:** The Governor's budget proposes to invest \$209.8 million for UC Capital outlay expenditures, pursuant to Proposition 1A, passed by the voters last November 1998. This amount includes \$47 million to allow UC to complete five previous projects at five campuses and \$162.8 million for 16 new projects at eight campuses. All of these projects place priority on seismic safety, fire/life safety, and vital infrastructure.

## CALIFORNIA STATE UNIVERSITY

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

The California State University currently serves 279,403 Full Time Equivalent graduate and undergraduate students. Table 3 illustrates the Governor's proposed funding for the CSU from selected funds, totaling \$2.92 billion, an increase of \$30 million, or one percent over the current budget year. This amount includes a General Fund increase of \$10.7 million, or .05 percent, over the current budget year. The total budget, including state, federal, private donations and other non-state funds for the CSU is \$4.3 billion.

Table 3

<b>CALIFORNIA STATE UNIVERSITY</b>				
<b>BUDGET SUMMARY</b>				
(Dollars in thousands)				
	<b>1998-99</b>	<b>1999-00</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$2,127,596	\$2,138,388	\$10,792	0.5
Student Fees	632,795	652,217	19,422	3.0
Lottery Education Fund	29,800	29,800	0	0
Reimbursements	131,517	131,317	-200	-0.1
<b>Total</b>	<b>\$2,921,708</b>	<b>\$2,951,722</b>	<b>\$30,014</b>	<b>1.0</b>

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

**Enrollment:** The budget provides funding for full enrollment growth at 3.1 percent, thus making CSU more accessible for California students. This amount is much greater than the previous compact, which promised funding for one percent annual enrollment growth. These funds will allow the UC to expand enrollment by 8,381 students bringing total budgeted general campus (FTE) enrollment to 279,403 in 1999-00.

**Student Fees:** For the fifth consecutive year, the 1999-00 budget does not include an increase in undergraduate student fees. Furthermore, the Governor's budget provides funds to continue the five percent fee reduction from 1998-99, enacted pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997. With this action, students and their families will continue to pay \$1,504 for fees at the CSU in 1999-00.

In addition, the budget does not yet include any increase in graduate student fees. However, the budget does not yet include funds to reduce graduate fees by five percent pursuant to SB 1896 (Peace), Chapter 734, Statutes of 1998.

**California Agricultural Technology Institute (CATI):** The Governor's budget provides \$1 million to double state spending through the California Agricultural Technology Institute (CATI). Four CSU campuses (Chico, Fresno, Pomona and San Luis Obispo) participate in this program which conducts applied agricultural research and is jointly funded with funds from the state and the agriculture industry. The program was created by the legislature in 1984.

**Teacher Preparation:** The Governor's budget does not include any new funds to expand teacher preparation at CSU. The budget does however continue a \$9.3 million augmentation from 1998-99 to expand enrollment in CSU teacher preparation programs by 1,800 new students. CSU had requested another augmentation to continue with their goal of increasing the number of teachers credentialed annually by 25 percent to 15,000 by July 2000. The legislature may want to consider providing funds for this purpose to keep up with the daunting demand of hiring an estimated 25,000 new teachers each year.

In addition, the legislature may wish to consider funding another CSU budget request of \$5 million to expand teacher preparation programs in the summer session, also designed to help produce more teachers. The 1998-99 budget as adopted by the legislature provided \$5 million for this purpose, however Governor Wilson vetoed this amount.

**New Campuses:** The budget provides \$1.2 million for round-the-clock police and fire protection services at the Northridge off-campus center in Camarillo. This amount is in addition to \$5.2 million in start-up funding and \$11.3 million in capital outlay funds to assist with the conversion of the Camarillo State Hospital into a 23<sup>rd</sup> CSU campus.

**Capital Outlay:** The Governor's budget proposes to invest \$209.8 million for CSU capital outlay expenditures pursuant to Proposition 1A passed by the voters in November 1998. This amount includes \$138.4 million for CSU to complete 11 previously approved projects at 9 campuses, \$58.4 million for 11 new projects at 9 campuses, and \$12.7 million for minor projects. All of these projects place priority on seismic safety, fire/life safety, and vital infrastructure.

## CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) provides a general education program at 107 Community Colleges through 71 local districts, which serve approximately 1.48 million students. By law, Community Colleges **must** admit any Californian seeking admission who has graduated from high school and **may** admit those who have not graduated but who are 18 years of age or older and can benefit from instruction. This policy of "open access" establishes the Community College mission to provide all Californians with the opportunity for advanced education and training.

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

The Governor's budget proposes approximately \$4.18 billion for the California Community Colleges (CCC) from selected funds, or a 4.7 percent increase over the \$3.99 billion provided in 1998-99. With these funding increases, the CCC will receive approximately 10.4 percent of Proposition 98 funds for the 1999-00 budget – this would represent the largest share of Proposition 98 funds since the 1991-92 budget. Table 4 below illustrates funding for the Community Colleges, which includes a General Fund increase of \$119.3 million, or 5.4 percent, over revised current year funds.

Table 4

<b>COMMUNITY COLLEGE BUDGET SUMMARY</b> (Dollars in thousands)				
	<b>1998-99</b>	<b>1999-00</b>	<b>Change</b>	<b>Percent Change</b>
General Fund	\$2,174,830	\$2,294,206	\$119,376	5.4
Lottery	121,682	126,269	4,587	3.7
Local Property Taxes	1,448,744	1,523,959	75,215	5.1
Student Fees	158,328	162,282	3,954	2.4
Reimbursements	88,757	76,975	-11,782	-13.2
<b>Total</b>	<b>\$3,992,341</b>	<b>\$4,183,691</b>	<b>\$191,350</b>	<b>4.7</b>

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

**Budget Augmentations Proposed for 1999-00:** The budget includes the following major proposals for the Community College in 1998-99:

**Growth:** The budget provides \$84.9 million, for a 2.5 percent growth in enrollment and categorical programs. This level is above the estimated 1.96 percent change in adult population, the current statutory index for system growth. While this percentage is smaller than that requested by the community colleges (four percent), it will provide an additional 23,740 full-time equivalent (FTE) students to attend the community colleges. These funds will allow community colleges to enroll 973,300 FTE students – an all-time record number of students.

**Cost of Living Adjustment:** The budget provides \$62.8 million to fund the COLA at 1.83 percent for general apportionment and categorical programs. This amount was chosen to provide consistency between the statute adjustments factors used by both K-12 and community colleges.

**Partnership for Excellence Program:** The budget proposes \$10 million to expand the Partnership for Excellence Program. The program, established in 1998-99 with \$100 million, was designed to provide incentives to meet student outcome goals and enhance student success. In exchange for receiving a commitment of new state funds, local community college districts agree to make progress toward specific system

outcome measures and to report to the state the data to demonstrate such progress. The new program requires the Board of Governors to develop, through the consultation process, specific goals and outcome measures to improve student success and assess district performance including, but not limited to, the areas of transfer, degrees and certificates, successful course completion, workforce development, and basic skills improvement. Funding for this program will continue to be given on a per FTES basis.

**K-12 Programs including Teacher Preparation:** The Governor's budget includes \$22.4 million for three new initiatives through the community college system aimed at improving the K-12 education program.

- \$10 million for a new Reading and Teacher Development Partnership initiative. This new program is intended to encourage more students to seek teaching careers while advancing reading improvements through internships in elementary schools. The Administration proposes that the Chancellor develop the specific requirements, incentives and grant levels for this program;
- \$10.6 million for a new High School Report Card initiative. This program is intended to improve feedback from every college to every school district on the progress of high school graduates enrolling as first time college students. Essentially this program will seek to give specific reports and feedback to individual high schools in an effort to improve student preparation. The Administration proposes that the Chancellor develop the specific requirements, grant levels, and accountability process for this program; and
- \$1.8 million to fund 12 additional Middle College High Schools, which aim to improve elementary and secondary student education outcomes. This program is designed to provide a supportive, academically challenging environment for high ability, at risk youth.

**Transfer Programs:** The budget contains \$2.5 million to enhance transfer activities between the four-year segments and the community colleges. Of these funds, \$550,000 is for Faculty Articulation Workshops and \$1.9 million is for Clarification of General Education Requirements and the Certification Process. The Faculty Articulation Workshops are designed to bring community college faculty members together to complete articulation of courses in academic major disciplines affecting a majority of students over a five-year period. The Clarification of General Education Requirements and the Certification Process is designed to help smooth the transfer process by providing greater consistency in identifying the classes that satisfy general education requirements at four-year institutions.

**Student Fees:** For the fifth consecutive year, the 1999-00 budget does not include an increase in student fees. Furthermore, the Governor's budget provides funds to continue the \$1 per unit decrease in student fees enacted pursuant to AB 1318 (Ducheny), Chapter 853, Statutes of 1997. With this action, student fees will remain at

\$12 per unit at community colleges.

**Proposals/Programs not funded in the 1998-99 Budget.** Faced with a deficit of more than \$2 billion, the budget was not able to provide significant augmentations to several worthy programs. Should the May revision contain increased state revenues, the legislature may wish to consider funding some of the following.

- **Equalization:** The budget contains no new funding for equalization. Equalization is used to bring districts, which are funded below the statewide average up to or close to the statewide average. The legislature's 1998-99 budget contained \$8.9 million for this purpose however, this appropriation was vetoed by Governor Wilson. The community colleges have requested funding of \$9.1 million for the budget year.
- **Full Time Faculty:** Although the budget does not contain specified funding to provide for more full-time faculty as required by statute it appears that some district may be using Partnership for Excellence funds for this purpose. The 1998-99 budget adopted by the Legislature contained \$15 million to increase the portion of full-time faculty; however, the Governor vetoed these funds. The community college system has requested \$40 million for these purposes for 1999-00. The Legislature will likely wish to consider what progress colleges are making toward setting the statutory goals.
- **Disabled Students Programs and Services:** The budget does not contain new funding for Disabled Student Programs and Services, even though the system had requested \$10.1 million for these programs.
- **Outreach:** The budget contains no new augmentations for student academic outreach programs such as MESA, Puente, EOPS, and CARE.

**Capital Outlay:** The Governor's budget proposes \$153.1 million for capital projects pursuant to Proposition 1A passed by the voters in November 1998. These funds will allow the community colleges to fund 45 previously approved projects and 48 new projects at 69 campuses across the state. The amount funded (\$153.1 million) is less than the \$209 million allocated to each in the budget year. This discrepancy exists because the system did not have enough projects on-line at the time that their budget was developed. The Legislature may wish to consider funding more projects during the Budget Subcommittee hearing process.

## CALIFORNIA STUDENT AID COMMISSION

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

the Cal Grant program, which is the primary state source of financial aid. In addition, the Commission administers the Federal Guaranteed Student Loan Program.

The Governor's budget proposes to increase General Fund support for CSAC by \$34.2 million, or 9.7 percent for a total budget of \$386.3 million. In addition, the budget provides necessary funding to implement action from the last three budget years (1996-97, 1997-98 and 1998-99) increasing the number of Cal Grant awards and the maximum award amount. Of these funds the budget contains \$5 million to increase the number of new Cal Grant awards by 1,672.

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

Table 5

<b>CALIFORNIA STUDENT AID COMMISSION</b>				
<b>BUDGET SUMMARY</b>				
(Dollars in thousands)				
	<b>1998-98</b>	<b>1999-00</b>	<b>Amount Change</b>	<b>Percent Change</b>
General Fund	\$352,068	\$386,365	\$34,297	9.7
Federal Trust Fund	4,224	3,924	-300	-7.1
State Guaranteed Loan Reserve	291,741	291,736	-5	-.001
Reimbursements	5,982	5,998	16	0.2
<b>Total</b>	<b>\$654,015</b>	<b>\$688,023</b>	<b>\$34,008</b>	<b>5.1</b>

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

The Governor's budget provides \$30 million to phase-in the 1996-97, 1997-98 and 1998-99 increases in both the number of Cal Grant awards and the maximum award level for students attending private institutions. In addition, the proposed budget provides \$5 million to increase the number of new awards for first time freshman by 1,672 (836 for new A awards and 836 for new B awards).

With these increases, the number of Cal Grant awards has increased by 52 percent

since 1995-96. However, even with these increases, the state is still falling short of meeting the statutory goal of providing Cal Grants to 25 percent of high school graduates in California. Current funding levels only provide Cal Grant awards to roughly 17 percent of the state's high school graduates. Should the May Revise provide additional state revenues, the legislature may wish to prioritize further funding for this program in an effort to reach the statutory goal. This would be consistent with proposals from the Student Aid Commission, which adopted a strategic plan in 1996 (CSAC 2000), to reach the 25 percent statutory level by phasing in an increase in the number of new awards over a five-year period ending in 2000.

***The California Work-Study Program:*** The budget does not include funding for the California Work-Study Program. However, the program was augmented by \$1 million in 1998-99 to fund a new "teaching intern" component created pursuant to AB 2528 (Ducheny) Chapter 546, Statutes of 1998. The legislature may wish to consider augmenting this new program, designed to provide work study grants for students who tutor and mentor K-12 students, in an effort to support the Governor's reading initiatives.