

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Carol Liu
Senator Mark Wyland



Thursday, March 27, 2014
9:30 a.m.
Room 3191, State Capitol

Consultant: Joe Stephenshaw

OUTCOMES

<u>Item</u>	<u>Department</u>
6440	University of California
6600	Hastings College of the Law
6610	California State University
6870	California Community Colleges

Vote Only Item

Item 1 CSU Capital Outlay Equipment Proposals (Approved 2-0, Wyland No Vote)

Discussion Items

Item 1	Multi-Year Funding and Sustainability Plans	(Held Open)
Item 2	Innovation Awards	(Held Open)
Item 3	CSU Capital Outlay Process	(Held Open)

Public Comment

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Vote Only**Issue 1 CSU Capital Outlay Equipment Proposals**

Governor's Budget. The Governor's budget includes \$5.8 million, from the balance of the 2004 Higher Educational Capital Bond, to fund the equipment phases for the following projects:

- **Monterey Bay (Academic Building II)** - \$1.97 million
- **CSU, Chico (Taylor II Replacement Building)** - \$2.74 million
- **CSU, East Bay (Warren Hall Replacement Building)** - \$1.06 million.

Background. This proposal would provide funding for the equipment phases of projects that have previously been approved by the Legislature. Specifically, this proposal will provide equipment for: 1) instructional program support space for the School of Information Technology and Communications Design and the School of Business in the new facility at Monterey Bay (funding for the project was initially included in the 2009 budget); 2) The College of Humanities and Fine Arts in the new facility at Chico (funding for the project was initially included in the 2010 budget); and, 3) 113 administrative and faculty offices in the new office building at East Bay (funding for this project was originally included in the 2011 budget).

Staff Comment. This is the final phase of these three projects that have previously been approved by the Legislature. Staff does not raise any concerns.

Recommendation. Approve as budgeted.

Items to be Heard**Background UC, CSU, and Hastings****Issue 1 UC, CSU, and Hastings Multi-Year Funding and Sustainability Plans****Governor's Budget Proposals.**

Multi-Year Funding Plan. The Governor's budget includes \$142.2 million General Fund, each, for the UC and CSU, and \$1.3 million for Hastings to support the Administration's four-year investment plan in higher education that started in 2013-14, which assumes additional General Fund support for the UC, the CSU, CCCs, and Hastings.

The multi-year plan assumes a five percent increase for UC and CSU in 2014-15 and a four percent increase in each of the subsequent two years. The continuation of the multi-year plan is predicated on the UC Regents and the CSU Board of Trustees adopting three-year sustainability plans, described below, and the expectation that the universities maintain current tuition and fee levels through 2016-17.

Sustainability Plans. The Governor's budget includes budget bill language that requires the UC Regents and the CSU Board of Trustees to adopt three-year sustainability plans, by November 30, 2014, for fiscal years 2015-16, 2016-17, and 2017-18. Specifically, the Governor proposes that the sustainability plans include:

- Projections of available resources (General Fund and tuition and fees) in each fiscal year, using assumptions for General Fund and tuition and fee revenue provided by the Department of Finance (DOF).
- Projections of expenditures in each fiscal year and descriptions of any changes necessary to ensure that expenditures in each of the fiscal years are not greater than the available resources.
- Projections of enrollment (resident and non-resident) for each academic year within the three-year period.
- The University's goals for each of the performance measures, as specified in Education Code (detailed below), for each academic year within the three-year period.

Recommendation. Hold open.

Issue 2 UC, CSU, and CCC Innovation Awards

Governor's Proposal. The Governor's budget proposes \$50 million General Fund, on a one-time basis, to create the Awards for Innovation in Higher Education program. The Governor proposes that applications for awards can be submitted by a UC, CSU, community college, or a group of any of these entities. These incentive awards are proposed to encourage and recognize models of innovation in higher education that focus on the following priorities:

1. Significantly increase the number of individuals in the state who earn bachelor's degrees;
2. Allow students to earn bachelor's degrees that can be completed within four years of enrollment in higher education; and,
3. Ease transfer through the state's education system, including by recognizing learning that has occurred across the state's education segments or elsewhere.

The Governor proposes that awards will be selected based on the extent to which an application proposes an innovative model that: 1) advances the state's priorities at a lower cost than existing instructional delivery models and without requiring that students pay increased tuition or fees; 2) includes broad participation by the segments and local educational entities in a manner that can have a statewide impact if expanded; and, 3) is likely to be implemented effectively and sustainably. The Administration anticipates that the awards process would be completed in the spring of 2015 and will be managed by a committee composed of:

1. The Director of Finance or his designee, either of whom shall serve as the chairperson of the committee.
2. A member of the State Board of Education selected by the Governor.
3. A member of the Board of Governors of the CCCs selected by the Governor.
4. A CSU trustee selected by the Governor.
5. A UC regent selected by the Governor.
6. An appointment of the Senate Committee on Rules.
7. An appointment of the Speaker of the Assembly.

Upon notification by the Director of Finance that it has been selected for an award, it is proposed that an entity or group shall submit a report to the Director of Finance indicating how the awarded funds will be used and commit to reporting, on January 1, 2018 and again on January 1, 2020, an evaluation of the effectiveness of the model of higher education innovation in achieving the identified priorities and the number of bachelor degrees awarded through the model.

The Administration has expressed that this incentive awards program builds on their 2013-14 request to expand the use of technology to remove course bottlenecks and reduce the costs of education. The Administration expects that the segments will continue to implement plans to expand investments in technology that lower costs at each segment and allow students to complete their degrees sooner.

Recommendation. Hold open.

Issue 3 CSU Capital Outlay Process

Governor's Budget. The Governor proposes to shift General Obligation (GO) and Lease-Revenue (LR) bond-debt service payments into CSU's main appropriation. Moving forward, CSU would be responsible for funding debt service from within this main appropriation. Under the proposal, the University would issue its own revenue bonds for various types of capital projects and could restructure its existing LR bond debt. To use its new authority, the University would be required to submit project proposals to the Joint Legislative Budget Committee (JLBC) and Department of Finance (DOF) for approval. The CSU's capital projects no longer would be reviewed as part of the regular budget process.

The Governor's proposal includes trailer bill language necessary to implement this proposal as well as trailer bill language making, primarily, technical changes to similar authority granted to the UC in the current fiscal year.

Staff Recommendation. Reject the proposal to shift general obligation and lease-revenue bond-debt service payments into CSU's main appropriation and the associated trailer bill language. However, do not reduce the CSU's budget by \$10 million, which the Administration has assumed is associated with this proposal. Approve the trailer bill language proposing technical changes to the UC's capital outlay project authority.