

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 2  
ON EDUCATION FINANCE****Assembly Member Wilmer Amina Carter, Chair****WEDNESDAY, MAY 26, 2010  
STATE CAPITOL, ROOM 444****10:00 AM****OVERVIEW OF THE GOVERNOR'S 2010-11 BUDGET PROPOSALS  
MAY REVISE PROCESS**

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## VOTE ONLY

### 6440 UNIVERSITY OF CALIFORNIA

#### ISSUE 1: APRIL AND MAY REVISE LETTER: VARIOUS ADJUSTMENTS

The following items are amendments or additions to the Governor's January Budget as proposed by the Department of Finance in the April and May budget letters. These issues reflect technical adjustments and utilize funds consistent with existing programs and policies.

Issue #	Issue #	Issue Title
1	6440-496	<p><b>April Letter Request: UC Irvine Steinhaus Hall Project (Issue 001)</b></p> <p>The Steinhaus Hall Seismic Improvements project at the Irvine Campus is now complete and approximately \$2,668,000 in bid and project savings can be reverted to the 2006 University Capital Outlay Bond Fund (Fund 6048). UC is proposing to appropriate the project savings in an equivalent amount for equipment to support the Arts Building, currently under construction on the Irvine Campus.</p> <p><b>Action: Approve this proposal.</b></p>
2	6440-301-6048	<p><b>April Letter Request: UC Irvine, Arts Building – Equipment (Issue 001)</b></p> <p>UC requests \$2,668,000 from Fund 6048 for the Irvine Campus, Art Building Project (Project). This Project would provide instructional laboratory and support space, exhibition space, and academic and administrative offices in the Clair Trevor School of the Arts. The Project is nearing completion (completion date of May 2010), and \$2,668,000 for equipment is needed to ensure that the facility is fully operational when completed.</p> <p><b>Action: Approve this proposal.</b></p>
3	6440-301-6048	<p><b>April Letter Request: UC Merced, Site Development and Infrastructure, Phase 6 – PWC (Issue 002)</b></p> <p>UC requests \$2.0 million from Fund 6048 to complete key phases of time sensitive work related to a federal Clean Water Action Section 404 permit requirement on the Merced Campus. Key phases of work that needs to be completed by May 1, 2012 include the construction of a dirt perimeter road to improve access to the outer areas of the campus and community, construction of boundary fencing between the campus and preserve lands, and mass grading to improve storm water management.</p> <p><b>Action: Approve this proposal.</b></p>
4	6440-301-0658	<p><b>April Letter Request: UC Merced, Site Development and Infrastructure, Phase 4 – PWC (Issue 002)</b></p>

		<p>UC requests \$4.5 million from Fund 0658 to fund a select group of infrastructure needs at the Merced Campus to set the framework for continued infrastructure progress on campus. Some of the activities that would be included in the project are: (1) modifying a water detention basin (North Pond) and installation of a new campus storm water detention pond (Lower Pond) to improve erosion control and storm water management; (2) installing underground utilities to future academic building sites in the campus academic core; (3) improving current corporation yard site paving, grading, and extending utilities (water, power, information technology, stormwater) at the site; and, (4) improving hardscape and storm drains along the extension of Scholars Lane and Ranchers Road.</p> <p><b>Action: Approve this proposal.</b></p>
<p>5</p>	<p>6440-492 6440-493</p>	<p><b>May Revise Request: Various Reappropriations &amp; Liquidations Periods</b></p> <p><b>Various Reappropriations:</b> Amend Item 6440-492 to reappropriate funds for the following three project phases appropriated from the 2007 Budget Act.</p> <ol style="list-style-type: none"> <li>1. Los Angeles Campus, Telemedicine and PRIME Facilities Phase 1—Equipment.</li> <li>2. San Francisco Campus, Telemedicine and PRIME Urban Underserved Education Facilities—Equipment.</li> <li>3. Santa Cruz Campus, McHenry Project—Equipment.</li> </ol> <p><b>Various Extensions of Liquidation Periods:</b> Add Item 6440-493 to extend the liquidation period by one additional year (until June 30, 2011) for the following six project phases appropriated in 2007.</p> <ol style="list-style-type: none"> <li>1. Berkeley Campus, Campbell Hall Seismic Replacement Building—Preliminary plans and working drawings.</li> <li>2. Davis Campus, Veterinary Medicine 3B—Working drawings.</li> <li>3. Riverside Campus, Boyce Hall, and Webber Hall Renovations—Working drawings and construction.</li> <li>4. Riverside Campus, Batchelor Hall Building—Preliminary plans</li> <li>5. San Francisco Campus, Electrical Distribution Improvements, Phase 2—Working drawings.</li> <li>6. Santa Barbara Campus, Davidson Library Addition and Renewal—Working drawings.</li> </ol> <p><b>Action: Approve this proposal.</b></p>
<p>6</p>	<p>6440-001-0001</p>	<p><b>May Revise Request: Governor's Nursing Education Initiative (Issue 005)</b></p> <p>It is requested that Item 6440-001-0001 be amended by adding Reimbursements in the amount of \$2,650,000 to reflect that the University of California will receive federal Workforce Investment Act funding, through subgrants with the Employment Development Department to support the Governor's Nursing Education Initiative and Allied Health Programs. This funding will be used to support 185 nursing students in fiscal year 2010-11.</p> <p>It is also requested that Provision 11 be amended as follows:</p> <p>"11. (a) The amount in Schedule (1) includes \$1,720,000 to continue increased enrollments in nursing programs beyond the levels served in 2005-06 as</p>

		<p>follows:                      (1) \$1,617,000 for full cost of a minimum of 122 full-time equivalent students in entry-level clinical nursing programs and entry-level master's degree programs in nursing.                      (2) \$103,000 for supplemental marginal cost funding for 20 master's degree level nursing students.  <u>(b) The reimbursement funds appropriated in Schedule (8) are available to support the full cost of 55 undergraduate, 107 master's degree, and 23 doctoral nursing enrollments in 2010-11.</u>  <del>(b)</del> (c) The University of California shall report to the Legislature and the Governor by May 1, 2011, on the total enrollment in the 2010-11 academic year in the baccalaureate nursing degree programs, the entry-level clinical and master's degree nursing programs, and the master's of science nursing degree programs.”</p> <p><b>Action: Approve this proposal.</b></p>
7	6440-001-0234	<p><b>May Revise Request: Decrease Funding for Tobacco Research (Issue 004)</b></p> <p>It is requested that Item 6440-001-0234 be decreased by \$431,000, due to an expected decline in Proposition 99 tobacco tax revenues. These revenues fund tobacco-related research on prevention, causes and treatments for pancreatic cancer, lung cancer, and heart disease. Additional activities include investigating the health impacts of environmental exposures to tobacco, nicotine dependence, and breaking addictions.</p> <p><b>Action: Approve this proposal.</b></p>
8	6440-001-0001	<p><b>Governor's January Budget: Remove the UC Retirement Plan restriction in trailer bill language.</b></p> <p>Sec X Education Code Section 92612.5 is repealed:</p> <p><del>92612.5. It is the intent of the Legislature that no new General Fund augmentation be made available for contributions to the University Retirement Plan. [ SEC. 21. Section 33 of Chapter 757 of the Statutes of 2008 is repealed.]</del></p> <p><b>Action: Approve this proposal.</b></p>

**6610 CALIFORNIA STATE UNIVERSITY**

**ISSUE 1: APRIL AND MAY REVISE LETTER: VARIOUS ADJUSTMENTS**

The following items are amendments or additions to the Governor's January Budget as proposed by the Department of Finance in the April and May budget letters. These issues reflect technical adjustments and utilize funds consistent with existing programs and policies.

Issue #		
1	6610-491 6610-492	<p><b>May Revise Request: Various Reappropriations &amp; Liquidation Periods</b></p> <p><b>Various Reappropriations</b> Add Item 6610-491 to reappropriate funds for the following two project phases appropriated from the 2007 Budget Act.</p> <ol style="list-style-type: none"> <li>1. San Marcos Campus, Social and Behavioral Sciences—Working drawings and construction.</li> <li>2. Los Angeles Campus, Corporation Yard—Construction.</li> </ol> <p><b>Various Extensions of Liquidation Periods:</b> Add Item 6610-492 to extend the liquidation period by one additional year (until June 30, 2011) for the following seven project phases appropriated in either 2005, 2006, or 2007:</p> <ol style="list-style-type: none"> <li>1. Systemwide, Minor Capital Outlay—Preliminary plans, working drawings, and construction (funded with the Higher Education Capital Outlay Bond Fund of 1998 and 2002 Higher Education Capital Outlay Bond Fund).</li> <li>2. Humboldt Campus, Behavioral and Social Sciences, Phase 1—Construction.</li> <li>3. Monterey Bay, Library—Equipment.</li> <li>4. Humboldt, Mai Kai Land Acquisition—Acquisition.</li> <li>5. San Diego Campus, Storm/Nasatir Halls Renovation—Preliminary plans and working drawings.</li> <li>6. Stanislaus Campus, Science 1 Renovation (Seismic)—Preliminary plans and working drawings.</li> <li>7. Northridge Campus, Performing Arts Center—Working drawings and construction.</li> </ol> <p><b>Action: Approve this proposal.</b></p>
2		<p><b>May Revise Request: San Francisco Campus, Joint Library: J. Paul Leonard and Sutro Library—Equipment</b></p> <p>The project is an 85,000 square foot (sf) five-story addition and 283,000 sf renovation of the existing San Francisco State University library building. The project is funded with lease revenue funds totaling \$121.8 million (design and construction), and also includes the renovation and permanent home of the Sutro Collection of the State Library as part of the project. It is anticipated that the project will be completed by April 2012. Consequently, the campus requests \$3.0 million in equipment funding from the 2006 University Capital Outlay Bond Fund so that the library can be operational when it is opened.</p> <p><b>Action: Approve this proposal.</b></p>

**6870 CALIFORNIA COMMUNITY COLLEGES**

**ISSUE 1: APRIL AND MAY REVISE LETTER: VARIOUS ADJUSTMENTS**

The following items are amendments or additions to the Governor's January Budget as proposed by the Department of Finance in the April and May budget letters. These issues reflect technical adjustments and utilize funds consistent with existing programs and policies.

1	6870-001-0001	<p><b>April Letter Request: Increase Reimbursements to Support the Governor's Nursing Education Initiative (Issue 006)</b></p> <p>It is requested that Schedule (2) of Item 6870-001-0001 be increased by \$161,000 in Reimbursement and that 2.0 limited-term positions be added to support the Governor's Nursing Education Initiative and Allied Health Programs. The federal Workforce Investment Act funding will be received through an interagency agreement with the Employment Development Department (EDD). However, the funding is currently budgeted in local assistance Item 6870-111-0001 and therefore needs to be shifted to state operations (007).</p> <p>The 2009 Budget Act provided 2.0 limited term positions that support the Governor's Nursing Initiative. However, the positions expire on June 30, 2010 and were removed from the Governor's Budget. Therefore, the positions and funding need to be restored to allow the California Community College Chancellor's Office to continue administering these programs.</p> <p>It is further requested that the following provisional language be added to conform to this action:</p> <p><u>6. The funds appropriated in Schedules (2) and (5) reflect an interagency agreement with the Employment Development Department to provide \$161,000 in reimbursements and 2.0 five year, limited-term positions to support the Governor's Nursing Initiative and Allied Health program activities. The positions shall expire June 30, 2015.</u></p> <p><b>Action: Approve this proposal.</b></p>
2	6870-111-0001	<p><b>April Letter Request: Decrease Workforce Investment Act Reimbursements (Issue 005, 007, 008)</b></p> <p>It is requested that Schedule (5) of this item be decreased by \$6,211,000 in Reimbursements to properly reflect Workforce Investment Act funding to be received through interagency agreements with the EDD. Specifically, the following is requested:</p> <ul style="list-style-type: none"> <li>• A \$3.0 million decrease to reflect a reduction in funding for the Governor's Nursing Initiative from \$6.0 million to \$3.0 million. Phase 1 of the Governor's Nursing Initiative provided \$30.0 million over a five-year period, or \$6.0 million per year, and is scheduled to end in 2009-10. Phase 2 of the Nursing Initiative will provide \$15.0 million over a five year period, or \$3.0 million per year, and is scheduled to begin in 2010-11. (Issue 008)</li> <li>• A \$1,860,000 decrease to remove excess authority (Issue 008)</li> <li>• A \$1.2 million decrease to remove funding for the Corpsman to Registered Nurse Program, which will not be implemented in 2010-11. (Issue 005)</li> </ul>

		<ul style="list-style-type: none"> <li>• A \$161,000 decrease to reflect a funding shift from local assistance to state operations to fund 2.0 limited-term positions that will support the Governor's Nursing Initiative and the Allied Health Program (Issue 006). Specifically, \$97,000 will be shifted from the \$3.0 million designated for the Governor's Nursing Initiative and \$64,000 will be shifted from the \$2.0 million currently designated for the Allied Health Program (Issue 007).</li> </ul> <p>These reductions are necessary to properly reflect Workforce Investment Act funding to be received through interagency agreements with the EDD.</p> <p>"5. The funds appropriated in Schedule (5) reflect <del>an increase of \$3,200,000</del> <u>\$1,936,000</u> to support interagency agreements between the Office of the Chancellor of the California Community Colleges and the Employment Development Department for <del>the following purposes:</del></p> <ul style="list-style-type: none"> <li>(a) <del>Offering bridging courses and programs for licensed vocational nurses, paramedics or independent duty corpsmen to meet the requirements for taking and successfully completing examinations to become a registered nurse.</del></li> <li>(b) <del>Expanding enrollments in allied health occupation programs in community colleges."</del></li> </ul> <p>"6. The funds appropriated in Schedule (5) reflect <del>an increase of \$6,000,000</del> <u>\$2,906,000</u> to support interagency agreement between the Office of the Chancellor of the California Community Colleges and the Employment Development Department for continued support of the Governor's Nursing Initiative.</p> <p><b>Action: Approve this proposal.</b></p>
3	6870-301-0658 6870-301-6049 6870-303-6049	<p><b>May Revise Request: Continuing Projects</b></p> <p>In the past few months, the California Community Colleges experienced significant bid savings for other on-going projects. This favorable bid environment has resulted in sufficient reversions to fund eight additional phases of existing projects and one critical new start project as follows:</p> <p><b>Add Item 6870-301-0658 to add the following two continuing projects:</b></p> <ol style="list-style-type: none"> <li>1. Los Rios Community College District, American River College: Life Science and Fine Arts Modernization—Construction</li> <li>2. Sequoias Community College District, College of the Sequoias: Administration Building Remodel for Efficiency—Construction and equipment.</li> </ol> <p><b>Amend Item 6870-301-6049 to add the following six continuing projects:</b></p> <ol style="list-style-type: none"> <li>1. Kern Community College District, Bakersfield College: Performing Arts Modernization—Construction</li> <li>2. Los Rios Community College District, Consumnes River College: North East Building Modernization—Construction</li> <li>3. Riverside Community College District, Moreno Valley Center: Phase III Student Academic Services Building—Construction and equipment</li> <li>4. Chabot-Las Positas Community College District, Chabot College: Math-Science Modernization—Construction</li> <li>5. State Center Community College District, Fresno City College: Old Administration Building, North and East Wings, Phase III—Construction</li> <li>6. Yuba Community College District, Yuba College: Building 1100 Learning Resource Center Renovation—Construction and equipment</li> </ol> <p><b>Action: Approve this proposal.</b></p>
4	6870-303-6049	<p><b>May Revise Request: Budget Bill Language for the Gavilan Community College District</b></p> <ol style="list-style-type: none"> <li>1. Notwithstanding Section 13332.11 of the Government Code, the Gavilan Community College District shall complete the project within the funds appropriated for the project.</li> </ol>



		<p>This condition does not limit the authority of the district to use nonstate funds to fund or augment these projects with the approval of the State Public Works Board.</p> <p>2. Gavilan Community College District shall complete the project identified without any change to its scope. The scope of the project, in this context, means the intended purpose of the project as determined by reference to the following elements of the budget request for the project submitted by the Board of Governors of the California Community Colleges to the Department of Finance: (a) the program elements related to project type and (b) the functional description of spaces required to deliver the academic and supporting programs as approved by the Legislature.</p> <p>3. Notwithstanding any other provision of law, the appropriation made in this item is available for encumbrance during fiscal years 2010-11 and 2011-12.</p> <p><b>Action: Approve this proposal.</b></p>
5	6870-002-0890	<p><b>May Revise Request: Solar Training Collaborative Program (Issue 102)</b></p> <p>It is requested that this item be increased by \$67,000 federal American Recovery and Reinvestment Act of 2009 (ARRA) funds from the United States Department of Energy to support the implementation of the Solar Training Collaborative Program (Program). The Program is intended to meet the growing demand for qualified workers in the solar power industry as a result of recent legislation and the increased awareness and demand for clean energy. Specifically, the Program will train students for entry into the solar power installation field, provide standards on safety and fundamentals of the trade, and provide students a certificate upon successfully completing the Program.</p> <p>Additionally, the Department of Finance submitted a Control Section 28.00 notification letter to the Legislature. The California Community College Chancellor's Office submitted a stated operations budget revision request for \$29,203 federal funds to support current year efforts to develop a statewide standardized curriculum for the Program.</p> <p>A Finance April 1 Letter requested that the Math and Science Teacher Initiative be increased by \$12,000 and that provisional language be added to reflect federal carryover funding that will be available in fiscal year 2010-11. This request is not reflected in the amendments below, but would be incorporated upon approval. (Approved May 5, 2010).</p> <p>It is requested that this item be amended as follows to conform to this action:          "6870-002-0890 – For support of Board of Governors of the California Community Colleges, <del>Program 20.98.001 Math and Science Teacher Initiative</del>, payable from the Federal Trust Fund.....<del>6,000</del> <u>73,000</u>  <u>Schedule:</u>          (1) <u>20.98.001 – Math and Science Teach Initiative, .....\$6,000</u>          (2) <u>20.97.002 – Solar Training Collaborative Program...\$67,000</u>          1. <u>The funds appropriated in Schedule (1) of this item are available to support personnel and operating expenses necessary for the implementation of the Math and Science Teacher Initiative program pursuant to a one-time grant from the United States Department of Education pursuant to Public Law 105-277.</u>          2. <u>The funds appropriated in Schedule (2) of this item are available to support personnel and operating expenses necessary for the implementation of the Solar Training Collaborative Program pursuant to a one-time grant from the United States Department of Energy.</u></p> <p><b>Action: Approve this proposal.</b></p>
6	6870-101-0890	<p><b>May Revise Request: Solar Training Collaborative Program (Issue 101)</b></p> <p>It is requested that this item be increased by \$660,000 federal ARRA funds from the Program. The Program is intended to meet the growing demand for qualified workers in the solar power industry as a result of recent legislation and the increased awareness</p>

		<p>and demand for clean energy. Specifically, the Program will train students for entry into the solar power installation field, provide standards on safety and fundamentals of the trade, and provide students a certificate upon successfully completing the Program.</p> <p>Additionally, Finance submitted a Control Section 28.00 notification letter to the Legislature that the Chancellor’s Office submitted a local assistance budget revision request for \$219,746 federal funds for current year efforts to develop a standardized curriculum for the Program.</p> <p>It is further requested that this item be amended as follows to conform to this action:</p> <p>“6870-101-0890 – For local assistance, Board of Governors of the California Community Colleges, <del>Program 20.98.0001 Math and Science Teacher Initiative</del>, payable from the Federal Trust Fund.....<del>58,000</del> <u>718,000</u></p> <p><u>Schedule:</u></p> <p>(1) <u>20.98.0001-Math and Science Teacher Initiative.....58,000</u>                  (2) <u>20.97.002-Solar Training Collaborative Program.....660,000</u></p> <p><u>Provisions:</u></p> <ol style="list-style-type: none"> <li><u>The funds appropriated in Schedule (1) of this item are available for the Math and Science Teacher Initiative program pursuant to a one-time grant from the United States Department of Education pursuant to Public Law 105-277.</u></li> <li><u>The funds appropriated in Schedule (2) of this item are available for the implementation of the Solar Training Collaborative Program pursuant to a one-time grant from the United State Department of Energy.</u></li> </ol> <p><b>Action: Approve this proposal.</b></p>
7	6870-101-0001 6870-601-0986	<p><b>May Revise Request - Reduce Property Tax Revenues (Issue 114 and 116)</b></p> <p>It is requested that Item 6870-101-0001 be increased by \$6,413,000 Proposition 98 General Fund to offset an estimated reduction in local property tax revenue for community colleges. It is further requested that property tax expenditures be reduced to conform to this action.</p> <p><b>Action: Approve this proposal.</b></p>
8	6870-101-0001 6870-612-0342	<p><b>May Revise Request – Reduce Oil and Mineral Revenues (Issue 117 and 210)</b></p> <p>It is requested that Item 6870-101-0001 be increased by \$3,073,000 Proposition 98 General Fund to offset an estimated reduction in oil and mineral revenue for community colleges. It is further requested that oil and mineral revenue expenditures be reduced to conform to this action.</p> <p><b>Action: Approve this proposal.</b></p>
9	6870-111-0001	<p><b>May Revise Request – Reduce Vocational Education Reimbursements (Issue 110)</b></p> <p>It is requested that Schedule (3) of this item be decreased by \$1,995,000 Reimbursements to align the amount budgeted to the expected federal Carl D. Perkins Vocational and Technical Education funding received through an interagency agreement with the State Department of Education.</p> <p><b>Action: Approve this proposal.</b></p>
10	6870-111-0001	<p><b>May Revise Request – Add Reimbursements for Energy Sustainability Plan (Issue 103)</b></p> <p>It is requested that Schedule (4) and \$266,000 Reimbursements be added to this item for the development of an Energy Sustainability Plan that will be completed by a</p>

		<p>community college selected by the Chancellor’s Office. The funding will come from the Petroleum Violation Escrow Account through an interagency agreement with the California Energy Commission and will be used to develop strategies for energy efficiency, utility planning and efficient operation of campus facilities, renewable energy opportunities, waste reduction, reuse and recycling, transportation alternatives, water, waste water, and pollution prevention.</p> <p><b>Action: Approve this proposal.</b></p>
11	6870-295-0001	<p><b>May Revise Request – Add Schedule for Community College Mandate (Issue 104)</b></p> <p>It is requested that Schedule (21) be added to this item for the Prevailing Wage Rate (Chapter 1249 of the Statutes of 1978) mandate (01-TC-28) to properly reflect all community college mandates eligible for reimbursement that are proposed for suspension.</p> <p><b>Action: Approve adding schedule to the item, and conform to overall Proposition 98 Mandates action.</b></p>
12	6870-001-0814	<p><b>May Revise Request - Increase Lottery Revenue (Issue 111)</b></p> <p>This item is being increased by \$3,004,000 to reflect higher estimated lottery revenues. This funding is continuously appropriated and is not subject to an appropriation in the annual Budget Act.</p> <p><b>Action: Approve this proposal.</b></p>
13	6870-601-0986	<p><b>May Revise Request – Increase Lottery Revenues (Issue 111)</b></p> <p>Based on revised estimates, lottery revenues increased \$2,242,000. This funding is continuously appropriated and is not subject to an appropriation in the annual Budget Act.</p> <p><b>Action: Approve this proposal.</b></p>
14	6870-601-0986	<p><b>May Revise Request – Increase Property Tax Revenues (Issue 114)</b></p> <p>Based on revised estimates, local property tax revenues increased by \$8,384,000. This funding is not subject to an appropriation in the annual Budget Act.</p> <p><b>Action: Approve this proposal.</b></p>
15	6870-612-0342	<p><b>May Revise Request – Reduce Oil and Mineral Revenues (Issue 210)</b></p> <p>Based on revised estimates, oil and mineral revenues decreased by \$3,073,000. This funding is not subject to an appropriation in the annual Budget Act.</p> <p><b>Action: Approve this proposal.</b></p>
16	6870-111-0001	<p><b>May Revise Request – Reduce California Work Opportunities and Responsibility to Kids Reimbursements (Issue 119)</b></p> <p>It is requested that Schedule (1) of this item be decreased by \$6.0 million Reimbursements to reflect the elimination of the CalWORKs Program as reflected in the Department of Social Services’ budget. However, \$2.0 million federal Temporary Assistance to Needy Families Reimbursements will remain available to provide services</p>

		<p>for the first-quarter of the fiscal year.</p> <p><b>Actions: Conform to CalWORKs package.</b></p>
17	6870-101-0001	<p><b>May Revise Request - Add California Work Opportunities and Responsibility to Kids Program to the Categorical Program Flexibility (Issue 120)</b></p> <p>It is requested that Provision 28 of this item be amended to add Schedule (7), Special Services for California Work Opportunities and Responsibility to Kids (CalWORKs) Recipients, to the categorical program flexibility. Due to the elimination of the CalWORKs Program as proposed in the Department of Social Services' budget, this amendment would allow community college districts to shift CalWORKs Proposition 98 General Fund to any other categorical program as specified by the current flexibility statute.</p> <p>It is further requested that Provision 28 be amended as follows to conform to this action: "28. Notwithstanding any other provision of law, the Chancellor of the California Community Colleges shall allocate categorical funds as specified in legislation enacted in 2009 and as amended in 2010. Pursuant to the conditions specified in that legislation, districts may utilize funds allocated from Schedules (2), (4), (7), (9), (10),(11), (12), (13), (14), (16),(17), (18), (19), (20), and (22) as further specified in that legislation. Notwithstanding this provision and subdivision (b) of Education Code section 84043, the chancellor may adjust allocations, as necessary, for funding provided pursuant to Schedules (10), (16), and (17) in support of statewide or regional functions."</p> <p><b>Actions: Conform to CalWORKs package.</b></p>
18	6870-295-0001	<p><b>April Letter Request: Add Schedules for Community College Mandates (Issue 014)</b></p> <p>It is requested that schedules for the Law Enforcement Sexual Harassment Training, Grand Jury Proceedings, Cal Grants, Tuition Fee Waivers, and Student Records mandates be added to this item to suspend all community college mandates eligible for Reimbursement.</p> <p>It is further requested that the following schedules be added to conform to this action</p> <ul style="list-style-type: none"> <li>(16) <u>98.01.012.693 – Law Enforcement Sexual Harassment Training (Chapter 126 of the Statutes of 1993 and 97 – TC – 07)</u></li> <li>(17) <u>98.01.117.096 – Grand Jury Proceedings (Chapter 1170 of the Statutes of 1996 et al. and 98-TC-27)</u></li> <li>(18) <u>98.01.015.901 – Cal Grants (Chapter 159 of the Statutes of 2001 and 02-TC-28)</u></li> <li>(19) <u>98.01.007.875 – Tuition Fee Waivers (Chapter 78 of the Statutes of 1975 et al. and 02-TC-21)</u></li> <li>(20) <u>98.01.059.389 – Student Records (Chapter 593 of the Statutes of 1989 and 02-TC-34)</u></li> </ul> <p><b>Action: Approve adding schedules to the item, and conform to overall Proposition 98 Mandates action.</b></p>

## ITEMS TO BE HEARD

### 6440 UNIVERSITY OF CALIFORNIA

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#### ISSUE 1: STUDENT SUPPORT AND ACADEMIC PROGRAMS

The issue before the Subcommittee is staff proposed budget bill language to guarantee funding for outreach programs that encourage students.

#### PANELISTS

- Judy Heiman – Legislative Analyst's Office
- Sara Swan – Department of Finance
- Patrick Lenz – University of California

#### BACKGROUND

The Governor's Budget does not earmark funding for the UC Student Academic Preparation and Educational Partnership (SAPEP) programs.

The UC's Student Academic Preparation and Education Partnership programs are concentrated in the following areas: 1) student-centered programs that provide academic enrichment through tutoring, mentoring, college advising, college preparatory coursework, and educational experiences beyond the classroom for K-12 students; 2) school/university partnerships that offer curriculum development, direct instruction, community engagement, and other assistance to many of California's lowest-performing schools; and, 3) enrichment and informational programs for K-12, community college, and graduate and professional students that facilitate ongoing educational opportunities.

Staff notes that the budget bill language included in the recommendation was included in the 2009-10 Budget Act.

*X. The University of California shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of state and university funds for student academic preparation and education programs by September 1 of each year. The university shall not reduce funding for these programs, relative to 2009-10 levels. The university shall submit a report on funding levels to SAPEP to the fiscal committees of each house of the Legislature no later than April 1, 2011.*

**ISSUE 2: REDISTRICTING DATA AT UC BERKELEY**

In November of 2008, voters adopted Proposition 11 which modified California's redistricting process. Among the changes, the measure added Section 8253(b) to the Government Code which states in part that "The Legislature shall take all steps necessary to ensure that a complete and accurate computerized database is available for redistricting, and that the procedures are in place to provide the public ready access to redistricting data and computer software for drawing maps." Since 1992, the responsibility for developing, maintaining, and providing public access to a complete, accurate, and computerized database has been given to the Statewide Database housed at the Institute of Governmental Studies at the University of California, Berkeley.

The collection of Census data in 2010 marks the beginning of the redistricting cycle. The Statewide database must be prepared to provide merged census and political data so that the constitutional and Voting Rights requirements fundamental to the redistricting process can be properly assessed. Because the timetable of the Proposition 11 Commission requires that the data be delivered to them one month after census, it is imperative that the full funding for this project should be guaranteed.

Staff recommends that the Subcommittee redirect funds for the Statewide Database & Election Administration Research Center at the University of California Berkeley:

1. \$240,000 in General Fund for UC employees overseeing data base construction, management, and outreach. The amount would fund only existing employees.
2. \$360,000 in restricted funds for contracted data construction services, rental, equipment, supplies, and other related direct costs. The restricted fund portion of this appropriation shall be exempted from any cuts, charges, or diversions imposed by the University in order that the Redistricting Commission and other redistricting entities can receive their data and carry out their constitutionally mandated functions in a timely manner.

**ISSUE 3: CHARLES DREW UNIVERSITY OF MEDICINE AND SCIENCE**

The issue for the Subcommittee is the request from Charles Drew University of Medicine and Science for additional state support for its programmatic activities.

**BACKGROUND**

After the Watts riot, then Governor Pat Brown appointed a commission to study the cause of the riot. That commission became known as the McCone Commission, headed by John McCone, former Director of the CIA. The Commission made several recommendations; including recommendations around transportation which resulted in the creation of the Los Angeles County Metropolitan Transportation Authority and recommendations around health disparities and services which resulted in the creation of the Los Angeles County Martin Luther King Hospital.

A relationship between CDU and the University of California was created by the Legislature and the Governor with the passage of Senate Bill 1026 in 1973. CDU now receives \$8.7 million dollars from the Legislature through an allocation to the University of California. This funding is channeled through UCLA for a medical program consisting of 28 students who spend their first two years at UCLA, and the last two years at CDU. UCLA supplements the medical training program with \$2 million dollars for instructional services. It should be noted that in all of the years of state funding for CDU, CDU has never received a cost of living (COLA) adjustment. In addition, UCLA retains the fees charged to the 28 students who spend their first two years at UCLA.

During the operation of Martin Luther King Hospital, students completed their residency at the hospital. When the hospital closed, students were then placed all in other hospitals primarily in Los Angeles County. The closing of the hospital resulted in a loss of forty percent of revenue for Charles Drew University. Charles Drew University is requesting an additional \$2 million in its base funding and \$2 million for instructional services for the nursing school.

**ISSUE 4: MEDICAL EDUCATION**

The issue before the Subcommittee is funding medical education at the University of California.

**PANELISTS**

- Judy Heiman – Legislative Analyst's Office
- Sara Swan – Department of Finance
- Patrick Lenz – University of California

**BACKGROUND**

The University of California currently has five medical schools. These schools produce the majority of California's doctors. However, some areas continue to be woefully underserved for their medical needs. The Governor and the Legislature supported the creation of the UC PRIME programs in an effort to address the need for culturally sensitive physician care for an increasingly diverse state. The special training provided to PRIME students ranges from enhancing cultural sensitivities to the use of technology to overcome geographic barriers to quality care. During 2010-11, the PRIME program will help train an additional 135 doctors to serve underrepresented areas.

The current UC medical programs are located at UC San Francisco, UC Davis, UC Irvine, UC Los Angeles, and UC San Diego.

The Inland Empire east of Los Angeles is a medically underserved community. A new medical school has been approved by the UC Regents to open at UC Riverside. UC Riverside medical school is California's first new public medical school in four decades. In February 2010 a dean was hired to oversee the start of operations. If the medical school was to receive the appropriate start-up funding, it could begin admitting students in 2012. Currently, it is not certain when the medical school can start admitting students because there is no funding.



**6610 CALIFORNIA STATE UNIVERSITY**

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**ISSUE 1: STUDENT SUPPORT AND ACADEMIC PROGRAMS**

The issue before the Subcommittee is staff proposed budget bill language to guarantee funding for outreach programs that encourage students.

**PANELISTS**

- Judy Heiman – Legislative Analyst's Office
- Sara Swan – Department of Finance
- Robert Turnage – California State University

**BACKGROUND**

The Governor's Budget does not earmark funding for the CSU student academic outreach programs.

The CSU outreach and student academic preparation programs provide information and academic support to California's diverse population of elementary, middle, secondary, and post-secondary students. Student academic outreach programs target students who are disadvantaged educationally and economically, who are enrolled in public schools that have low college-going rates, and who need assistance in strengthening basic skills in math and English.

At the CSU, the Early Assessment Program (EAP) is one of the outreach programs receiving state support. The EAP program seeks to improve the proficiency level of entering students by assessing their English and mathematics skill levels while the student is still in high school. The EAP reached nearly 500,000 high-school students in 2008.

*X. The California State University shall provide a plan to the Department of Finance and the fiscal committees of each house of the Legislature for expenditure of state and university funds for student academic preparation and outreach programs by September 1 of each year. The university shall not reduce funding for these programs, relative to 2009-10 levels. The university shall submit a report on funding levels to Early Academic Assessment Program, the Educational Opportunity Program, and other academic preparation programs to the fiscal committees of each house of the Legislature no later than April 1, 2011.*

**6440 UNIVERSITY OF CALIFORNIA  
6610 CALIFORNIA STATE UNIVERSITY****ISSUE 1: UC AND CSU SUPPORT BUDGET PROPOSALS**

The issue before the Subcommittee is the Governor's proposed budget augmentations for the University of California and California State University.

**PANELISTS**

- Judy Heiman – Legislative Analyst's Office
- Sara Swan – Department of Finance
- Patrick Lenz – University of California

**BACKGROUND**

The Governor's January Budget proposal provided the two university systems General Fund increases above current year of roughly 16 percent each: \$422.6 million for UC and \$373.4 million for CSU. These increases consist of augmentations to:

- Restore earlier one-time General Fund reductions of \$305 million (\$255 million from the February 2009 Special Session veto and \$50 million in "trigger cuts" to each segment due to the state receiving less than \$10 billion in federal stimulus funds.
- Provide new funding for 2.5 percent enrollment growth of \$51.3 million (5,121 FTES) to UC and \$60.6 million (8,290 FTES) to CSU.

The Assembly proposed budget will provide the same amount of restoration of \$305 million to each institution, to be funded through the Jobs and Economic Security Fund. In addition, to these restorations, the plan provides \$75 million to CSU to reduce the Governor's proposed 10 percent student fee increase to 5 percent, and \$200 million to UC to reduce the 15 percent student fee increase to 5 percent.

**ISSUE 2: LEASE REVENUE BOND – CAPITAL OUTLAY PROJECTS**

The issue before the Subcommittee is the Governor’s proposed capitol outlay projects for the University of California and California State University.

**PANELISTS**

- Mark Whitaker – Legislative Analyst's Office
- Stan Hiuga – Department of Finance
- Patrick Lenz – University of California
- Robert Turnage – California State University

**BACKGROUND**

The Governor proposes 12 lease-revenue funded capital outlay projects for the University of California and California State University. Some of the proposed projects would be initiated with general obligation bonds in 2010-11, but would require lease-revenue bonds to finish in later years. Of these lease-revenue bond funded projects proposed, \$346 million would be appropriated to the UC and \$85 million to the CSU.

The Governor is proposing to use lease-revenue bond because the 2006 General Obligation Bond for higher education is almost fully allocated, leaving few options outside of lease-revenue bonds. Both segments have indicated that the current interest rates are lower than they were in 2007 and estimate that if these projects moved forward, they would generate about 5,650 jobs.

#	Project Name	Description	Amount (000)	Source
1	CSU Stanislaus - Science I Renovation (Seismic)	Seismically retrofit Science Building. Increase lecture and office space, reduce laboratory space.	\$ 18,784	Lease-Revenue
2	CSU San Diego - Storm/Nasatir Halls Renovation	Renovate two adjoining buildings, Storm Hall and Nasatir Hall for seismic retrofits, mechanical and electrical systems, ADA accessibility, and an addition of a utility and elevator core.	\$ 57,169	Lease-Revenue
3	CSU Chico - Taylor II Replacement Building	Demolish a 42-year old existing building and replace it with a new 67,000 square foot building to accommodate the College of Humanities and Fine Arts. The future construction cost of the project will be \$58 million in lease-revenue bond funds.	\$ 2,873	1996 Bond Funds

4	CSU Channel Islands - West Hall	Renovate a portion of West Hall and add 28,800 square feet of new space for lecture, laboratory, and faculty offices. The future construction cost of the project will be \$38.4 million in lease-revenue bond funds.	\$ 2,430	1996 Bond Funds
5	CSU Fresno - Faculty Office/Lab Building	Construct a new 13,400 square foot facility to house research offices for the masters program in Nursing, two classroom laboratories, and faculty offices. The future construction cost of the project will be \$9.5 million in lease-revenue bonds.	\$ 562	1996 Bond Funds
6	CSU San Jose - Spartan Complex Seismic Renovation	Seismic, ADA and life-safety renovation and building systems replacement of Uchida Hall/Natorium; Uchida Hall Annex; Spartan Complex East; and Spartan Complex Central. The future construction cost of the project will be \$54 million in lease-revenue bonds.	\$ 3,240	1996 Bond Funds
7	UC Irvine - Business Unit 2	Preliminary Plans and Working Drawings for a new 47,840 square foot building to supplement the Paul Merage School of Business. The future construction cost of the project will be \$44.3 million, mostly from lease-revenue bonds.	\$ 2,604	Special Funds
8	UC Los Angeles - CHS South Tower Seismic Renovation	Working Drawings and Construction for a project that includes demolition and hazardous materials abatement, seismic retrofit and building shell upgrades, and building infrastructure improvements, including mechanical, electrical, plumbing, and fire and life safety.	\$ 128,953	Lease-Revenue
9	UC Merced - Science and Engineering Building 2	Working Drawings and Construction for a new building to support instruction and research activities for the Schools of Engineering and Natural Sciences.	\$ 81,040	Lease-Revenue
10	UC Santa Barbara - Davidson Library Addition and Renewal	Working Drawings and Construction for new library facilities and renovation and seismic upgrade of existing library facilities.	\$ 67,698	Lease-Revenue
11	UC San Diego - SIO Research Support Facilities	Preliminary Plans and Working Drawings for 21,300 square foot replacement space for the Scripps Institution of Oceanography. The future construction cost of the project would be \$5.5 million from lease-revenue bonds.	\$ 613	1996 Bond Funds

12	UC Berkeley - Campbell Hall Seismic Replacement Building	Construction of a new physical science building, which will include laboratory facilities, space for the Department of Astronomy, and integrate with two nearby buildings.	\$ 65,205	Lease-Revenue
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**7980 CALIFORNIA STUDENT AID COMMISSION****ISSUE 1: MAY REVISE - ADD CONTINGENT FUNDING FOR SHARED SERVICES AND REMOVE OVERSIGHT DIVISION FOR DETANGLING STUDENT AID COMMISSION FROM EDFUND (ISSUES 004, 005, 010)**

The issue for the Subcommittee is the Governor's detangling proposal of shared services for the California Student Aid Commission and EdFund.

**PANELISTS**

- Ian Johnson – Department of Finance
- Judy Heiman – Legislative Analyst's Office
- Diana Fuentes-Michel –California Student Aid Commission

**BACKGROUND**

The Governor requests that \$676,000 General Fund be added to Schedule (1) of Item 7980-001-0001, contingent on the sale of EdFund and upon approval from the Department of Finance (Finance), for the Student Aid Commission (Commission) to assume responsibility for activities that are being performed by EdFund on behalf of the Commission per their operating agreement. It is also requested that Provision 1 be added to Item 7980-001-0784, which will authorize Finance to reduce the appropriation that supports the Commission's Federal Policy and Program Division (FPPD) as it relates to the sale of EdFund. In the event a sale of EdFund is consummated, there will be no need for the FPPD to continue its oversight of EdFund operations after it is finalized. Therefore, it is requested that Finance be provided authority to reduce the FPPD appropriation that: (1) leaves the Commission's FPPD sufficient resources for its fiscal year 2010-11 wind down and (2) reverts resources to the Student Loan Operating Fund (SLOF), which is General Fund fungible.

Final bids for the EdFund sale are currently under review. It is anticipated that a sale will be consummated in the near future, which will require the Commission to assume responsibility for various services in 2010-11 supporting the Cal Grant program such as mail, printing, and information technology currently provided by EdFund. In total, Finance has determined that up to \$1.226 million General Fund and 9.0 positions will be essential for these purposes.

The Governor's Budget (Budget) already contains Budget Bill language authorizing \$550,000 of General Fund carryover for detangling costs to further the sale of EdFund in 2010-11 (note: see technical changes related to this issue later in this letter). Thus, an increase of \$676,000 General Fund will be necessary for 2010-11. In addition, the Commission's budget currently contains \$514,000 SLOF and 6.0 positions for EdFund oversight. Upon completion of a sale, the Commission's FPPD oversight function will no longer be necessary at some point during 2010-11.

It is further requested that Provision X of Item 7980-001-0001 be added to conform to this action:

X. Of the funds appropriated in Schedule (1), up to \$676,000 is available for any expenses that may be necessary or convenient for the Commission to assume activities currently provided by EdFund, to further the intent of the sale, or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007. These funds shall not be expended unless first approved in writing by the Department of Finance.

It is further requested that Provision 1 be added to Item 7980-001-0784 to conform to this action:

1. Upon the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007, the Director of Finance may reduce this appropriation by an amount that leaves sufficient funds for the Commission to phase out Federal Policy and Program activities.

#### **STAFF COMMENTS**

The Governor's proposal also does not include some expenditure items that CSAC has stated are necessary for uninterrupted operations after the detangling. CSAC put forth a \$4.4 million request to the Department of Finance, which approved \$1,226,000, a difference of \$3.2 million.

The budget bill language proposed by the Governor for item 7980-001-0784 is too broad. The Governor's proposal also does not include some expenditure items that CSAC has stated are necessary for uninterrupted operations after the detangling. CSAC put forth a \$4.4 million request to the Department of Finance, which approved \$1,226,000, a difference of \$3.2 million. Staff has reviewed the expenditure items not approved by the Department of Finance and concluded that the following additional items should be funded (Total for these additional items is \$478,000 General Fund):

1. \$280,000 for the Fund Your Future publication (one-time appropriations).
2. \$106,000 for one additional PY for IT.
3. \$60,000 for equipment and software (additional to DOF amount). This includes network switches and database server and software to read the scanned documents that EdFund has processed for CSAC, and that only exist in electronic form now.
4. \$32,000 for security system/video surveillance.

Staff recommends that the Subcommittee take the following actions:

1. Approve \$1,154,000 in General Funds.
2. Approve the \$550,000 reappropriation.
3. Approve the budget bill language for Item 7980-001-0001.
4. Reject the budget bill language for Item 7980-001-0784 proposed by the Governor.
5. Approve the following budget bill language for Item 7980-001-0784:

X. Upon the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007, the Director of Finance may reduce this appropriation by up to \$514,000. Any reduction shall be authorized no sooner than 30 days after notification in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations, the chairpersons of the committees and appropriate subcommittees that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee or his or her designee may determine.



**ISSUE 2: MAY REVISE – REVISE CASELOAD FOR CAL GRANT PROGRAMS AND LOAN ASSUMPTION PROGRAMS (ISSUES 001 AND 002)**

The issue for the Subcommittee to consider and act on is the Governor's increase in funding to reflect revised based caseload estimates Cal Grant and Loan Assumption Programs in the budget year. The changes to caseload drive changes to the appropriations amounts requested in the Budget.

**PANELISTS**

- Ian Johnson – Department of Finance
- Judy Heiman – Legislative Analyst's Office
- Diana Fuentes-Michel –California Student Aid Commission

**BACKGROUND****Budget Year****Item 7980-101-0001, Local Assistance, Revise Cal Grant Programs Caseload**

**(Issue 001)**—It is requested that Schedule (1) of Item 7980-101-0001 be increased by \$10,027,000 General Fund for 2010-11 to reflect revised base caseload estimates for the Cal Grant Program.

**Item 7980-101-0001, Local Assistance, Revise Loan Assumption Programs Caseload**

**(Issue 002)**—It is requested that Schedule (1) of Item 7980-101-0001 be increased by \$547,000 General Fund for 2010-11 to reflect revised base caseload estimates for the loan assumption programs.

**Current Year****Item 7980-101-0001, Local Assistance, Revise Cal Grant Program Caseload (Issue 001)**

—It is requested that local assistance costs be increased by \$11,105,000 General Fund reflecting Cal Grant costs that will exceed the 2009 Budget Act appropriation by at least \$51.0 million. Provision 7 of the 2009 Budget Act authorizes Finance to increase this appropriation for Cal Grant costs upon notification of the Legislature. Finance anticipates making such an adjustment in the near future with a final true-up adjustment late in the calendar year.

**ISSUE 3: MAY REVISE – OFFSET GENERAL FUND FINANCIAL AID PROGRAMS AND CASH FOR COLLEGE PROGRAM OUTREACH MATERIAL COSTS WITH NEW FEDERAL CHALLENGE GRANT FUNDS (ISSUE 003)**

The issue for the Subcommittee is the Governor's shift of General Funds with the Federal Challenge Grant Fund to continue the support of student outreach programs.

**PANELISTS**

- Ian Johnson – Department of Finance
- Judy Heiman – Legislative Analyst's Office
- Diana Fuentes-Michel –California Student Aid Commission

**BACKGROUND**

The Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) reauthorized the federal College Access Challenge Grant (Challenge Grant) Program and increased funding available nationwide. The current estimate from the U.S. Department of Education is that California will receive \$15,039,000 per year for the next five years; up from the \$7,679,000 annually that California had been receiving.

The Governor's May Revise proposes an increase of \$7,360,000 in federal funds spending for local assistance financial aid programs and Cash for College Program outreach material costs; and a decrease of \$7,227,000 General Fund for these programs. The proposal also includes the following budget bill language to item 7980-001-0890:

2. Of the funds appropriated in this item, ~~\$200,000~~ 333,000 is available for the Cash for College Program. This amount reflects funds anticipated from the College Access Challenge Grant Program ~~contingent upon final enactment of HR 3221, or similar authorizing statute~~, for the 2010-11 through 2014-15 federal fiscal years.

The proposal also adds the following budget bill language to item 7980-101-0890:

4. Of the funds appropriated in this item, \$7,227,000 is available for the purpose of offsetting General Fund costs of financial aid programs.

The new federal funds will be used to:

1. Provide an additional \$133,000 for the publishing and distribution of Cash for College Program outreach materials (commonly referred to as the Cash for College Box) currently paid for by EdFund per the operating agreement between CSAC and EdFund. These services would otherwise end once the EdFund is sold later in 2010.
2. Offset financial aid program General Fund costs with newly available federal funds, which will help narrow the budget gap. The use of Challenge Grant funds for the General Fund financial aid programs is allowable under federal statute.

The following is the recommended action for the Subcommittee:

**7980-001-0890 (Federal Trust Fund for Support Item):** Increase appropriation by \$133,000 Federal Trust Fund, from \$130,000 to \$263,000.

**7980-101-0890 (Federal Trust Fund for Local Assistance):** Increase appropriation by \$7,227,000 Federal Trust Fund, amend Schedule (3) of Item 7980-101-0001 to conform, and reduce 7980-101-0001 by \$7,227,000 General Fund.

**Add Provision 4 of 7980-101-0890:**

4. Of the funds appropriated in this item, \$7,227,000 is available for the purchase of loan assumptions as specified in Provisions 1, 7, and 8 of Item 7980-101-0001. This amount reflects funds anticipated from the College Access Challenge Grant Program. The Director of Finance shall notify the Chair of the Joint Legislative Budget Committee within 30 days of federal approval or disapproval of the state's application for funding from the Challenge Grant Program. Nothing in this provision shall limit the number of new loan assumption warrants issued up to the maximum numbers authorized in Item 7980-101-0001.

**ISSUE 4: MAY REVISE – REVISE THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES REIMBURSEMENT (ISSUE 006, 009, 011)**

The issue for the Subcommittee is the Governor's shift of General Funds with Temporary Assistance for Needy Families (TANF) to offset Cal Grant Program General Fund costs by an additional \$10.3 million to \$28.7 million, as part of the Governor's shift due to the elimination of the CalWORKs program.

**PANELISTS**

- Ian Johnson – Department of Finance
- Judy Heiman – Legislative Analyst's Office
- Diana Fuentes-Michel –California Student Aid Commission

**BACKGROUND**

The Governor's budget proposal allocated \$18,336,000 from the TANF Grant to offset General Fund costs of the Cal Grant program available as a result of savings generated through a proposed 15.7 percent cash assistance rate reduction in the California Work Opportunities and Responsibility to Kids (CalWORKs) program. Since this proposal was not adopted in the Special Session, the General Fund savings erosion of \$4,584,000 is reflected.

**May Revise Proposal.** Based on updated May Revise caseload projections for the CalWORKs program, the amount available from TANF for General Fund Cal Grant program costs increased by \$100,924,000. Finally, due to the proposal to eliminate the CalWORKs program, the amount available will decreased by \$86,007,000. The proposal would be effective July 1, 2010, and would include a 90-day sunset to wind down the program. Thus, the amount of federal TANF resources available for General Fund Cal Grant Program costs is approximately one-quarter of the previously anticipated amount, totaling \$28,669,000.

**STAFF COMMENTS**

Subcommittee 1 on Human Services took action to reject the Governor's proposal to eliminate the CalWORKs program. The recommended action is to conform to the final decisions of CalWORKs and support funding restoration to fully fund the Cal Grant programs.

**ISSUE 5: MAY REVISE – REMOVE THE GOVERNOR’S BUDGET PROPOSAL TO SUSPEND THE COMPETITIVE CAL GRANT PROGRAM (ISSUE 007)**

The issue for the Subcommittee is the Governor’s retraction of his January proposal to suspend the Competitive Cal Grant program.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Student Aid Commission

**BACKGROUND**

In January, the Governor had again proposed to suspend the Competitive Cal Grant program, which assists low-income, disadvantaged students who compete for this grant and are older, non-traditional individuals returning to postsecondary education. The Governor had scored \$45.5 million in General Fund savings.

The Governor provides an increase of \$45,517,000 to reflect withdrawal of the budget proposal to suspend awards in 2010-11. The proposal also notes that the Governor’s revise budget no longer considers the decoupling of fees and freezing income ceilings for the Cal Grant Programs as part of the federal fund trigger reductions.

The budget process works opposite of the operations of higher education institutions. Students have already been notified if they are eligible to receive a Cal Grant award and have submitted their acceptance to their campus of choice in order to attend this fall 2010, and any reduction at this point would significantly impact their ability to afford college.

**ISSUE 6: MAY REVISE – OFFSET CAL GRANT PROGRAM COSTS WITH EXCESS STUDENT LOAN OPERATING FUND (ISSUE 008)**

The issue for the Subcommittee is the Governor’s proposal to shift \$75 million of Student Loan Operating Fund (SLOF) in lieu of General Fund to support the Cal Grant Program costs.

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Student Aid Commission

**BACKGROUND**

The Student Loan Operating Fund is composed of penalty and interest revenue generated by students paying back their default loans, and thus is fungible with General Fund. The SLOF balance varies throughout the year and has been used each year to support CSAC programs in exchange of General Fund support.

The Legislative Analyst’s Office indicates that the fund can potentially provide an additional \$25 million to \$40 million in General Fund relief, while protecting the Cal Grant Programs.

7980-101-0784—For local assistance, Student Aid Commission, CalGrant Program, for payment to Item 7980-101-0001, payable from the Student Loan Operating Fund.....	75,000,000
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(4) Amount payable from the Student Loan Operating Fund (Item 7980-101 0784).....	75,000,000
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**ISSUE 7: AB 187 – CAL GRANT PILOT PROJECT TRAILER BILL PROPOSAL**

The issue for the Subcommittee is the Governor's proposed changes to AB 187 (Chapter 644, Statutes of 2009).

**PANELISTS**

- Department of Finance
- Legislative Analyst's Office
- California Student Aid Commission

**BACKGROUND**

AB 187 (Committee on Budget, 2009) created a pilot program to decentralize financial aid programs administered by the California Student Aid Commission (CSAC) and granted authority for up to 35 qualifying institutions to voluntarily administer award grants under the Cal Grant A and B Entitlement Programs and the California Community College Transfer Cal Grant Entitlement Program. Specifically, the University of California (UC), the California State University (CSU) and the California Community Colleges (CCC) would participate in a pilot program to administer Cal Grant entitlement awards for students attending the respective institutions.

AB 187 prohibits CSAC from implementing the pilot alternative delivery system until prescribed conditions are met, including receiving commitments from at least 30, but not more than 35, qualifying institutions electing to participate in the alternative delivery system and to pay the costs associated with developing and implementing the pilot alternative delivery system.

The Governor's January 10 Budget includes trailer bill language that makes changes to the Cal Grant's pilot project language. The primary changes are:

1. Eliminate the requirement that a minimum of 30 institutions have to participate to start the pilot. Keeps the requirement that the pilot include no more than 35 institutions.
2. Eliminate the requirement that the California Student Aid Commission approve a qualifying institution's application to participate in the pilot program. Instead, institutions would submit an application to the Commission certifying their compliance with program requirements and the submission of the application would be deemed sufficient to begin the awarding of Cal Grants.
3. Clarifies that only the administrative costs associated with the pilot program are to be paid by the participating institutions.

The pilot project emergency regulations have only just been completed (ahead of schedule). Because there were no regulations until May 2010, no institutions have volunteered to participate in the pilot program. By allowing a lower number of institutions

to participate, it is possible that one or more of the higher education segments will not participate in the pilot project at all.

The language of AB 187 was somewhat ambiguous as to which expenditures the institutions would be responsible for in the Cal Grant pilot program. The trailer bill language clarifies that the institutions cover only the administrative costs.

**STAFF COMMENTS**

There are no State savings associated with this proposal. Given that this proposal amends current law, it would be imperative that any major policy change be directed to the policy process for a full vetting of the implications of the proposed changes.



## ITEMS TO BE HEARD

### 6110-196 CALIFORNIA DEPARTMENT OF EDUCATION

**ISSUE 1: APRIL FINANCE LETTER – TECHNICAL CHANGES AND ADJUSTMENTS  
(ISSUES 401 AND 407, 326, AND 324)**

The issue for the Subcommittee is the technical changes provided via the April Finance Letter process.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

**1. Item 6110-170-0001, Local Assistance, Add Career Technical Education Program (Issue 401 and 407)**

The April Finance Letter requests that item 6110-170-0001 be increased by \$498,000 to reflect one-time reimbursement carryover for the Career Technical Education Program (CTE), which will allow for the completion of two projects that could not be completed in the current year due to contract delays.

It is further requested that provisional language be amended to clarify that CTE funding is also provided from the Quality Education Investment Act in accordance to Education Code Section 52055.770 (f).

“1. Funding in this item shall be provided through a transfer from Schedule (21) of Item 6870-101-0001 and from the Quality Education Investment Act in accordance with Education Code Section 52055.770(f), pursuant to an interagency agreement between the Office of the Chancellor of the California Community Colleges and the State Department of Education.”

X. Of the funds appropriated in this item, \$498,000 reflects one-time reimbursement funding to complete two projects initiated in 2009-10.

**2. Item 6110-197-0001, Local Assistance, 21<sup>st</sup> Century Community Learning Centers (Issue 326)**

The 21st Century program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools. The program is

intended to help students meet state and local student standards in core academic subjects, such as reading and math; offer students a broad array of enrichment activities that can complement their regular academic programs; and offer literacy and other educational services to the families of participating children.

The program is funded with federal funds. As the state learns the amount of federal funds it will receive there may need to be an adjustment to the budget bill estimate.

The Governor is requesting a decrease of \$4,433,000 to Item 6110-197-0890, Local Assistance, to reflect current estimates of one-time carryover in the federal 21st Century Community Learning Centers program. This change includes the following budget bill language:

"2. Of the funding provided in this item, ~~\$49,096,000~~ \$44,663,000 is available from one-time carryover funds from prior years."

### **3. Item 6110-196-0001, Local Assistance, Child Care Program (Issue 324)**

The 2009 Budget provided \$250,000 from the Child Care and Development Fund for the Child Care Characteristics Study. In addition, provisional language was included requiring a contract for a one-time study to identify the characteristics of the children, families, and providers served by subsidized child care contracts and to determine the costs of the care provided. The CDE is required to provide a report to the Department of Social Services, the Department of Finance and the Legislative Analyst no later than September 1, 2010.

The Governor is requesting an extension of time for the completion of the Child Care Characteristic Study from September 1, 2010 to March 1, 2011. The proposal includes the following change to budget bill language:

"13. The State Department of Education shall provide the study on the characteristics of families and costs of care pursuant to Provision 13 of Item 6110-196-0001 of the Budget Act of 2009 to the State Department of Social Services, the Department of Finance, and the Legislative Analyst no later than September 1, 2010 March 1, 2011."

**ISSUE 2: MAY REVISE – TECHNICAL CHANGES AND ADJUSTMENTS (ISSUES 325, 327, AND 330)**

The issue for the Subcommittee is the technical changes provided via the May Revise Finance Letter process.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND****1. Item 6110-196-0001, Local Assistance, Amend Provisional Language for Child Care Quality Activities (Issue 330)**

The May Revise Finance Letter requests that Provision 3(a) and (b) of this item be amended to adjust the quality earmarks under the Child Care and Development Block Grant as follows:

“(a) ~~\$1,980,315~~ \$2,002,671 is for the school-age care and resource and referral earmark.  
(b) ~~\$11,215,998~~ \$11,342,626 is for the infant and toddler earmark and shall be used for increasing the supply of quality child care for infants and toddlers.”

**2. Item 6110-196-0001 and 6110-196-0890, Local Assistance, Adjust Federal Child Care Funds (Issue 327)**

The May Revise Finance Letter requests that the CalWORKs Stage 3 child care program in Item 6110-196-0001 be increased by \$3,902,000 to reflect the following: (1) an increase of \$2,115,000 in ongoing federal funds and (2) an increase of \$1,787,000 in one-time federal funds available from prior years.

It is further requested that Provision 5 of Item 6110-196-0890 be amended as follows:

“5. Of the funds appropriated in this item, ~~\$21,951,000~~ \$23,738,000 is available on a one-time basis for CalWORKs Stage 3 child care from federal Child Care and Development Block Grant funds appropriated prior to the 2010 federal fiscal year.”

**ISSUE 3: MAY REVISE – ADD REIMBURSEMENT AUTHORITY FOR THE EARLY LEARNING ADVISORY COUNCIL (ISSUE 321)**

The issue before the Subcommittee is the Governor's May Revise proposal for funding the California Department of Education's (CDE) work with the Early Learning Advisory Council, and the staff's alternative level of funding.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

The Governor's May Revise includes a request for \$118,000 in increased reimbursement authority from the California Children and Families Commission to fund one redirected position and associated committee expenses to support the Advisory Council on Early Learning Childhood Education and Care (ELAC), established by Executive Order S-23-09, subject to an expenditure plan approved by the Department of Finance.

This funding would augment the current resources available for the Early Learning Quality Improvement System Advisory Committee (ELQIS) created by Chapter 307, Statutes of 2008, which has been subsumed within the ELAC. It is anticipated that these resources will enable the state to develop a successful proposal for \$10.6 million in federal American Recovery and Reinvestment Act (ARRA) funds authorized for the ELAC.

The Governor's May Revise also requests that reimbursement authority for two existing limited-term positions for the ELQIS be extended through June 30, 2013 to support the work of the ELAC. The Governor's proposed budget bill language is as follows:

“22. (a) Of the reimbursements appropriated in Schedule (8) of this item, \$439,000 and 2.0 limited-term positions until July 1, ~~2014~~ 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education (SDE) to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

(b) Of the reimbursement funds appropriated in this item, \$118,000 is provided for one redirected position and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission. The SDE shall submit a plan for the expenditure of these funds for approval by the Department of Finance by September 1, 2010.”

**Department of Education Support for ELAC.** CDE staff will be needed to work with the ELAC to, among other things, convene and support ELAC meetings; facilitate ARRA funding applications for the State; identify opportunities for collaboration and coordination among entities carrying out federally-funded, state-funded and locally-funded child development, child care and early childhood education programs; and facilitate the ELAC to make recommendations for improvement in state early learning standards, as appropriate. CDE has provided the Budget.

#### STAFF COMMENTS

The California Department of Education (CDE) has received a \$2 million grant over three years from the First 5 California Commission. However, the Department of Finance only approved \$118,000 in expenditures from this grant for the first of the three years. If the contract funds were spent according to the three year plan, the CDE would need \$503,000 in reimbursement authority (First 5 California Commission funds are federal funds). CDE estimated that they would need four positions to complete the work.

Staff recommends that the Subcommittee approve the budget request as amended. Staff also recommends that the Subcommittee approve the budget bill language with an amendment to provide the CDE with 3.0 PY from the First 5 California Commission grant for 2010-11.

“22. (a) Of the reimbursements appropriated in Schedule (8) of this item, ~~\$439,000~~ ~~\$942,000~~ and ~~2.0-4.0~~ limited-term positions until July 1, ~~2014~~ 2013, pursuant to an agreement with the California Children and Families Commission, shall be available to the State Department of Education (SDE) to support the activities of the Early Learning Quality Improvement System Advisory Committee established by Chapter 307 of the Statutes of 2008, and the Advisory Council on Early Childhood Education and Care (ELAC) pursuant to Executive Order S-23-09.

(b) Of the reimbursement funds appropriated in this item, ~~\$118,000~~ ~~\$503,000~~ is provided for one redirected position, two new positions, and associated committee expenses to support the activities of the ELAC, pursuant to an agreement with the California Children and Families Commission.”

**ISSUE 4: MAY REVISE – PLAN TO RECOVER IMPROPER PAYMENTS FROM CHILD CARE PROGRAMS (ISSUE 329)**

The issue for the Subcommittee is the Governor's trailer bill language to implement a recovery plan of improper payments from Child Care Providers.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

The Governor proposes statutory changes to collect overpayments from families that benefit from the errors. The Department of Education would be required to impose appropriate sanctions on Alternative Payment Providers that do not reduce the incidence of overpayments and on providers and families involved in providing inaccurate information relative to eligibility, hours of care, or miscalculation of fees and reimbursements. This proposal includes all child care programs administered by the CDE and the Department of Social Services, including state direct funded centers and family child care homes. The proposal also requests that CDE be required to report on the implementation of the overpayment recovery plan by March 1, 2011.

**STAFF COMMENTS**

These low-income families receiving child care support would have to pay for the overpayments resulting from errors "regardless of whether the overpayments are due to provider or recipient error or whether the error is intentional or inadvertent in nature."

There are no State savings associated with this proposal. Given that this proposal amends current law, it would be imperative that any major policy change be directed to the policy process for a full vetting of the implications of the proposed changes.

**ISSUE 5: GOVERNOR'S PROPOSAL – CHILD CARE POLICY REFORMS AND CORRESPONDING BUDGET CHANGES (ISSUE 323)**

The issue for the Subcommittee to consider and act on the Governor's child care policy reforms with an implementation date of October 1, 2010.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

**1. Reduce State Median Income.** Lowers the Eligibility Ceiling from 75 percent to 60 percent of the State Median Income, a reduction of \$54.4 million. The only program excluded from this policy change would be the State Preschool Program.

This would mean the highest income Stage 3 families would lose care, but services for the lowest income families would be protected. The LAO estimate approximately 4,000 children currently receiving Stage 3 care are from families who earn more than 60 percent of the SMI (60 percent of the SMI equates to a monthly income of about \$3,350 for a family of four.) We estimate this change would lead to about \$15 million in Proposition 98 savings in 2010–11.

**2. Reimbursement Rate Reductions.** The Governor proposes lowering the maximum reimbursement rate from the 85<sup>th</sup> percentile to the 75<sup>th</sup> percentile of regional market rates, based on the 2005 Regional Market Rate (RMR) survey. The Governor also proposes to lower the maximum reimbursements for license-exempt providers from 90 percent to 70 percent of the licensed rate. In combination, the Governor estimates these rate reductions would generate \$132 million in savings, of which \$77 million is in Proposition 98 savings. Under this proposal, the state would continue to pay for the same number of child care slots, but the maximum rate it would pay would be less for each slot. Since the Legislature did not enact this proposal, the savings has been reduced by \$22.4 million.

Many families in the state's subsidized child care system – including families in the CalWORKs program as well as low-income families eligible for non-CalWORKs programs – receive care using state funded vouchers. Currently, these vouchers reimburse licensed child care providers at a maximum rate equivalent to the 85<sup>th</sup> percentile of the rates charged by all providers in the region. Every two years, the state conducts a regional market rate (RMR) survey to collect data on these changes. License-exempt providers – typically relatives providing care without a license – are reimbursed at 90 percent of the maximum licensed rate.

Provider rate reductions have been proposed by the Administration in prior years. During previous subcommittee hearings on this topic, child care providers testified that rate reductions could make it very difficult for licensed family child care providers and centers that accept families with subsidies (and are reimbursed through the voucher system) to stay in business and provide high quality services.

**3. Item 6110-196-0001, Local Assistance, Change to Child Care Policy Reforms (Issue 323)**

The May Revise Finance Request that this item be adjusted to reflect the following: (1) an increase of \$22,375,000 related to the erosion of savings attributed to the RMR reform proposal, (2) a decrease of \$54,373,000 to reduce the income eligibility limit from 75 percent to 60 percent of the state median family income for all subsidized child care programs, except for State Preschool, and (3) an increase of \$31,998,000 to partially mitigate the reduction to CalWORKs Stage 3 child care.



**ISSUE 6: GOVERNOR'S PROPOSAL: REDUCTION OF CALWORKS STAGE 3 PROGRAM**

The issue before the Subcommittee is the Governor's proposal to reduce CalWORKs Stage 3 program by one-third, or \$123 million in Proposition 98 savings.

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

The Governor proposes to reduce the CalWORKs Stage 3 program by \$123 million – eliminating about 18,000, or one-third, of all Stage 3 slots. The administration estimates roughly 11,000 of these slots could be eliminated by not backfilling for normal Stage 3 attrition and 7,000 children would have to be dis-enrolled from current Stage 3 placements, with lower-income families receiving priority for maintaining care.

***Proposal Would Displace Neediest Families.*** Presumably, the displaced CalWORKs families would instead seek care from the state's subsidized non-CalWORKs programs. However, because roughly 200,000 children are on waiting lists for non-CalWORKs slots, the families displaced by the Stage 3 change would not be guaranteed subsidized care. There are concerns about what this might mean for transitioning Stage 2 families who have recently worked their way off of cash aid, likely earn well below the State Median Income, and could be at risk of going back to CalWORKs aid if they suddenly lose their child care.

**ISSUE 7: TECHNICAL ADJUSTMENT TO SB 701 (MIGDEN)**

The issue before the Subcommittee is a request from the Department of Education to address a drafting error when the original pilot language was developed by SB 701 (Chapter 725, Statutes of 2005).

**PANELISTS**

- Sara Swan – Department of Finance
- Rachel Ehlers – Legislative Analyst's Office
- Camille Maben – California Department of Education

**BACKGROUND**

SB 701 created a pilot project to establish an individualized child care subsidy plan for the City and County of San Francisco utilizing existing child care funds. The child care contracts operate on the calendar year and not the fiscal year requiring the child care development plan to end in the middle of the fiscal year, which would require San Francisco to alter their reimbursement structure and adjust their provider's contract funding, which would weak their ability to plan out the rest of the fiscal year and meet the goals set by the pilot project.

The Department of Education is proposing trailer bill language to extend the San Francisco child care pilot program by six months to align with the fiscal year rather than calendar year. This proposed language would allow the City and County of San Francisco's pilot program to operate the entirety of the 2010-11 fiscal year as was originally intended. It should be noted that this will not create any additional costs, as the pilot program does not receive any additional funds.

The proposed language would read as follows:

***Amend Education Code 8335.5 to read:***

8335.5. The City and County of San Francisco may implement its individualized child care subsidy plan until ~~January 1~~ **June 30**, 2011, at which date the city and county shall terminate the plan. Between ~~January 1~~ **June 30**, 2011, and ~~January 1~~ **June 30**, 2013, the city and county shall phase out the individualized county child care subsidy plan and, as of ~~January 1~~ **June 30**, 2013, shall implement the state's requirements for child care subsidies. A child enrolling for the first time for subsidized child care in the city and county after ~~January 1~~ **June 30**, 2011, may not be enrolled in the pilot program established pursuant to this article and is subject to existing state laws and regulations regarding child care eligibility and priority.