

**AGENDA – Part III
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE**

Assemblymember Mervyn Dymally, Chair

**MAY 19, 2005
STATE CAPITOL, ROOM 437**

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Outstanding technical trailer bill issues:

The Governor proposes the following trailer bill pieces that are technical in nature and necessary to implement the budget.

- Adjust deficit factors for the revenue limits of county offices and school districts, pursuant to the Governor's proposal to provide \$328 million in deficit reduction funding.
- Make corresponding reduction to basic aid categorical reduction, pursuant to the Governor's deficit reduction proposal.
- Growth and COLA in-lieu language, which is technical and is included every year in the trailer bill.
- Continue deferrals.

ITEM 6970 CALIFORNIA COMMUNITY COLLEGES (CCC)**ISSUE 1: MAY 13TH DOF LETTER—AMENDMENTS TO VARIOUS BUDGET BILL ITEMS FOR SUPPORT**

In a May 13th letter, DOF proposes the following changes to the January 10th budget:

State Operations—Budget Year:**1. 6870-001-0001, Increase Staff for the Career-Technical Education Initiative (Issue 824)**

It is requested that three (two-year) limited term positions and \$360,000 in federal reimbursements be added to this item to implement the Governor's Career Technical Education Initiative. One Specialist and two Program Assistants are proposed to support a variety of tasks associated with administering and implementing the Request for Proposals (RFP) process, providing technical assistance to local districts, linking staff between existing K-12 and community college programs, evaluating each program's success, as well as facilitating data collection and reporting.

2. 6870-001-0001, and Reimbursements, Increase Staff for Accountability (Issue 825)

It is requested that four positions and \$417,000 in General Fund, be added to this item to support the implementation of the Chapter 581, Statutes of 2004 (AB 1417) accountability framework, with provisional language stating that funding and positions are contingent upon passage of legislation to implement the accountability program, as described in Budget Bill language proposed in Item 6870-101-0001 (Issue 848). Two Community College Specialists, one Staff Programmer Analyst, and one Associate Government Program Analyst are proposed to provide district-level personnel with technical assistance, review and analyze data, report on overall performance, and act as a liaison between the system office, local districts, and accountability stakeholders.

It is further requested that the following provisional language be added:

Of the amount appropriated in this item, \$417,000 is appropriated for four positions to support workload associated with a district-specific accountability program. These positions are contingent upon the enactment of legislation in the 2005-06 Regular Session that establishes a program for district-specific reporting and evaluation of educational outcomes in response to Chapter 581, Statutes of 2004. It is intended that the first report for the district-specific accountability system be provided in January, 2007, reflecting outcomes from the 2005-06 fiscal year in context as specified in the enacted legislation.

3. 6870-001-0001, and Reimbursements, Increase Staff for the Nursing Initiative (Issue 830)

It is requested that two (five-year) limited term positions and \$150,000 in federally reimbursed state operations authority, be added to this item to implement the Governor's Nursing Initiative. The positions requested are one staff services analyst and one office technician. These positions will support administrative and programmatic data collection and reporting.

Local Assistance--Budget Year:**4. 6870-101-0001, Board Financial Aid Program (BFAP) Adjustments (Issue 810)**

It is requested that base apportionments in Schedule (1) of this item be reduced by \$3,363,000, and that the BFAP program Schedule (4) be increased by \$3,363,000 to reflect the 2 percent compensation adjustment to local districts being provided through the BFAP program on an ongoing basis. It is also requested that the BFAP program be increased by an additional \$2,031,000 to reflect 2005-06 base adjustments to the statutory 2 percent and \$0.91/unit waived that are provided to districts as a result of re-estimated student fee revenues.

It is also requested that language be added to further specify the ongoing funding provided for 2 percent and \$0.91/unit reimbursement provided to local districts as follows:

“10. (a) Of the funds appropriated in Schedule (4), not less than ~~\$9,206,000~~ \$9,291,000 is available to provide \$0.91/unit reimbursement to community college districts for the provision of Board of Governors (BOG) ~~of the California Community Colleges~~ fee waiver awards pursuant to Education Code Section 76300 (m)(2).

(b) Of the funds appropriated in Schedule (4), not less than \$5,346,000 is available to provide reimbursement of 2 percent of total waiver value to community college districts for the provision of BOG fee waiver awards pursuant to Education Code Section 76300 (m)(2).

(b) (1) Of the amount appropriated in Schedule (4), \$2,800,000 shall be for a contract with a community college district to conduct a statewide media campaign to promote the general message to prospective students as follows: (1) the California Community Colleges remain affordable; (2) financial aid and tax credits are available to cover enrollment fees and help with books and other costs; and (3) the active encouragement of contact between pupils and local CCC financial aid offices. Any funds used from this source to produce radio, television, or mail campaigns must emphasize the availability of financial aid, the easiest and most reliable method of accessing the aid, a contact telephone number, an Internet address, where applicable, and the physical location of a financial aid office. Any mail campaign must give priority to existing pupils, recent high school graduates, and 12th graders. The outreach and information campaign should target its efforts in high schools, welfare offices, unemployment offices, churches, community centers, and any other location that will most effectively reach low-income and disadvantaged students who must overcome barriers in accessing postsecondary education. The community college district awarded the contract shall consult with the Chancellor of the California Community Colleges and the Student Aid Commission prior to performing any activities to ensure appropriate coordination with any other state efforts in this area and ensure compliance with this provision.

(2) Of the amount appropriated in Schedule (4), not more than \$34,200,000 shall be for direct contact with potential and current financial aid applicants. Each CCC campus shall receive a minimum allocation of \$50,000. The remainder of the funding shall be allocated to campuses based upon a formula reflecting full-time-equivalent students (FTES) weighted by a measure of low-income populations as demonstrated by BOG fee waiver program participation within a district. It is the intent of the Legislature, to the extent that funds are provided in this section, that all campuses provide additional staff resources to increase both financial aid participation and student access to low-income and disadvantaged students who must overcome barriers in accessing postsecondary education. Funds may be used for screening current students for possible financial aid eligibility and offering these students personal assistance in accessing financial aid, providing individual help in multiple languages for families and students in filling out the necessary paperwork to apply for financial aid, and increasing financial aid staff to process additional financial aid forms.

(3) Funds allocated to a community college district for financial aid personnel, outreach determination of financial need, and delivery of student financial aid services shall supplement, and shall not supplant, the level of funds allocated for the administration of student financial aid programs during the 2001-02 fiscal year.

(4) It is the intent of the Legislature that the Chancellor's Office of the California Community Colleges provide the Legislature with a report by no later than April 1, 2006, on the use of the funds allocated pursuant to Provision 10(b), including the distribution of the funds, specific uses of the funds, strategies employed to reach low-income and disadvantaged students potentially eligible for financial aid, and the extent to which districts were successful in increasing the number of students accessing financial aid, particularly the maximum Pell Grant award.

(5) It is the intent of the Legislature that the Chancellor of the California Community Colleges report by September 1, 2005, pursuant to Provision 10(b)(5) of the Budget Act of 2004, on the impact of fee increases and outreach efforts on student headcount and FTES enrollment for the 2003 and 2004 academic year.”

5. 6870-101-0001, Transfer and Articulation Provisional Language (Issue 811)

It is requested that Provision 20 be amended to (1) extend funding for faculty articulation workshops through 2005-06, (2) specify that Transfer and Articulation funding provides a direct offset to any mandated costs claimed pursuant to Chapter 737, Statutes of 2004, and (3) allow the Chancellor to redirect funding within the program based on an expenditure plan approved by the Department of Finance.

It is requested that provisional language be amended and added to conform to this action as follows:

“20. (a) Of the funds appropriated in Schedule (16), \$589,000 is for Project Assist, \$835,000 is for the California Articulation Number (CAN) system, and \$550,000 is for faculty articulation workshops through fiscal year ~~2004-05~~ 2005-06.

(b) Funding provided to community college districts from Schedule (16) is provided to directly offset any mandated costs claimed by community college districts pursuant to Chapter 737, Statutes of 2004, SB 1415 (Brulte).

(c) The Chancellor of the California Community Colleges may redirect funding between the programs referenced in subdivision (a) of this provision not sooner than 30 days from the date of notification to the Joint Legislative Budget Committee of approval by the Department of Finance. “

6. 6870-101-0001, Economic Development Language Changes (Issues 813 and 831)

The following changes are requested to Provision 19 of the budget bill:

It is requested that support for administrative activities within the Economic Development program be reduced by \$1,095,000, support for regional business resources assistance and innovation network centers be increased by \$845,143, and support for Industry-Driven Regional Education and Training Collaboratives be increased by \$249,857. This change will reinforce the emphasis that will be placed upon both programs in the Governor’s Career-Technical Education Initiative (Issue 813).

Also, it is requested that subdivision (f) of Provision 19 be amended to allow community colleges to utilize \$4 million on a one-time basis to provide matching funds for equipment that will assist districts in expanding their nursing programs in response to federal funding made available to colleges through the Governor’s Nursing Initiative (Issue 831).

The following amendments to Provision 19 are requested to conform to this action:

19. Of the funds provided in Schedule (15) for the Economic and Workforce Development Program:

(a) ~~\$18,984,027~~ \$19,829,170 is allocated for grants for regional business resources assistance and innovation network centers. Each grant awarded to a district for Centers for International Development shall contain sufficient funds, as determined by the chancellor, for the continued operation of Mexican International Trade Centers.

(b) ~~\$5,612,281~~ \$5,862,138 is allocated for Industry-Driven Regional Education and Training Collaboratives. These grants shall be made on a competitive basis and the award amounts shall not be restricted to any predetermined limit, but rather shall be funded on their individual merits.

(c) ~~\$3,800,000~~ \$2,705,000 is allocated for statewide network leadership, organizational development, coordination, information and support services, or other program purposes.

(d) \$3,393,692 is available for Job Development Incentive Training programs focused on job creation for public assistance recipients. Any annual savings from this subdivision shall only be available for expenditure for one-time activities listed under subdivision (j) of Section 88531 of the Education Code.

(e) The following provisions apply to the expenditure of funds within subdivisions (a) and (b) above: Funds allocated for centers and regional collaboratives shall seek to maximize the use of state funds for subdivisions (g) through (j) of Section 88531 of the Education Code. Funds allocated to districts for purposes of subdivisions (g) and (i) of Section 88531 of the Education Code for performance-based training and student internships shall be matched by a minimum of \$1 of private business and industry funding for each \$1 of state funds. Funds allocated for purposes of subdivision (h) of Section 88531 of the Education Code for credit and noncredit instruction may be transferred to Schedule (1) or (3) to facilitate distribution at the chancellor’s discretion. Any funds that become available from network centers due to savings, discontinuance, or reduction of amounts shall first be made available for additional allocations in subdivision (b) above to increase the level of subsidized training otherwise available.

(f) \$4,000,000 is allocated to community college districts on a one-time basis for equipment start-up matching costs associated with nursing program expansion funded through reimbursements from WIA. The Chancellor shall initiate a competitive Request for Funding Proposals (RFP) process for the allocation of these funds to local districts. ~~continue enrollment growth provided for community college nursing programs pursuant to paragraph (2) of subdivision (a) of Section 2 of Chapter 514 of the Statutes of 2004.~~

(g) Funds allocated by the board of governors under this provision may not be used by community college districts to supplant existing courses or contract education offerings. The chancellor shall ensure that funds are spent only for expanded services and shall implement accountability reporting for districts receiving these funds to ensure that training, credit, and noncredit programs remain relevant to business needs. Programs that do not demonstrate continued relevance and support by business shall not be eligible for continued funding. The board of governors shall consider the level of involvement and financial commitments of business and industry as primary factors in making awards. The chancellor shall incorporate grant requirements into its guidelines for audits of Economic Development grants.

(h) A primary objective of the Economic Development program is to maximize instruction, to prepare students for entry-level jobs, to increase skills of the current workforce, and to stimulate the growth of businesses through training so that more jobs are created. As part of the annual report on the performance of the Economic Development program, the chancellor shall provide disaggregated data detailing the funding provided to each economic development regional center and each industry-driven regional education and training collaborative, and to the extent practicable, the total number of hours of contract education services, performance-based training, credit and noncredit instruction, and job placements created as a result of each center and collaborative.

7. 6870-101-0001, Community College Equalization (Issue 820)

It is requested that this item be increased by \$40,000,000 Proposition 98 General Fund to provide equalization funding for the community colleges. This augmentation would bring total support for community college equalization to \$120 million over the last two years, approximately one-half of the total cost to equalize all districts to the 90th percentile.

It is additionally requested that Provision 4.5 be added to the Budget to delineate the allocation formula for these funds and exempt these funds from Title 5 regulations, consistent with current policy:

4.5 Of the funds appropriated in Schedule (1), \$40 million is for equalization pursuant to this provision, and shall be allocated according to the formula specified in Chapter 216 of 2004 (SB 1108). These funds shall not be considered to be Program Improvement funds pursuant to Title 5 regulations.

8. 6870-101-0001, California Partnership for Achieving Student Success (Cal-PASS) Funding (Issue 821)

It is requested that this item be increased by \$500,000 to provide continuing support for the Cal-PASS data sharing system. This request is contingent upon the University of California and the California State University providing matching funds for this intersegmental program.

It is requested that Provision 18 be amended to conform to this action as follows:

18. (a) \$9,550,000 of the funds provided in Schedule (14) of this item shall be for the purpose of supporting technical and application innovations and for coordination of activities that serve to maximize the utility of the technology investments of the community college system towards improving learning outcomes. Allocations shall be made by the chancellor, based on criteria and guidelines as developed by the chancellor, on a competitive basis through the RFA/RFP application process as follows:

(1) \$2,000,000, or as much as necessary, shall be available for a statewide digital uplink for the purpose of delivering statewide satellite services to system colleges and districts related to instruction, student support, and administration.

(2) \$2,300,000 is for the development and implementation of a systemwide audio bridging and telephony capability of the 4C Net backbone to facilitate collaboration of faculty, students, and staff in instruction, student services, and shared governance activities.

(3) Any remaining funds shall be available for centers to provide regional coordination for technical assistance and planning, cooperative purchase agreements, and faculty and staff development. All other provisions as specified in Provision 17(b)(3) of Item 6870-101-0001 of Section 2.00 of the Budget Act of 1996 (Ch. 162, Stats. 1996) shall apply.

(b) \$12,500,000 of the funds provided in Schedule (14) shall be available for allocations to districts. It is the intent of the Legislature that these funds be used by colleges to maintain the technology capabilities specified in Provision 21(a) of Item 6870-101-0001 of the Budget Act of 2003 (Ch. 157, Stats. 2003). These funds shall not supplant existing funds used for those purposes, and colleges shall match maintenance and ongoing costs with other funds as provided by Provision 21(a) of Item 6870-101-0001 of the Budget Act of 2003 (Ch. 157, Stats. 2003).

(c) Of the funds provided in Schedule (14), \$1,347,000 shall be available for grants to districts to fund California Virtual University distance education centers, for instructing faculty in teaching courses online, and other expenses for conversion of courses for distance education. The funds appropriated in this item shall not supplant existing funds and shall be subject to established fiscal controls, annual reporting and accountability requirements specified by the chancellor. The chancellor shall develop criteria for the allocation of these funds. As a condition of receipt of the funds, colleges are required to submit to the chancellor's office reports in a format specified by the chancellor sufficient to document the value and productivity of this program, including, but not limited to, numbers and nature of courses converted, and the amount of distance education instructional workload services provided as a result of these courses. It is intended that the chancellor's office further develop the reporting criteria for participating colleges and submit that for review along with an annual progress report on program implementation to the Legislative Analyst, Office of the Secretary for Education, and the Department of Finance no later than November 1, 2005, for review and comment.

(d) Of the funds provided in Schedule (14), \$500,000 is for ongoing support and expansion of the California Partnership for Achieving Student Success project (Cal-PASS). These funds shall assist in the statewide implementation of the Cal-PASS data sharing system, in conjunction with support and participation from the University of California (UC) and the California State

University (CSU). This funding shall only be available to community colleges if matching funds are provided from the UC and CSU to support this intersegmental program.

9. 6870-101-0001, 6870-601-0992, Student Fee Revenue Adjustment (Issue 828)

It is requested that Item 6870-101-0001 be increased by \$12,919,000 Proposition 98 General Fund to reflect a reduced estimate of student fee revenues for 2005-06. It is further requested that Item 6870-601-0992 be reduced to conform to this action.

10. 6870-101-0001, 6870-601-0986, Property Tax Revenue Adjustment (Issue 836)

It is requested that Item 6870-101-0001 be increased by \$54,346,000 Proposition 98 General Fund to offset an estimated reduced in property tax revenue for community colleges. This adjustment reflects revised growth rates, a revision in available Educational Revenue Augmentation Fund (ERAF), as well as updated projections of basic aid revenues retained by local community college districts. It is further requested that Item 6870-601-0986 be reduced to conform to this action.

11. 6870-101-0001, Increased COLA for California Community Colleges (CCC) Apportionments (Issue 837)

It is requested that this item be increased by \$14,081,000 to reflect a revision in the statutory COLA factor from 3.93 percent to 4.23 percent.

12. 6870-101-0001, Growth Adjustment for Selected CCC Categorical Programs (Issue 838)

It is requested that this item be reduced by \$359,000 Proposition 98 General Fund to reflect a revised statutory growth rate of 1.76 percent for selected categorical programs, as reflected on the attachment. It is additionally requested that Provisions 6, 8, and, 11 be amended to conform to this action.

13. 6870-101-0001, Increased COLA for Selected Categorical Programs (Issue 839)

It is requested that this item be increased by \$830,000 Proposition 98 General Fund to reflect a the revised statutory COLA rate for selected categorical programs, as reflected on the attachment. It is additionally requested that Provisions 6, 8, and, 11 be amended to conform to this action.

14. 6870-101-0001, 6870-601-0001, Restore Apportionment Funding for AB 1417 Accountability Framework (Issue 848)

It is requested that this item be increased by \$31,409,000 to reflect an agreement between the Administration and the community colleges on the proposed implementation of a district-specific accountability framework. This appropriation, along with the proposed state operations adjustment (Issue 825), is contingent upon passage of trailer bill legislation to implement the proposed accountability framework as agreed to pursuant to Chapter 581, Statutes of 2004. It is further requested that non-budget act Item 6870-601-0001 be reduced by \$31,409,000 to conform to this action. (See attached Trailer Bill language)

It is requested that the following language be added to the Budget to conform to this action:

Of the amount appropriated in schedule (1), general apportionment, \$31,409,000 reflects an augmentation to encourage district-level accountability efforts. The Chancellor shall allocate these funds to community college districts in the same amounts that were reduced from each district pursuant to budget reductions related to the Partnership for Excellence funds in the 2004-05 fiscal year. The availability of these funds shall be contingent on the enactment of legislation in the 2005-06 Regular Session that establishes a program for district-specific reporting and evaluation of educational outcomes in response to Chapter 581, Statutes of 2004. It is intended that the first report for the district-specific accountability system be provided in January, 2007, reflecting outcomes from the 2005-06 fiscal year in context as specified in the enacted legislation.

15. 6870-103-0001 and Reimbursements, Adjustment to Lease-Revenue Payments (Issue 102)

It is requested that this item be reduced \$1,469,000 Proposition 98 General Fund. This adjustment is proposed to reflect a reduction in base rental payments, fees, insurance costs and an increase of \$244,000 to reimbursements due to an updated debt service payment schedule for lease revenue funded projects.

16. 6870-111-0001 and Reimbursements, Federal Reimbursement Authority Adjustments (Issues 812, 829)

The following changes are requested to this item:

It is requested that this item be amended to reflect an increase of \$4,521,000 in one-time federal vocational education funding that will be received by community colleges pursuant to Item 6110-166-0890 (Issue 805) for the 2005-06 fiscal year to be used to expand and align K-12 tech prep programs with community college economic development programs (Issue 812).

It is also requested that this item be adjusted to add an additional schedule to appropriate \$123,000 in reimbursements to fund an energy efficiency pilot program on selected community college campuses (Issue 829).

It is requested that the following language be added to the Budget to conform to this action:

3. Of the funds appropriated in schedule (3) of this item, \$4,521,000 is one-time carryover available for the support of additional vocational education instructional activities. These funds shall be used during the 2005-06 academic year to support additional alignment and articulation of K-12 tech prep programs with local community college economic development programs in an effort to incorporate greater participation of K-12 students in sequenced, industry-driven coursework that leads to meaningful employment in today's high-tech, high-demand, and emerging technology areas of industry employment.

4. The funds appropriated in Schedule (3.5) of this item reflect an interagency agreement between the Chancellor for the California Community Colleges and the State Energy Resources Conservation and Development Commission for the purpose of developing an Interval Meter Pilot Program on selected community college campuses.

17. 6870-486, 6870-605-0001, Increase Career-Technical Education Initiative Funding (Issue 844)

It is requested that Item 6870-486 be amended to reflect an increased one-time appropriation from the Proposition 98 Reversion Account for career-technical education in the amount of \$17,437,000 for total of \$37,437,000. Further, it is requested that Non-Budget Act Item 6870-605-0001 be increased by \$17,437,000 to conform to this action. While one-time funds are proposed for this purpose, the Administration proposes to evaluate program implementation to determine the appropriate activities and magnitude of ongoing funding in subsequent budgets.

18. 6870-495, Community College Reversions (Issue 847)

It is requested that Item 6870-495 be added to the Budget Bill to revert a total of \$450,000 in unexpended balances in two programs from the 2001-02 fiscal year, as follows:

6870-495 – Reversion, California Community Colleges (Proposition 98). The following amounts shall revert to the Proposition 98 Reversion Account:

(1) \$200,000, or whatever greater or lesser amount represents the balance available, from Item 6870-101-0001 Schedule (26), Budget Act of 2001 (Ch. 106, Stats of 2001).

(2) \$250,000, or whatever greater or lesser amount represents the balance available, from Section 34(a)(1)(B) of Chapter 891, Statutes of 2001.

Current Year:**19. Non-Budget Act Item 6870-636-0001, Community College Nursing Programs (Issue 841)**

It is requested that \$10.0 million in one-time Proposition 98 General Fund prior year settle-up funds be appropriated on a one-time basis, to community colleges for additional marginal cost support that will allow districts to increase enrollment capacity and meet equipment and infrastructure needs in response to the Governor's Nursing Initiative. While one-time funds are used for this purpose, the Administration proposes to evaluate program implementation to determine the appropriate focus and magnitude of ongoing funding in subsequent budgets.