

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Carol Liu
Senator Mark Wyland



Tuesday, April 29, 2014
1:30 p.m.
Room 3191, State Capitol

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<u>Item</u>	<u>Department</u>
6110	Department of Education
6120	California State Library
6870	California Community Colleges

Vote Only Item

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Public Comment

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Items Proposed for Vote Only

6120 CALIFORNIA STATE LIBRARY

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Issue 1: Library and Courts Building Reappropriation

Governor's Proposal. A Spring Finance Letter proposes a reappropriation of \$1 million of the funds to support costs associated with relocating California State Library (State Library) staff and materials back to the recently-renovated Library and Courts Building.

Background. The 2013 Budget Act provided \$1.5 million General Fund to support one-time relocation costs for the State Library as it moved back into the renovated Library and Courts Building. The relocation was expected to be completed by May 2014. Due to delays in installing new shelving in the building, authority for the relocation funds needs to be extended into the next fiscal year.

Staff Recommendation. Approve as proposed.

Issue 2: Community College Capital Outlay Proposals

Governor's Proposal. The Governor's budget and a Spring Finance Letter propose funding for the following eight community college capital outlay projects.

CCC Governor's Budget Capital Outlay Proposals				
College	Project	Phase	Amount	Fund Source
College of the Redwoods	Utility Infrastructure Replacement/Seismic Strengthening	Preliminary Plans and Working Drawings	\$3.4 Million	2006 California Community College Capital Outlay Bond Fund
Solano College	Theater Renovation	Construction	\$12.6 Million	2006 California Community College Capital Outlay Bond Fund
Santa Barbara City College	Campus Center Seismic and Code Upgrades	Preliminary Plans and Working Drawings	\$1.6 Million	2006 California Community College Capital Outlay Bond Fund
El Camino College, Compton Center	Instructional Building 1 Replacement	Preliminary Plans and Working Drawings	\$782,000	2006 California Community College Capital Outlay Bond Fund

Mt. San Jacinto College	Fire Alarm System	Preliminary Plans and Working Drawings	\$413,000	2004 Higher Education Capital Outlay Bond Fund
Los Rios Community College District, Davis Center	Davis Center Phase 2	Preliminary Plans and Working Drawings	\$207,000	2006 California Community College Capital Outlay Bond Fund
Citrus College	Hayden Hall #12 Renovation	Preliminary Plans and Working Drawings	\$147,000	2004 Higher Education Capital Outlay Bond Fund
Rio Hondo College	L Tower Seismic and Code Upgrades	Preliminary Plans and Working Drawings	\$1.8 million	2006 California Community College Capital Outlay Bond Fund

Staff Recommendation. Approve as budgeted.

Issue 3: Redevelopment Agency Funding Backfill

The Governor's budget proposes \$38.4 million Proposition 98 General Fund in the current year and \$35.6 million Proposition 98 General Fund in the budget year to shift a portion of the redevelopment agency revenues that are scheduled to be received in the final months of the fiscal year to the following fiscal year.

Additionally, the Governor proposes trailer bill language that would move up the timing upon which the Department of Finance annually bases funding for the backfill process. Under the proposal, Proposition 98 General Fund would be used to backfill the difference between estimated total fiscal year redevelopment agency revenues and the amount California Community Colleges (CCCs) receive through April 15th. This change will allow districts to have more certainty when preparing their fiscal plans.

Staff Recommendation. Approve as budgeted.

Items Proposed for Discussion/Vote

6120 CALIFORNIA STATE LIBRARY

Overview

The California State Library is the state's information hub, preserving California's cultural heritage and connecting people, libraries, and government to the resources and tools they need to succeed and to build a strong California. Founded in 1850, the California State Library is the oldest and most continuous cultural agency in the State of California.

Decades before there was a university system or a public library system, there was the California State Library. The California State Library has responsibility to:

- Collect, preserve, and connect Californians to our history and culture.
- Support a transparent government by collecting, preserving, and ensuring access to California state government publications, federal government information, and patent and trademark resources.
- Ensure access to books and information for Californians who are visually impaired or have a disability and are unable to read standard print.
- Support the capacity of policy leaders to make informed decisions by providing specialized research to the Governor's Office and the Cabinet, the Legislature, and constitutional officers.
- Provide services that enable state government employees to have the information resources and training they need to be effective, efficient, and successful.
- Lead and promote innovative library services by providing and managing state and federal funding programs to ensure all Californians have access, via their libraries, to the information and educational resources they need to be successful.
- Develop and support programs that help Californians (from birth through adulthood) acquire the literacy skills they need to thrive in the 21st Century.

The following table displays the budgeted expenditures and positions for the State Library as proposed in the Governor's budget. Of the amounts displayed in the table, \$19.1 million in 2012-13, \$24.0 million in 2013-14, and \$23.6 million in 2014-15 are supported by the General Fund. The remainder of funding comes from federal funds and various special funds.

Dollars in Millions

Governor's Budget – State Library Budgeted Expenditures and Positions			
	2012-13	2013-14	2014-15
Personal Services	\$10	\$12	\$12
Operating Expenses and Equipment	\$12	\$17	\$12
Local Assistance	\$14	\$19	\$20
Total Expenditures	\$36	\$48	\$44
Positions	129.2	138.8	135.8

Issue 1: Local Library Internet Speeds

Governor's Proposal. The Governor's budget proposes \$3.3 million General Fund (\$2.25 million ongoing) for the State Library to increase internet speeds at local libraries. Of the amount proposed, \$2.25 million would pay for half of a \$4.5 million annual contract with Corporation for Education Network Initiatives in California (CENIC) for access to its high-speed internet backbone and related services. The Governor's budget includes budget bill language directing the State Library or local libraries to secure additional non-General Fund resources, as necessary, to ensure that public libraries have access to a high-speed network. Although not explicitly specified, the Governor assumes the remaining CENIC contract costs would be paid from the California Teleconnect Fund (CTF). Lastly, the Governor proposes to spend \$1 million, on a one-time basis, in 2014-15 to purchase networking equipment for libraries.

Background. Like many state and local programs, General Fund support for the State Library and local libraries has diminished significantly in recent years. For example, state funding for local programs, including adult literacy classes and technology services, was \$48.5 million in 2006-07; the amount appropriated in 2013-14 is \$4.7 million.

Based on legislative discussion last year, the 2013 Budget Act directed the State Library to examine internet access at local libraries and develop a spending plan to connect all local libraries to a statewide high-speed internet network. The language specifically required the State Library to: 1) evaluate local libraries' current internet connectivity and expenditures; 2) identify options for connecting all libraries to high-speed internet, including the option of using the CENIC; and, 3) estimate the costs of the identified connectivity options.

The State Library released its report on January 31, 2014. The Legislative Analyst's Office (LAO) provided the following summary of the report:

The State Library surveyed local libraries about their current internet service and received responses from 828 library branches (74 percent of all branches). All respondents reported being connected to the internet.

- About 40 percent of library branches reported they operate at speeds the State Library has defined as very slow—between 1.5 and 10 megabits per second (mbps). This is similar to the speeds of many households.
- Another 40 percent of respondents reported having speeds between 10 and 100 mbps, which the State Library defines as slow.
- The remaining 20 percent of libraries reported operating at speeds between 100 mbps and 1,000 mbps or higher. The State Library defines these speeds as medium to fast. Typically, these speeds are not available to residential consumers and are used by businesses and governmental organizations.

The survey further found that libraries with the slowest speeds generally are concentrated in rural areas in the northern and inland regions of the state, while libraries with faster speeds are concentrated in urban areas in the southern and coastal regions of the state.

CENIC was created in 1997 by the University of California and several private research universities to develop a high-speed “backbone” network to support university research. The CENIC network currently allows California's education and research communities to leverage their networking resources in order to obtain cost-effective, high-bandwidth networking to support their missions and respond to the needs of their faculty, staff, and students. Currently, the CENIC consortium includes the UC, CSU, California Community Colleges, K12, and private universities (USC, Caltech, Stanford). Through the Charter Associates, over 10,000 education institutions in California are connected to the CENIC network.

The State Library's report suggests CENIC likely would obtain half of the funding needed to cover the contract from the California Teleconnect Fund, which is administered by the Public Utilities Commission (PUC) and provides discounts to qualifying schools and libraries, as well as hospitals, health clinics, and community organizations on telecommunications and internet services. CENIC would submit the State Library's \$4.5 million internet services invoice to the Fund, which would then reimburse CENIC for 50 percent of that charge (\$2.25 million).

Legislative Analyst's Office. The LAO recommends that the Legislature reject the proposal. They note the following concerns:

- The Governor's proposal would not increase internet speeds for some libraries because local governments may restrict local libraries' ability to purchase faster service, libraries themselves may not choose to purchase faster speeds, and obtaining significantly faster speeds would be impossible for some libraries without costly infrastructure upgrades in their area.
- The \$4.5 million requested for the CENIC contract may not reflect the actual cost for libraries to use the CENIC backbone and receive related services.
- The plan does not address how a potential shortfall in funding for the CENIC contract would be addressed if the PUC enacts a different reimbursement structure for California Teleconnect Fund claims. The PUC is currently reviewing this fund and may enact a rate restructuring proposal.
- The proposal lacks sufficient cost data to support the request for equipment funding.
- The plan does not estimate the costs for local libraries to access the CENIC backbone, but available data suggest these costs likely are significant.

Staff Comment. Staff notes that this proposal is consistent with a similar proposal adopted by this subcommittee last year. The final budget package, however, removed

the funding approved by the subcommittee and instead required the State Library report.

Public libraries continue to be key access points for individuals that do not have access to the internet and/or computer hardware in their home. The California Library Association reports that local libraries are experiencing record levels of patron attendance, and the pressures on their broadband infrastructure are at an all-time high. As our world continues to be more and more oriented toward on-line interfaces whether it is applying for jobs or a license with the DMV, this leaves low-income households that do not have access to affordable internet service or the hardware necessary to access the internet at a deficit.

- **The current system is inadequate and this proposal will improve internet access at hundreds of public libraries.** The status quo is unacceptable, and this is the least costly solution to improving internet services at libraries. Library officials believe nearly half of public libraries do have the current infrastructure in place to connect to CENIC, and the Governor's proposal provides some funding to allow other libraries to upgrade their systems.
- **The potential benefits far outweigh the potential concerns.** In a letter to the subcommittee supporting the proposal, the California Library Association notes that one library system – the Peninsula Library System in San Mateo County – has joined CENIC in a pilot project, and has enjoyed much faster internet speeds at half the cost of what they were paying. Joining CENIC will allow libraries to act as bulk purchasers, potentially cutting costs. In addition, CENIC officials will help libraries obtain both federal and state discounts, something that requires resources that many local libraries do not have.
- **Libraries – not the General Fund – must come up with the funding to join CENIC.** The LAO is concerned that the proposal may not provide enough money to allow libraries to join CENIC and gain the maximum benefit from CENIC. However, budget bill language clearly states that libraries, not the state, are on the hook for additional funding to make the program work. State Library and Department of Finance officials believe their plan will be adequate.
- **The California Teleconnect Fund was created to help bridge the digital divide – exactly the rationale for this proposal.** The Teleconnect Fund uses a small surcharge on consumers' bills - .59 percent of the bill - to provide discounts for advanced telecommunications services for schools, libraries, public health care providers, and other organizations that provide a public service. Many libraries already receive discounted rates through this program. The 2014-15 budget for this fund projects \$118.1 million in revenue and a \$10.5 million reserve, which appears sufficient to cover the additional \$2.5 million in costs of libraries joining CENIC.

Staff Recommendation. Approve the proposal in order to provide the libraries with a means to significantly improve internet services provided to patrons, many of whom use these services to perform critical tasks. However, given concerns that have been raised by the LAO, consistent with the Assembly's action, adopt budget bill language to require an annual report describing the implementation of this project, including how many libraries are participating, how the participating libraries' technology costs and Internet speeds have changed due to the project, and how the \$1 million in grants were used.

6110 DEPARTMENT OF EDUCATION**6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES****Issue 2: Career Technical Education (Information Only)**

Issue: Career technical education (CTE) has attracted increasing amounts of attention and focus in recent years, responding both to the needs of students and the demands of future employers. At the same time, the approach to CTE taken by the state and school districts has shifted in response to policy priorities and new education funding approaches.

K-12 Career Technical Education Programs

Background: High school CTE includes instruction in a number of fields. The California Department of Education (CDE) defines CTE as coursework in one of 15 industry areas. These industries are diverse and broad in scope. The CTE industry sectors include the following: agriculture and natural resources; arts, media, and entertainment; building and construction trades; business and finance; education, child development, and family services; energy, environment, and utilities; engineering and architecture; fashion and interior design; health science and medical technology; hospitality, tourism, and recreation; information and communication technologies; manufacturing and product development; marketing, sales, and service; public services; and transportation. The state has CTE model curriculum standards for grades 7-12 in the 15 identified industry sectors, but there is currently no assessment of career readiness.

Recent Pedagogical Trends. High school CTE traditionally has been thought of as an alternative to a college preparatory pathway. As the Legislative Analyst's Office (LAO) notes, however, in recent years, the differences between the two 'tracks' has become somewhat blurred, as the state has focused more on the policy goal of ensuring that students have both college and career options upon graduating from high school. This has increased the state's emphasis on promoting career pathways, which are sequences of courses that align with postsecondary education and industry needs. In addition, there is growing literature on the benefits of applied learning, in which students are taught math, English, and other subjects in a way that incorporates students' interests in an occupational field. As a result, many CTE courses have become integrated into high school students' regular instructional curriculum—thereby decreasing the traditional distinction between CTE and core instruction. For example, a college-bound student may take high school CTE courses, such as engineering and graphic arts, to satisfy course requirements for admission to four-year university systems, while a student interested in entering the workforce directly after graduation may learn math and science as part of a health occupations course. In other situations, however, the traditional model of distinct vocational programs remains in place, with numerous successful examples in evidence.

Programs and Funding Sources. High schools receive funding for CTE in various forms, including categorical programs, one-time competitive grants, foundation funding, and federal funding. In addition, many high schools fund CTE instruction using their general purpose Local Control Funding Formula (LCFF) monies. The various programs and their funding sources are shown in the figure compiled by the LAO below:

**California’s High School Career Technical Education (CTE) Programs
2013–14, Unless Otherwise Specified**

State-Funded Programs	Description	Funding (In Millions)
Regional Occupational Centers and Programs (ROCP)	Regionally focused CTE offered during the school day, after school, and in the evening at high schools and regional centers. Primarily serves high school students ages 16 through 18.	\$384.0 ^a
Career Pathways Trust	One-time competitive grants intended to improve linkages between CTE programs at schools, community colleges, and local businesses. Authorizes several types of activities, such as creating new CTE programs and curriculum. These funds are available for expenditure through 2015–16.	250.0
CTE Pathways Initiative	Funding intended to improve linkages between CTE programs at schools, community colleges, universities, and local businesses. This program sunsets at the end of 2014–15. Of these funds, \$8.2 million supports California Partnership Academies and \$5.2 million supports Linked Learning (both reflected below).	48.0
California Partnership Academies	Small learning cohorts that integrate a career theme with academic education in grades 10 through 12. Considered a form of Linked Learning (see below).	29.6
Linked Learning	One-time funding to support small, career-themed learning cohorts within comprehensive high schools that tie academic coursework to technical content and work-based learning.	5.2 ^b
Specialized Secondary Programs	Competitive grants that provide seed money to pilot programs that prepare students for college and careers in specialized fields (\$3.4 million). Funding also supports two high schools specializing in math, science, and the arts (\$1.5 million).	4.9
Agricultural CTE Incentive Program	Ongoing funding that can be used for the purchase of nonsalary items for agricultural education. Funds are commonly used to purchase equipment and pay for student field trips. Districts are required to provide matching funds.	4.1
Federally Funded Programs		
Carl D. Perkins	Ongoing funding that can be used for a number of CTE purposes, including curriculum and professional development and the acquisition of equipment and supplies for the classroom. Of these monies, 85 percent directly funds local CTE programs and the other 15 percent supports statewide administration and leadership activities.	\$56.3
Youth Career Connect Grant	One-time competitive grants available for the 2014–15 school year that are intended to improve career options for high school students by facilitating partnerships with businesses, high schools, and higher education. Grant recipients are required to provide a 25 percent match.	12.0 ^c
<p>^a Due to categorical flexibility allowed between 2008–09 and 2012–13, this amount is likely higher than the actual amount spent by providers on ROCP. In 2013–14 and 2014–15, providers must spend on ROCP at least as much as in 2012–13.</p> <p>^b In addition, since 2008, the James Irvine Foundation has contributed more than \$100 million to Linked Learning.</p> <p>^c Assumes California receives an amount proportional to its population (12 percent). Total federal appropriation is \$100 million</p>		

Source: Legislative Analyst’s Office

The 2013-14 budget package eliminated approximately three-quarters of categorical programs and folded their associated funding into LCFF. The state's largest CTE categorical program, Regional Occupational Centers and Programs (ROCP), was included in this consolidation; however, to ensure ROCP continued to operate during the next few years, the budget package required providers—school districts and County Offices of Education (COEs)—to maintain at least their 2012-13 level of state spending on ROCP in 2013-14 and 2014-15. Funds used to satisfy this maintenance-of-effort (MOE) requirement count toward school districts' LCFF allocations. Under current law, at the end of 2014-15, school districts and COEs will have discretion to spend former ROCP funds as they choose. The 2013-14 budget package took a different approach for three smaller CTE programs. Specifically, Specialized Secondary Programs (SSP), Agricultural Education Grants, and California Partnership Academies (CPA) were retained as stand-alone categorical programs. In signing the 2013-14 Budget Act, however, the Governor expressed his desire to fold SSP and Agricultural Education Grants into LCFF in 2014-15. These various CTE programs are discussed separately below.

Program Descriptions.

- **Regional Occupational Centers and Programs (ROCP).** The largest high school CTE program is the ROCP, which provides regionally-focused CTE in a variety of disciplines. ROCP offers high school students (16 years of age and older) and adult students, with career and technical education so students can (1) enter the workforce with the necessary skills to be successful, (2) pursue advanced training in postsecondary education, or (3) upgrade existing skills and knowledge. ROCPs are operated through county offices of education, school districts, or a consortium of districts through a Joint Powers Authority (JPA). Students receive training at a variety of venues, such as regular classrooms on high school campuses, businesses and industry facilities or regional centers. ROCP courses can be offered during the school day, after school, and in the evenings. Some ROCP programs also offer courses for adult students, typically for a fee. According to CDE, there are approximately 74 ROCPs in California, serving approximately 470,000 students annually.

Prior to the 2008-09 fiscal year, the state provided dedicated funding for ROCP through a categorical program totaling approximately \$486 million. In 2008-09, due to budget cuts, the Legislature provided Local Educational Agency (LEAs) with "categorical flexibility" for many categorical programs (including ROCP), meaning that LEAs could use the categorical funding for any educational purpose. In addition to categorical flexibility, many programs were cut by approximately 20 percent in 2009-10. During this time, LEAs received approximately \$384 million in ROCP funding, but were not required to use this funding on ROCPs. The 2013-14 budget consolidated most categorical programs into the base funding within the LCFF, including funding for ROCP. In order to

ensure ROCP continues to operate, the 2013-14 budget also required LEAs that operated programs in 2012-13 to continue to spend the same amount of funding in 2013-14 and 2014-15. After the 2014-15 school year, LEAs are not required to offer CTE and can spend this ROCP funding on any purpose.

- **CTE Pathways Initiative.** SB 70 (Scott), Chapter 352, Statutes of 2005, established the CTE Pathways Initiative, which directed the Board of Governors of the California Community Colleges to work with the CDE to improve linkages and career-technical education pathways between high schools and community colleges in order to create opportunities for students in both education systems. This bill allocated \$20 million from the community college reversion account to be specifically used for improving CTE at both the community college and secondary level. SB 1070 (Steinberg), Chapter 433, Statutes of 2012, extended funding for this program until the 2014-15 fiscal year.

The CTE Pathways Initiative has helped build 5,792 partnerships, developed over 1,000 courses, provided trainings or externships to 36,000 staff at high schools and community colleges, and served approximately 750,000 students. In 2013-14, the state allocated \$48 million Proposition 98 General Fund for the CTE Pathways Initiative, including approximately \$15 million to the CDE and \$33 million to be distributed to community college-school district partnerships. The Community College Chancellor's Office is required to work with CDE annually to develop a spending plan for these funds.

- **California Partnership Academies.** The California Partnership Academies (CPAs) were created through legislation in 1984 in order to encourage the use of career-focused academies in California's high schools. The career academy model integrates core subject areas and CTE, aligned to the academy's career theme. These career themes can be in any of the 15 industry sectors approved by the CDE. CPAs are required to partner with local employers, who help to provide internships and other opportunities for students to gain hands-on experience. Employers also benefit by having a more experienced and knowledgeable workforce upon graduation. Each CPA is required to provide matching funds from the host school district and their employer partner(s) equal to the CPA grant amount from the state. By law, at least 50 percent of the students entering the CPA program must be considered "at risk" of dropping out of school. At risk students must meet certain criteria, such as low test scores, poor attendance, and being economically disadvantaged, among other indicators.

According to data collected by the CDE in 2009-10, students enrolled in CPAs performed above average on statewide tests and were more likely to graduate high school. Data shows that CPA tenth graders scored higher on the California High School Exit Exam (CAHSEE) than the statewide average. Specifically, 82 percent of CPA students passed the English language arts section, compared with 81 percent statewide. On the mathematics portion of the exam, 83 percent of CPA students passed, compared to 81 percent statewide. With respect to graduation rates, 95 percent of academy seniors graduated at the end of the 2009-10 school year, compared with 85 percent statewide. Currently, there are 450 CPAs in California's high schools, which receive funding through the CPA categorical program or the CTE Pathways Initiative. The state provides \$29.6 million in CPA categorical funding. Although many other categorical programs were consolidated into the LCFF in 2013-14, CPAs were maintained outside of the LCFF.

- **Linked-Learning Programs.** Linked Learning programs, which include CPAs, use coursework, technical training, and work-based learning to provide real connections between high school and a career. AB 790 (Furutani), Chapter 616, Statutes of 2011, established the Linked Learning Pilot Program to be administered by CDE for the purposes of implementing districtwide Linked Learning pathways (referred to as "multiple pathways" prior to this legislation). This bill was in response to a report released by CDE in 2010 that made recommendations for improving and expanding Linked Learning in California's high schools.

Funding for Linked Learning programs is provided through a combination of state and private funds. The state originally did not provide funding for AB 790. However, in October 2013, one-time state funding of \$5.2 million was directed to the Linked Learning pilot sites from the CTE Pathways Initiative funding. In addition to state funding, the James Irvine Foundation has indicated that they have dedicated \$100 million for Linked Learning programs since 2008.

- **Federally-Funded CTE Programs.** The Carl D. Perkins Career Technical Education program provides \$113 million in ongoing federal funding for CTE programs, with half going to the K-12 system and half going to community colleges. Of these funds, 85 percent goes directly to LEAs and community colleges to be used for CTE purposes, including curriculum, professional development, and purchasing equipment and supplies. The remaining 15 percent is provided to the CDE and the Community College Chancellor's Office for administration of various CTE programs.

The federal Youth Career Connect Grant program is a one-time competitive grant available to LEAs, public or non-profit local workforce entities, or non-profits with education reform experience for the 2014-15 school year. The program is designed to encourage school districts, institutions of higher education, the workforce investment system, and their partners to scale up evidence-based high school models that combine academic and career-focused curriculum to better prepare students for post-secondary education and the workforce. The U.S. Department of Labor will provide up to \$100 million for CTE-related projects. All grantees must demonstrate a partnership with a LEA, a local workforce investment entity, an employer, and an institution of higher education. Grant recipients will also be required to provide a match of 25 percent of the grant award.

- **Other Programs.** Other CTE programs that serve high school students include the California Career Pathways Trust (\$250 million in one-time grant funding), Specialized Secondary Programs (\$4.9 million), and Agricultural Education Incentive Grants (\$4.1 million). These programs are discussed in greater detail in other sections of this agenda.

Accountability Measures. For the past fifteen years, the state's accountability system for public schools has been based almost entirely on student test scores. Based on these test results, schools have received an annual Academic Performance Index (API) score and ranking. Recently, the state has been moving toward a more comprehensive accountability system that includes multiple measures of student performance. Specifically, SB 1458 (Steinberg), Chapter 577, Statutes of 2012, requires the state Superintendent of Public Instruction (SPI), to develop, by 2015-16, a revised API for high schools that takes into account graduation rates and high school students' readiness for college and career. In October 2013, the SPI provided to the Legislature a statutorily-required status report that laid out a number of options under consideration for broadening the API, including assigning points to high schools based on the extent to which their students are deemed college and career ready. Currently, the SPI is gathering feedback on the possible components of the new API.

Staff Comments and Questions: California has made consistent steps toward a more decentralized model for CTE. This can allow for tailoring of programs to fit the needs of individual districts and the requirements of employers. It can also lead to valuable diversification and the development of alternative education and technical training models throughout the state. However, some have raised concerns with retaining the quality, structure and integrity of the program, as well as the ability to maintain adequate funding for CTE overall. It may also be that more generalized career technical education programs should consider not just localized needs and requirements but regional and statewide changes in labor force demands and characteristics. Clearly, local discretion and statewide interests entails a balancing act, and one which the state should bear in mind as it continues to entertain various revisions to the program. In addition, the state is trying to build both college and career readiness indicators into the K-12

accountability system, but appear to have made more progress with the former than the latter.

Suggested Questions for Panel 1:

- 1. What have been the impacts on enrollment, thus far, with respect to rolling many of the CTE programs into the LCFF? Is there a means to ensure continued support of enrollment in these programs? What incentives—if any—do local districts have in maintaining CTE programs?*
- 2. There is currently an MOE in place to govern the funding of ROCP through the budget year. Has this been written tightly enough to assure compliance without any penalty provisions? Should the MOE be extended? More generally, are MOEs an effective approach for continuing CTE programs?*
- 3. Could CDE provide an update on the progress for including college and career readiness indicators in the API and in the Local Control and Accountability Plan (LCAPs)? What is the status of the career readiness measures? Can we rely on the accountability measures without a dedicated funding stream? Could LAO comment?*
- 4. Regarding the California Partnership Trust, how can we make sure the program is fully-funded so sites do not lose these programs?*

Suggested Questions for Panel 2:

- 1. If the state continues down the road of devolution and decentralization of CTE programs, what role should the state continue to play in the design and the implementation of these programs?*
- 2. Last year, the state initiated a new approach for Adult Education, with evaluation set at the end of the budget year. Could this provide a model for CTE programs moving forward? Are there ways to improve upon this approach?*
- 3. While LEAs may be more responsive to local needs of students and employers, is there reason to believe there should be a stronger role for the state, in order to track regional and statewide trends in this area?*

Community Colleges Career Technical Education Programs

CTE accounts for approximately 30 percent of total California Community Colleges (CCC) instruction. However, over the past decade, CTE's share of overall system enrollment has declined. This decline came as the state has continued to look for ways to enhance its ability to meet the need for skilled workers in key and emerging regional industries. The decline in CTE course offerings also has implications for California's community college students. New data from the Chancellor's office suggest that median wages of workers five years after award of an associate's degree in a vocational discipline was \$66,600, compared to \$38,500 for those with non-vocational associate degrees.

According to a recent report by the Institute for Higher Education Leadership & Policy (IHELP), *Workforce Investments: State Strategies to Preserve Higher Cost Career Education Programs in Community and Technical Colleges*, the CCC, through the *Doing What Matters for Jobs and the Economy* initiative (described below), is moving aggressively to set regional priorities and reallocate resources accordingly. But ever-present fiscal constraints, made worse by the great recession, have made it difficult for California's community colleges to support high-cost programs while balancing budgets and meeting enrollment targets.

It has been suggested that CTE programs are disadvantaged in the competition for resources within community colleges. CTE programs often are more expensive to offer than traditional academic (lecture-based) courses, due to the need for equipment, lab facilities and staff, smaller class sizes, and more faculty time spent on updating curriculum and engaging with industry and employers. However, community colleges in California are funded at a constant rate per full-time-equivalent student (FTES) and are accountable for meeting enrollment targets within their allocations. According to the IHELP report, this creates a fiscal disincentive to support high-cost programs because the same dollar allocation stretches across more FTES when used for lower-cost programs.

Doing What Matters for Jobs and the Economy

In an effort to better align CTE and workforce development programs with regional employer needs, the Chancellor's Office has launched an initiative requiring regional collaboration between colleges and industry. Colleges are working to ensure their programs have similar curricula so that employers have a better sense of what skills a graduate has as he or she leaves college. Regions also are required to select from specific industry sectors to focus programs on regional workforce needs. Among the sectors are:

- Advanced Manufacturing
- Advanced Transportation and Renewables
- Agriculture, Water and Environmental Technologies

- Energy Efficiency and Utilities
- Global Trade and Logistics
- Health
- Information and Communication Technologies/Digital Media
- Life Sciences/Biotech
- Retail/Hospitality/Tourism
- Small Business

The 11 economic regions are working to develop plans to better support programs for the sectors they have selected. The Chancellor's Office is hiring "sector navigators" and "deputy sector navigators" to act as a liaison between industry and colleges, as these plans are implemented. In total, there are 10 sector navigators and 66 deputy sector navigators.

Within the Chancellor's Office, the Division of Workforce and Economic Development manages grants for CTE programs across the state. The division manages other sources of CTE funding aside from apportionment funding. Rather than approaching these funding streams and programs in silos, which has been the historical practice, the *Doing What Matters for Jobs and the Economy* initiative proposes that these funds be leveraged to invest in three themes: sectors, regions, and technical assistance to the field. The following table displays funding sources that are leveraged by the Chancellor's Office for the *Doing What Matters for Jobs and the Economy* initiative (some of these were discussed earlier in the K-12 background).

Program	Description
Economic and Workforce Development Program	This is a categorical program that provides grant funding to develop programs aimed at specific workforce needs for regions and supports regional centers, hubs, or advisory bodies, among other things. The Chancellor's Office has recently used this funding to hire statewide and regional experts in specific industries to help improve and coordinate programs to benefit local economies. This program received \$22.9 million Proposition 98 General Fund in 2013-14, and the Governor proposes the same amount for 2014-15. At its peak, this categorical program received \$46.8 million.
CTE Pathways Initiative	This program requires the community colleges to work with K-12 programs to improve links between high school and community college CTE programs. This program received \$48 million in 2013-14 and is proposed to receive the same in 2014-15. About \$33 million of this funding goes to community college K-12 partnerships; the other \$15 million to the K-12 system.
Carl D. Perkins	The Carl D. Perkins Career Technical Education program provides

Career Technical Education Program	\$113 million in ongoing federal funding for CTE programs. Of these funds, 85 percent goes directly to LEAs and community colleges to be used for CTE purposes, including curriculum, professional development, and purchasing equipment and supplies. The remaining 15 percent is provided to the CDE and the Community College Chancellor's Office for administration of various CTE programs.
Nursing Program Support	This is a categorical program that provides grants to colleges to increase nursing program enrollment and completion rates. The grants are distributed on a two-year basis. Funding in 2013-14 was \$13.4 million Proposition 98 General Fund and is proposed for the same amount in 2014-15.
Apprenticeship	This is a categorical program that allows apprentices in industries such as firefighting and building trades to receive on-the-job training through an employer and classroom instruction through K-12 or community college partners. State funding is used for industry-approved Related and Supplemental Instruction. The 2013 Budget Act moved the apprenticeship program previously administered by the Department of Education into the community college budget. Thus there are now two apprenticeship categorical programs administered by the Chancellor's Office: one that funds K-12 apprenticeship programs, and one that funds community college apprenticeship systems. Funding in 2013-14 was \$7.2 million Proposition 98 General Fund for the community college program and \$15.7 million Proposition 98 General Fund for the K-12 program; funding levels are proposed for the same amounts in 2014-15.
Prop 39 Clean Energy Jobs Act	The California Clean Energy Jobs Act, approved by voters as Proposition 39, allocates monies into the Jobs Creation fund for the purpose of supporting projects that create jobs in California to improve energy efficiency and expand clean energy generation. A portion of the funding is allocated to provide for job training and workforce development and public private partnerships for eligible projects. The California Community Colleges Chancellor's Office is authorized to allocate \$6 million during the 2013-14 fiscal year.

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Issue 3: Career Pathways Trust (Information Only)

Background: The 2013-14 budget provided \$250 million in one-time Proposition 98 funding to create a "California Career Pathways Trust" (CPT). The primary purpose of the program is to improve linkages between career technical (vocational) programs at schools and community colleges as well as between K-14 education and local businesses. The program authorizes several types of activities, such as creating new technical programs and curriculum. The program is open to school districts, COEs, charter schools, and community colleges. Funds are allocated through a competitive grant process. The state Superintendent of Public Instruction (SPI), in consultation with the CCC Chancellor's Office and interested business organizations, is charged with reviewing grant applications. Grant funds are available for expenditure from 2013-14 through 2015-16. As a condition of receiving a pathway grant, recipients must identify other fund sources (such as commitments from businesses) that will support the ongoing costs of the program. By December 1, 2016, the SPI and grant recipients must report to the Legislature and Governor on program outcomes, such as the number of students making successful transitions to the workforce. Of the amount provided for this program, \$250,000 is designated for an independent evaluation. The budget also provided CDE with \$459,000 (non-Proposition 98 General Fund) for development of a data repository to track program outcomes and three staff positions.

The CPT is intended to address two identified areas of concern with respect to California's education system:

- **Skills Gap.** California's unemployment rate remains high by historical standards, yet employers in the state face a shortage of skilled workers in occupations requiring scientific, technical, engineering or math (STEM) skills, which are projected to be the fastest growing occupations in the next decade. There is a gap between the skills and capacities acquired in school and those most in need in the workplace.
- **High Dropout Rate.** Statewide, almost a quarter of new ninth-graders drop out before graduating. Many who do finish high school lack the academic and technical readiness to succeed in college and career, and require remedial education in college. Pathway programs that engage students in real-world work have been shown to increase academic success and persistence in school.

Administered by the California Department of Education (CDE), the CPT is intended to improve educational achievement and workplace readiness of California students by placing a greater emphasis on career-based learning as a central mission of public education in California. Many "linked learning" and CTE programs operating in California today have demonstrated improvement in the future prospects of their graduates. These programs, however, have had limited success in attracting meaningful

business support, and rely on minimal state appropriations that have experienced sharp cuts in recent years. The CPT provides substantial new incentives to create and strengthen education-business partnerships that provide students with relevant, engaging, applied education, including opportunities for work-based learning (such as an apprenticeship or internship). Eligible grant activities/expenditures include:

- Work-based learning specialists who can act as brokers between businesses and other organizations and schools/colleges seeking placements for students.
- Creation of regional career pathway partnerships involving businesses, schools, and colleges.
- Integration of academic and career-based learning, with a focus on career pathways in job-rich economic sectors.

Interested local educational agencies submitted letters of intent on February 14, 2014, and final applications were submitted on March 28, 2014. The 123 eligible applications requested a total of \$709.1 million in grant funding—a little less than three times the available amount of funds. Of the 123 eligible applications, 26 were from community college districts, 16 from county offices of education, 17 from direct-funded charter schools, and 64 from school districts. There are three categories of funding available, based on the size of the program and number of postsecondary and industry partners. These categories and applications consist of:

- 28 applications were for the Regional Consortium Grant, with 10 grants to be awarded for up to \$15 million.
- 55 applications were received for the Regional or Local Consortium Grants, with 15 grants to be awarded for up to \$6 million.
- 40 applications were received for the Local Consortium Grants, with 15 grants to be awarded for up to \$600,000.

The submitted applications are now being assessed and scored by CDE. Additional data from the application process may be available at the time of the hearing.

Staff Comments and Questions: The funding received in the current year was intended to jumpstart new CTE programs in the state and establish new models. While a program evaluation at this time would be premature, the Department and LAO should be able to provide some perspective on the value of continued or renewed funding.

Questions for the Panel:

1. *Have you been able to assess in a preliminary fashion the overall quality and breadth of the applications?*
2. *Are there revisions that you would consider in the application or the application requirements for the program?*

3. *Can you discuss the weighting of considerations and qualities that enter in the evaluative criteria for the program?*
4. *Can you comment on options that participants have for continued funding for programs, given that the grants are one-time?*

Issue 4: Categorical Programs Consolidation—Specialized Secondary Education Programs and Agricultural Education Grants (Budget Proposal)

Proposal: The Governor’s budget provides for Specialized Secondary Programs (SSP) and Agricultural Education Grants (AEG) within the Local Control Funding Formula (LCFF). Under the Governor’s proposal, school districts receiving funding for these two programs in 2013-14 would have those funds count toward their LCFF targets beginning in 2014-15, with no change made to the LCFF target rates. The currently required categorical activities would be left to each district’s discretion. The 2013-14 budget consolidated approximately two-thirds of all categorical programs with the discretionary revenue limit funding to create the LCFF. Currently, 13 categorical programs continue to be funded outside of the LCFF, including SSP and AEG.

Background:

- **Specialized Education Program (SSP).** SSP was created in 1984 with the stated goal of encouraging high schools to create curriculum and pilot programs in specialized fields, such as technology and the performing arts. In 1991-92, SSP’s mission was expanded to include base funding for two high schools that are affiliated with the California State University (CSU) system. Of the \$4.9 million provided for SSP in the current year, \$3.4 million is awarded as “seed” funding for the development of specialized instruction and \$1.5 million supports the state’s two SSP-funded high schools.

In the current year, CDE, which administers SSP’s competitive grant program, has awarded 67 SSP grants totaling \$3.4 million. The SSP funding of \$50,000 is distributed in four-year grant cycles. School districts initially apply for a one-year planning grant. Applicants then reapply for three-year implementation grants. Funds are permitted to cover various costs, including equipment and supplies, instructor and staff compensation, and teacher release time to develop curriculum. After the grant cycle is complete, recipients are ineligible to reapply for subsequent SSP grants. The SSP competitive grant program funds various types of instruction. As Figure 12 shows, of the 67 grants awarded in 2013-14, 42 percent are arts programs and 15 percent are science, technology, engineering, or mathematics (STEM) programs. Other industry areas include business and agriculture.

In addition to competitive grants, SSP provides a total of \$1.5 million in annual funding for two high schools operating in conjunction with the CSU system. This amount is split evenly between an arts-themed high school affiliated with CSU Los Angeles and a math- and science-themed high school affiliated with CSU Dominguez Hills. (Unlike virtually all other public schools, students compete for admission to these two schools.) The SSP funds provided to these schools is on

top of LCFF monies they receive and are used primarily to pay for teachers. By statute, these teachers do not need to be credentialed.

- **Agricultural Education Grants.** The stated purpose of Agricultural Education Grants is to create an incentive for high schools to offer state-approved agricultural programs. In the current year, CDE has awarded 303 grants to 222 school districts totaling \$4.1 million. Funds typically are used by grant recipients for instructional equipment and supplies. Other allowable uses of the funds include paying for field trips and student conferences.

The CDE administers the grants by distributing available funds based on the number of qualified applicants in a given year. To qualify, grantees must provide matching funds. In addition, the high school program must offer three instructional components: classroom instruction, a supervised agricultural experience program (project-based learning), and student leadership development opportunities. To receive a grant renewal, high schools must agree to be evaluated annually on 12 program quality indicators. (These indicators include curriculum and instruction requirements, leadership development, industry involvement, career guidance, and accountability.) As part of this process, five regional supervisors conduct on-site reviews and provide ongoing technical assistance to grantees.

LAO Perspective: In large measure, the LAO is in agreement with the Governor's proposal. This perspective is consistent with its overall favorable view of the LCFF as a means of allowing districts to allocate funding based on student needs and higher costs associated with educating particular cohorts of students. The office notes that categorical programs can be helpful in some circumstances, but should be used sparingly. The shortcomings they note are the inflexibility of categorical programs, their high administrative costs, and their focus on inputs rather than results.

With respect to particular programs, LAO indicates that having a set-aside for SSP implies that innovation and development of new curriculum is a supplemental activity that requires special incentives and a separate funding stream, when in fact, it is a core function for educators and schools. Regarding the SSP-funded high schools, LAO argues these work at direct cross-purposes to the LCFF's focus to construct a rational finance model that significantly reduces historical funding inequities across schools. The LAO argues that for agricultural grants, given the substantial unrestricted resources available and currently being spent for these purposes, no clear rationale exists for providing a small separate appropriation for covering similar costs in one specific discipline such as agricultural education.

Staff Comments and Questions: The LCFF was adopted to give local school districts maximum flexibility. The proposal to continue to consolidate program funding within LCFF, and essentially eliminate guarantees for SSP and AEG, is consistent with this overall philosophy. What is at issue is whether there is something essential about these two remaining programs that warrant their being treated differently than categorical

programs previously consolidated within the LCFF funding. One reason for specialized treatment would be if there is a particular base level of funding that would account for regional or statewide interests that might not otherwise be incorporated in local decision-making. An alternative rationale could be that the program is an essential component of educational delivery and the state needs to ensure that this activity is carried out with a guaranteed base-level of spending.

Questions for the Panel:

1. *If the SSP funding were included in the LCFF, what would be the likely effect on the conduct of the related activities within school districts? Should we consider a maintenance of effort requirement for a particular period before we completely 'free-up' the available funding for all types of educational programs?*
2. *Are there specific characteristics associated with the agricultural education program that make this a particularly important stand-alone program that is somehow different from those already included with LCFF?*
3. *If districts are to be responsive to local demands and local needs, should funding be as 'string-free' as possible? Alternatively, are there statewide interests that have not been considered in the basic LCFF funding calculus? If so, what are some of these state interests?*

Staff Recommendation: Reject the Governor's request to include the SSP and AEF programs within the LCFF.

6870 BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES**Overview**

The California Community Colleges (CCCs) is the largest system of community college education in the United States, serving approximately 2.3 million students annually. California's two-year institutions provide primary programs of study and courses, in both credit and noncredit categories, that address its three primary areas of mission: education for university transfer, career technical education, and basic skills. The community colleges also offer a wide range of programs and courses to support economic development, specialized populations, leadership development, and proficiency in co-curricular activities.

As outlined in the Master Plan for Higher Education in 1960, the community colleges were designated to have an open admission policy and bear the most extensive responsibility for lower-division, undergraduate instruction. The community college mission was further revised with the passage of Assembly Bill 1725 (Vasconcellos), Chapter 973, Statutes of 1988, which called for comprehensive reforms in every aspect of community college education and organization. Other legislation established a support framework, including the Matriculation Program, the Disabled Students Programs & Services (DSPS), and the Equal Opportunity Programs & Services (EOPS), to provide categorical funding and special services to help meet the needs of the diverse range of students in the CCCs.

The Board of Governors of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The Board has 17 members appointed by the Governor, subject to Senate confirmation. Twelve members are appointed to six-year terms and two student members, two faculty members, and one classified member are appointed to two-year terms. The objectives of the Board are:

- To provide direction, coordination, planning, and leadership to California's community colleges.
- To promote quality education in community colleges.
- To improve district and campus programs through informational and technical services on a statewide basis, while recognizing the community-oriented aspect of California's network of 112 community colleges.
- To seek adequate financial support while ensuring the most prudent use of public funds.

The following table displays the budgeted expenditures and positions for the CCCs as proposed in the Governor's budget. Of the amounts displayed in the table, \$3.9 billion in 2012-13, \$4.0 billion in 2013-14, and \$4.4 billion in 2014-15 are supported by Proposition 98 General Fund. In addition, \$8.6 million in 2012-13, \$9.8 million in 2013-14, and \$10.9 million in 2014-15 are supported by the General Fund. The remainder of

funding comes from local property tax revenue, tuition and fee revenue and various special and federal fund sources.

Dollars in Millions

Governor's Budget - CCCs Budgeted Expenditures and Positions			
	2012-13	2013-14	2014-15
Personal Services	\$14	\$16	\$18
Operating Expenses and Equipment	\$4	\$6	\$5
Local Assistance	\$6,818	\$6,940	\$7,441
Total Expenditures	\$6,836	\$6,962	\$7,464
Positions	140.6	153.7	162.7

Issue 5: Student Success and Statewide Performance Strategies

Governor's Proposal. The Governor's budget proposes \$200 million Proposition 98 General Fund to improve and expand student success programs and to strengthen efforts to assist underrepresented students. This includes: 1) \$100 million to increase orientation, assessment, placement, counseling, and other education planning services for all matriculated students, and, 2) \$100 million to close gaps in access and achievement in underrepresented student groups, as identified in local Student Equity Plans. This funding is intended to allow colleges to better coordinate delivery of existing categorical programs.

For the funding provided to implement activities and goals outlined in student equity plans, the Chancellor of the CCCs is to allocate the funds in a manner that ensures districts with a greater proportion or number of students who are high-need, as determined by the Chancellor's Office, receive greater resources to provide services. In addition, as a condition of receipt of the funds, the districts are required to include in their Student Equity Plan how they will coordinate existing student support services in a manner to better serve their high-need student populations. At a minimum, their plan is to demonstrate an alignment of services funded through allocations for the following programs:

- Student Success for Basic Skills Students
- Student Financial Aid Administration
- Disabled Students
- Special Services for CalWORKs Recipients
- Matriculation
- EOPS
- Fund for Student Success

Lastly, subject to approval by a district's governing board, districts may use up to 25 percent of any of the funds allocated for Student Success for Basic Skills Students, Special Services for CalWORKs Recipients, and EOPS for other federal, state, or local programs that serve high-need student populations as identified in the district's Student Equity Plan.

Implementing Statewide Performance Strategies. The Governor's budget proposes \$1.1 million non-Proposition 98 General Fund and nine positions for the Chancellor's Office to develop leading indicators of student success and to monitor districts' performance. In addition, the Governor's budget proposes \$2.5 million Proposition 98 General Fund to provide local technical assistance to support implementation of effective practices across all districts, with a focus on underperforming districts.

Background.

Student Success Task Force. In January 2011, the CCC's Board of Governors embarked on a 12-month strategic planning process to improve student success. Pursuant to Senate Bill 1143 (Liu), Chapter 409, Statutes of 2010, the Board of Governors created the Student Success Task Force. The 20-member Task Force was composed of a diverse group of community college leaders, faculty, students, researchers, staff, and external stakeholders. The Task Force worked for seven months to identify best practices for promoting student success and to develop statewide strategies to take these approaches to scale while ensuring that educational opportunity for historically underrepresented students would not just be maintained, but bolstered. The Task Force issued the following recommendations:

1. Increase Student Readiness for College

- Collaborate with K-12 to jointly develop common standards for college and career readiness.

2. Strengthen Support for Entering Students

- Develop and implement common centralized diagnostic assessments.
- Require students to participate in diagnostic assessment, orientation and the development of an educational plan.
- Develop and use technology applications to better guide students in educational processes.
- Require students showing a lack of college readiness to participate in support resources.
- Require students to declare a program of study early in their academic careers.

3. Incentivize Successful Student Behaviors

- Adopt system-wide enrollment priorities reflecting the core mission of community colleges.
- Require students receiving Board of Governors Fee Waivers to meet various conditions and requirements.
- Provide students the opportunity to consider attending full time.
- Require students to begin addressing basic skills deficiencies in their first year.

4. Align Course Offerings to Meet Student Needs

- Give highest priority for courses advancing student academic progress.

5. Improve the Education of Basic Skills Students

- Support the development of alternative basic skills curriculum.
- Develop a comprehensive strategy for addressing basic skills education in California.

6. Revitalize and Re-envision Professional Development

- Create a continuum of mandatory professional development opportunities.
- Direct professional development resources toward improving basic skills instruction and support services.

7. Enable Efficient Statewide Leadership and Increase Coordination Among Colleges

- Develop and support a strong community college system office.
- Set local student success goals consistent with statewide goals.
- Implement a student success scorecard.
- Develop and support a longitudinal student record system.

8. Align Resources With Student Success Recommendations

- Encourage categorical program streamlining and cooperation.
- Invest in the new Student Support Initiative.
- Encourage innovation and flexibility in the delivery of basic skills instruction.

9. A Review of Outcomes-Based Funding

According to the Task Force report, which was unanimously adopted by the Board of Governors in January 2012, it was their goal to identify best practices for promoting student success and to develop statewide strategies to take these approaches to scale while ensuring that educational opportunity for historically underrepresented students would not just be maintained, but bolstered. The report noted that while a number of disturbing statistics around student completion reflect the challenges faced by the students they serve, they also clearly demonstrate the need for the system to recommit to finding new and better ways to serve its students.

SB 1456 (Lowenthal), Chapter 624, Statutes of 2013, also known as the Seymour-Campbell Student Success Act of 2012, contained statutory changes necessary for implementation of some of the recommendations of the Task Force and the 2013 budget included \$50 million for community college student success efforts.

Staff Comment.

Prioritizing Investments in Student Success Services. While there is substantial merit in investing in Student Success strategies (putting funding generally into matriculation for Student Success efforts would likely allow for implementation of broader solutions that would serve many more students than could be served through a specific categorical program), it is important to note that other categorical programs that target underrepresented or disadvantaged students experienced significant funding reductions during the recent economic downturn. While the CCCs have done a significant amount through the Student Success Taskforce to refocus existing resources on better serving their student population, including students with disabilities and economically disadvantaged students, there are additional supports, beyond those identified in the Student Success and Support categorical program, that are important to the overall success of these students. Although the Governor's proposal allows for

greater flexibility in regards to how the funding is used, concerns have been raised regarding the potential impact on other specialized programs. In order to protect current levels of important specialized services, the Legislature may wish to examine the Governor's proposed flexibility for districts to use 25 percent of funds allocated for Student Success for Basic Skills Students, Special Services for CalWORKs Recipients, and EOPS for other purposes.

Providing for broad use of these funds for Student Success efforts may have detrimental consequences for these programs. Specifically, the Student Success for Basic Skills Students addresses one of the most challenging issues that our higher education segments face in remediation, the EOPS program provides tutoring, textbook vouchers, computer loans and other support services outside of traditional counseling to economically disadvantaged students, and the CalWORKs community college program is key to getting folks back into the workforce and towards self-sufficiency.

Will Modified Student Equity Plans Ensure Funds are Used as Intended? In order to promote student success for all students, regardless of race, gender, age, disability, or economic circumstances, the governing board of each community college district is required by regulation to maintain a student equity plan, to for each college in the district, that evaluates gaps for underrepresented student populations and develops and implements plans to address the identified gaps. As previously mentioned, as a condition of receipt of the funds that are proposed to close gaps in access and achievement in underrepresented student groups, districts will be required to include in their Student Equity Plans how they will coordinate existing student support services in a manner to better serve their high-need student populations.

The Student Success Act of 2012 only required coordination with the Student Equity Plans as one of eight items to consider in a funding formula to be developed by the Chancellor's Office for distributing matriculation funds. In addition, requirements for and components of Student Equity Plans are established in the California Code of Regulation, as opposed to statute. Although, the Governor is proposing budget bill language that requires specific modifications to the plans in order to receive the proposed funding, the Legislature may wish to consider the following questions:

- Does the proposed language provide adequate assurance that the funds will ultimately be used as intended?
- Given the ongoing nature of Student Success efforts and in order to ensure legislative objectives are met, is trailer bill language more appropriate?
- Are there appropriate reporting and oversight measure in place?

Reporting On Current Student Success Efforts not Available Until July. As previously mentioned, SB 1456 contained statutory changes necessary to implement some of the recommendations of the Student Success Task Force and the 2013 budget included \$50 million in funding. While continuing to invest in Student Success efforts is consistent with recent fiscal and policy priorities of the Legislature in regards to CCCs, the Governor's proposal of \$200 million that would be allocated to colleges for Student

Success efforts is four times larger than the current funding level. Given that the Legislative Analyst's Office (LAO) review of the implementation of the Student Success Act (the LAO is examining the impacts of the Student Success Act on student participation, progress, and completion, disaggregated by ethnicity, age, gender, disability, and socioeconomic status) is not scheduled to be submitted to the Legislature until July 1, 2014, the Legislature may wish to consider the feasibility and/or appropriateness of adjusting funding requirements based on the findings contained in the LAO's review.

Staff Recommendation. Hold open.

Issue 6: Community College Growth Funding

Governor's Proposal. The Governor's budget proposes \$155.2 million Proposition 98 General Fund to fund three percent enrollment growth for community colleges, which would add about 70,000 students, or about 34,000 Full-Time Equivalent Students (FTES), to the community college system. The Governor's budget also includes budget bill and trailer bill language directing the Board of Governors to change the growth formula to distribute this new funding, beginning in 2014-15.

- Specifically, trailer bill language requires the board to create a new formula that distributes funding based on local needs, including:
- The need for basic skills and remedial education, which could be measured by the level of preparedness for transfer-level coursework of local high school students, the number of adults without high school diplomas, and adults who are English-language learners;
- The need for workforce development and training, which could be measured by the unemployment level and current and future demand for employment;
- The need for preparing students to transfer to four-year universities, which could be measured by the number of adults without bachelor's degrees;
- The age of the population; and,
- Other indicators developed by the Board of Governors.

Background. The proposed funding formula would replace a historical model that has allocated funds based largely on year-to-year changes in local high school graduation rates and adult population rates. The trailer bill language ensures that all districts would be eligible to receive at least some additional growth funding.

Community college enrollment dropped significantly during the Great Recession, as the state slashed funding and colleges were forced to reduce class offerings. Colleges served about 500,000 fewer students in 2012-13 than they did in 2008-09, according to the Chancellor's Office.

The 2013 Budget Act provided \$89.4 million in Proposition 98 General Fund to allow colleges to grow by 1.6 percent. Based on initial enrollment figures released in March, 25 of the 72 community college districts were not on track to meet this enrollment growth target. College officials note that after several years of declining enrollment, many are struggling to reverse course and add faculty, classes, and students.

Based on the current numbers, the Chancellor's Office, the Community College League of California, and the Faculty Association of California Community Colleges all have suggested that three percent growth for 2014-15 may be too much. The Legislative Analyst also suggests the proposed growth target may be too high for many colleges. (Colleges that do not meet their growth targets do not receive growth funding.) Some larger, urban districts do support this amount of growth, however, and they believe they

can increase enrollment by three percent or even more. More accurate enrollment data for the current school year will be released in May, which may give the subcommittee better information as it determines an appropriate growth level for 2014-15.

Regulations governing growth funding have expired, and the Board of Governors is currently working on new regulations. But the Governor's proposal to implement a new formula beginning July 1 of this year may be difficult to implement, as colleges likely will require more time to understand proposed changes before they can plan their school year.

Both the Chancellor's Office and the LAO suggest implementing a new growth formula for the 2015-16 budget year, in order to allow colleges time to understand the changes heading into a new school year. Additionally, the LAO notes that the Legislature, Administration, and community colleges will be working on changes to the adult education system for 2015-16, including a new funding formula. The LAO believes that a new growth formula and adult education formula may be better implemented at the same time and thus recommends rejecting the proposed language regarding a new growth formula at this time.

The Chancellor's Office also notes that the trailer bill language proposed by the Governor is more overly-prescriptive than may be needed, and would not allow for future changes should demographics or state priorities alter. Others have suggested that growth formulas should incentivize colleges to enroll low-income students, or students from neighborhoods with high needs for postsecondary degrees.

Staff Recommendation. Hold open.

Issue 7: Deferred Maintenance and Equipment Funding

Governor's Proposal. The Governor's budget proposes \$175 million Proposition 98 General Fund for the Physical Plant and Instructional Support categorical program. Budget bill language specifies that the funding be used as follows:

- Half of the funding would go to deferred maintenance issues, and be distributed on a per-student basis, as established by the Chancellor's Office, with a minimum amount for smaller districts. Districts would be required to provide a 1:1 funding match.
- Half of the funding would go to replace instructional equipment, including workforce development equipment, and library materials. The funds would be distributed on a per-student basis with a minimum amount established. Districts are required to provide a match of \$1 for every \$3 in state funding.

Background. Prior to the 2013 Budget Act, when the Legislature provided \$30 million for this categorical program, the state had not provided funding for deferred maintenance and instructional materials since 2007-08. Community colleges have identified more than \$1 billion in deferred maintenance needs in their five-year capital outlay plans, submitted to the Chancellor's Office. The Chancellor's Office notes that the majority of the colleges' physical plant is more than 30 years old. The Chancellor's Office also notes that, in an era of rapid technological change, colleges need continual funding for instructional materials. This is also an issue in accreditation review.

Finally, staff notes that a continuing issue facing colleges seeking to offer more and improved career technical education classes is the high cost of equipment for these classes. The high cost of CTE classes and equipment is one factor in CTE reductions at colleges during the past 10 years: In 2001-02, about 32 percent of Full-Time Equivalent Students in community colleges were in CTE classes; that number was reduced to about 30 percent in 2010-11, according to data provided by the Chancellor's Office. This categorical program is one way colleges could replenish high-cost instructional equipment for CTE classes.

Staff Recommendation. Hold open.

Issue 8: Deferral Elimination

Governor's Proposal. The Governor's budget proposes to use \$592 million Proposition 98 General Fund to eliminate all deferrals accrued during the Great Recession.

Background. Inter-year deferrals of funding, due to community colleges, became common during the recession as the state faced significant cash shortages. Deferred amounts for community colleges reached \$961 million in 2011-12. Deferrals caused districts to reduce class offerings or incur substantial borrowing costs. The Governor proposes to use \$194 million in 2012-13 funds, \$163 million in 2013-14 funds, and \$236 million in 2014-15 to eliminate deferral debt to community colleges.

The Governor's proposal is a departure from his 2013-14 budget plan, when he proposed a slower pay down of deferral debt that would have eliminated the debt by 2016-17. While eliminating the debt is a worthy priority, these funds could also be used for other one-time priorities within the community college system, including deferred maintenance and high-cost instructional equipment for career technical education programs.

Staff Recommendation. Hold open.