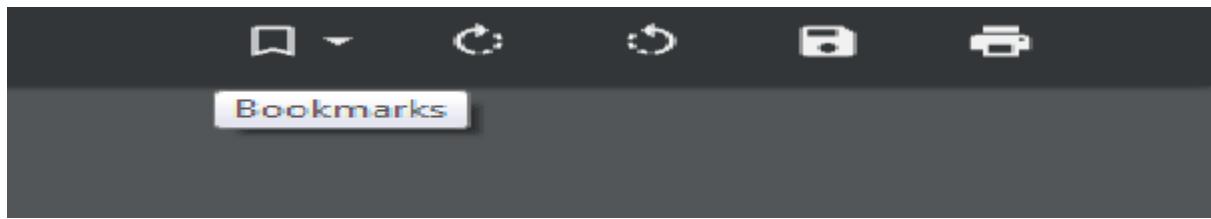


Senate Budget and Fiscal Review

The 2016 Agendas for Subcommittee No. 1 on Education Finance are archived below. To access an agenda or outcomes by a specific date, please refer to “Bookmarks” icon on the screen. Depending on your web browser the bookmarks menu will look different. Below are instructions to help you find the “Bookmarks” icon in Internet Explorer 11, Mozilla Firefox, or Chrome.

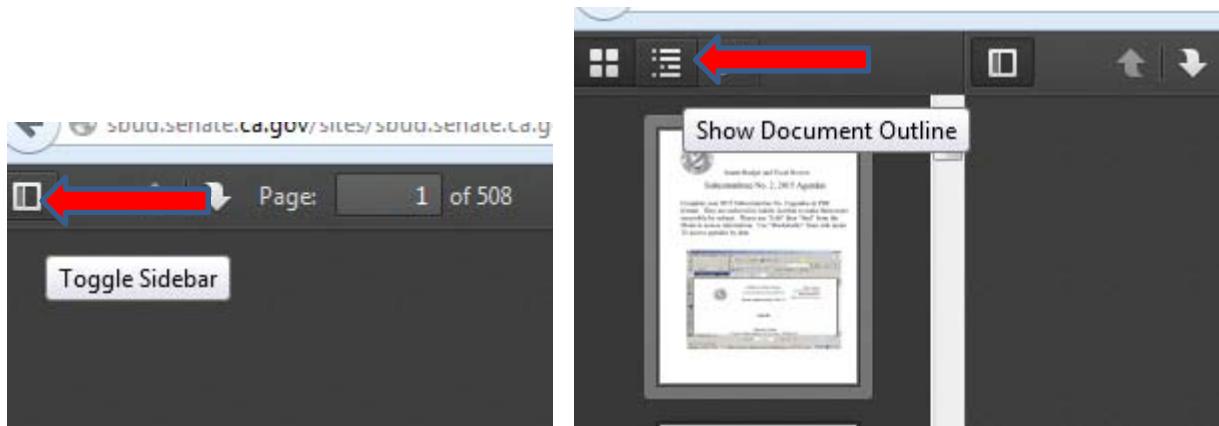
Chrome has access to Acrobat bookmark located in the upper right hand corner



Internet Explorer 11 selects Acrobat from box



Mozilla Firefox on upper left, click toggle sidebar, and then document outline.



SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Wednesday, February 3, 2016
1:30 p.m.
Room 3191

Consultant: Anita Lee

Assessing Community College Affordability: Financial Aid Programs, Free Community College and Options for Moving Forward

I. Background on Financial Aid at the California Community Colleges, and the National Movement for Community College Affordability

- Dan Troy, Vice Chancellor of College Finance and Facilities Planning, California Community College Chancellor's Office
- Catalina Mistler, Division Chief, Program and Administration and Services, California Student Aid Commission
- Paul Golaszewski, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

II. Looking Ahead: Options for California

- Morley Winograd, President, The Campaign for Free College Tuition
- Helen Benjamin, Chancellor, Contra Costa Community College District
- Debbie Cochrane, Research Director, The Institute for College Access and Success

III. Stakeholder Perspective

- Larry Galizio, President and CEO, Community College League of California
- Dahlia Salem, President of the Student Senate for California Community Colleges, Student at Foothill College

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

SUMMARY

The California Community Colleges (CCCs) is the largest system of community college education in the United States, serving approximately 2.1 million students annually. The CCC system is made up of 113 colleges operated by 72 community college districts throughout the state. California's two-year institutions provide primary programs of study and courses, in both credit and noncredit categories, which 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 and specialized populations. 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.

According to a recent report by the Public Policy Institute, by 2025, California is likely to face a shortage of workers with some postsecondary education but less than a bachelor's degree. The future gap among associate degree holders, those with one- or two-year technical certificates, and anyone who attended college but did not receive a credential, may be as high as 1.5 million. In order to meet the growing workforce demands, California must ensure that higher education is accessible and affordable for all students.

Recently, President Obama proposed the America's College Promise plan to make the first two years of college tuition-free for students meeting certain criteria and academic progress. At the national level, a conversation has begun about college affordability and the importance of making college accessible to everyone. Some states, like Tennessee and Oregon, and cities across the country, are considering or have implemented tuition-free community college plans. This hearing seeks to evaluate community college affordability in California, examine existing financial aid opportunities for community college students, and review the national movement for tuition free community college and other states' Promise Programs.

6870 CALIFORNIA COMMUNITY COLLEGE

As noted above, since the creation of the junior college in 1910, California Community Colleges (CCC) have a broad mandate —to provide a post-secondary education to citizens of California, regardless of their ability to pay. To this end, community colleges in the state were initially open-access and charged no tuition or fees for attendance (State of California Master Plan 1960).

Tuition-free education ended during the 1983-1984 legislative session after a year-long budget conflict between Governor Deukmejian and the Legislature. In 1983, the Governor proposed a mandatory \$50 per semester fee for CCC students. While the Legislature fought to maintain the tuition-free status of the system, they ultimately agreed to pass a \$5 per credit fee, but clearly stated their intent that "the implementation of a mandatory fee does not impair access to, or the quality of, California Community College."

California Community College Fees. The state first instituted a \$5 credit fee at the community colleges in 1983 and, over the last 33 years, fees have increased eight times, and decreased three times. Fees have increased from \$18 per unit in 2003-04 to \$46 per unit, the current fee level, in 2012-13 as a way to mitigate General Fund cuts during the recent recession. The following chart describes the changes in fees over the last decade.

Year	Fee History
2003-04	Enrollment Fee increased to \$18 per unit
2004-05	Enrollment fee was increased to \$26 per unit
2006-07	Enrollment fee was reduced to \$20 per unit
2009-10	Enrollment fee was increased to \$26 per unit
2011-12	Enrollment fee was increased to \$36 per unit
2012-13	Enrollment fee was increased to \$46 per unit

Despite these increases in fees, in 2013-14 California has the least expensive community college tuition in the country with \$1,238 in tuition and fees for a full-time student. The most expensive community college system is New Hampshire with \$7,234 in tuition and fees. Tennessee has \$3,644 and Oregon has \$4,133 in tuition and fees.

Board of Governor's (BOG) Fee Waiver Program. In 1984, the Board of Governor's (BOG) Fee Waiver program was created to help the community college system to continue to meet its open access goals. This program waives tuition fees for financially- needy students. For the past 30 years, the BOG Fee Waiver has kept pace with tuition, making a community college education tuition-free for all financially-eligible Californians. Between 1984 and 2015, the waiver has been provided to over 5.1 million students.

The BOG Fee Waiver is available to California residents, or students who are exempt from non-resident fees under AB 540 (Firebaugh), Chapter 814, Statutes of 2001, who:

- Demonstrated financial need for a fee waiver based on the Free Application for Federal Student Aid (FAFSA), or
- Receive Temporary Assistance for Needy Families, Supplemental Security Income /State Supplementary Payment or General Assistance, or
- Have an income (based on family size) that does not exceed 150 percent of the federal poverty standard.

For the 2014-15 academic year, more than one million or 54 percent of California community college students, and 66 percent of units earned, received a BOG Fee Waiver, totaling more than \$812 million Proposition 98 General Fund in financial aid. Of the students who do not receive fee waivers, community college collected over \$406 million in fee revenue. The budget notes that the BOG anticipates waiving approximately 65 percent of the 2015-16 student enrollment fees at a state cost of approximately \$780 million Proposition 98 General Fund.

Recent Changes to the BOG Fee Waiver. Senate Bill 1456 (Lowenthal), Chapter 624, Statutes of 2012, the Student Success Act of 2012, provided authority to the BOG to establish and implement academic and progress standards for fee waiver recipients. The BOG adopted the following regulations in January 2014:

- Students lose eligibility for the BOG Fee Waiver if they are on probation for not maintaining a 2.0 GPA for two consecutive primary terms or not successfully completing half the units attempted in that period.
- Require that students be notified of their probation status within 30 days of the end of the term for which the student did not meet academic or progress standards.
- Require that districts establish and publish written policies and procedures for appeals. Specify that valid appeals include extenuating circumstances of various types, such as changes in economic situations or evidence that the student was unable to obtain essential student support services from the campus.
- Tie the appeal process to that of the Enrollment Priorities regulations so that a successful appeal of the loss of enrollment priority shall result in the restoration of fee waiver eligibility.
- Require that districts begin notification to students following the spring 2015 term and that all requirements are fully operational by fall 2016. The first loss of fee waiver eligibility shall not occur prior to fall 2016.

Full Time Student Success Grant. In addition to the BOG Fee Waiver, the 2015 Budget Act created a new grant program, the Full Time Student Success Grant, which provides additional assistance to community college students who enroll in courses full-time. The budget provided \$39 million Proposition 98 General Fund to leverage the existing Cal Grant B program (discussed below) with supplemental grant funding and an additional \$3 million was provided to assist community colleges in implementing the new grant program. Students who receive Cal Grant B Access awards will receive an additional supplemental award to help pay for non-tuition costs.

For the fall of 2015, about 50,000 awards were awarded to students, totaling \$15 million in additional grants. This means that about 50,000 received an additional \$300 per Semester or \$200 per Quarter to help pay for their total cost of attendance.

6980 CALIFORNIA STUDENT AID COMMISSION – CAL GRANT PROGRAMS

The Cal Grant program is the primary financial aid program run directly by the state. Modified in 2000 to become an entitlement award, Cal Grants are guaranteed to students who graduated from high school in 2000-01 or beyond, and meet financial, academic, and general program eligibility requirements. Administered by the California Student Aid Commission (CSAC), Cal Grant programs include:

- *Cal Grant A* high school entitlement award provides tuition fee funding for the equivalent of four full-time years at qualifying postsecondary institutions to eligible

lower and middle income high school graduates who have at least a 3.0 grade point average (GPA) on a four-point scale and apply within one year of graduation. If a student receives Cal Grant A but decides to attend a California Community College first, the award will be held in reserve for up to two years until the student transfers to a four-year college (as a Cal Grant recipient, the students community college fees will be waived through the BOG Fee waiver).

- *Cal Grant B* high school entitlement award provides funds to eligible low-income high school graduates who have at least a 2.0 GPA on a four-point scale and apply within one year of graduation. The award provides up to \$1,656 for book and living expenses for the first year and each year following, for up to four years (or equivalent of four full-time years). After the first year, the award also provides tuition fee funding at qualifying postsecondary institutions. Any student receiving a Cal Grant B at the community colleges is automatically eligible for a Board of Governor's fee waiver. Thus, Cal Grant B awards for CCC students include only the \$1,656 for costs other than tuition and fees.
- *Cal Grant Competitive Award Program* provides 25,750 Cal Grant A and B awards available to applicants who meet financial, academic, and general program eligibility requirements. The Cal Grant Competitive awards are for students who are not graduating high school seniors or recent graduates. Half of these awards are reserved for students enrolled at a community college and who met the September 2 application deadline.
- *Cal Grant C Program* provides funding for financially-eligible lower-income students preparing for occupational or technical training. The authorized number of new awards is 7,761. For new and renewal recipients, the current tuition and fee award is up to \$2,462 and the allowance for training-related costs is \$547. Any student receiving a Cal Grant C at the community colleges is automatically eligible for a Board of Governor's fee waiver. Thus, Cal Grant C awards for CCC students include only the \$547 for costs other than tuition and fees.
- *Community College Transfer Award* provides a Cal Grant A or B to eligible high school graduates who have a community college GPA of at least 2.4 on a four-point scale and transfer to a qualifying baccalaureate degree granting college or university.

**CCC Cal Grant Recipients
(Dollar Amounts in Thousands)**

	Paid Recipients		Total Amount		Average Award	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
High School Entitlement (Cal Grant B)	63,440	72,764	\$85,201	\$98,434	\$1,343	\$1,353
Competitive Cal Grant (Cal Grant B)	31,535	35,113	\$39,137	\$44,418	\$1,241	\$1,265
Cal Grant C	6,833	7,044	\$2,548	\$2,644	\$373	\$375

Cost of Attendance. The Cal Grant program's focus on tuition largely ignores the considerable living expenses that students face. The Legislative Analyst's Office (LAO) notes that the cost of attendance in California for students not living with family is higher than most other states. This is because California tends to have higher costs for housing, which is a large factor in attendance costs. Below is a description of the total cost of attendance for a California resident living away from home.

2014-15 Student Budget	San Diego Mesa City College	American River College	Butte City College
Tuition and Fees	\$1,142	\$1,104	\$1,364
Housing and Food	\$11,493	\$11,494	\$10,962
Books and Supplies	\$1,746	\$1,746	\$1,660
Transportation/ Other Expenses	\$4,149	\$4,078	\$3,614
Total Costs	\$18,530	\$18,422	\$17,600
Tuition and Fees as a Percentage of Total Cost	6.16%	5.99%	7.75%

* Data from U.S. Department of Education Institute of Education Sciences, National Center for Education Statistics

The average cost of attendance for community college students living away from home in California is \$18,444. As shown above, tuition is less than 10 percent of the total cost of attendance at various community colleges throughout the state. Despite this, Cal Grants remain largely focused on covering tuition for students. Additionally, the BOG Fee waiver only covers tuition. Only the stipend associated with the Cal Grant B program and Cal Grant C program provides some aid for living expenses, and at \$1,656 and \$547 annually, the stipend does meet total expenses. Additionally, the Full-Time Student Success Grant, helps students pay for non-tuition expenses; however, as noted above, funding for this program is limited, and for the fall of 2015, students received about \$300 per Semester or \$200 per Quarter to help pay for their total cost of attendance.

To cover living expenses, students may take out loans to help cover living expenses. According to IPEDS data, in 2014, about 40,000 CCC students borrowed federal loans, with the average loan amount of about \$5,500.

Many students must also work part-time or even full-time jobs. This can have a detrimental effect on student outcomes. Research by the American Council on Education indicates that students working more than 15 hours per week are more likely to drop out of college than those working fewer than 15 hours.

OTHER STATES AND NATIONAL MOVEMENT

America's College Promise. In January 2015, President Obama released the America's College Promise proposal to make two years of community college tuition free for students who attend at least half time, maintain a 2.5 GPA, and enroll in programs preparing them for transfer or occupational training programs with high graduation rates and industry demand. Colleges must also adopt evidence-based institutional reforms to improve student

outcomes, such as helping students pay for books and transit costs, and provide academic advising and supportive scheduling programs.

Federal funding will cover three-quarters of the average cost of community college. States that choose to participate will be expected to contribute the remaining funds necessary to eliminate community college tuition for eligible students. States that already invest more and charge students less can make smaller contributions. States must also commit to continue existing investments in higher education; coordinate with high schools, community colleges, and four-year institutions to reduce the need for remediation and repeated courses; and allocate a significant portion of funding based on performance, and not enrollment alone.

Legislation modeled after the President's proposal, H.R. 2962 and S. 1716, are pending in Congress and Senate.

The Tennessee and Oregon Promise Programs. The President's proposal was inspired by the Tennessee Promise Program, which have led to other states like Oregon, to follow suit. The Tennessee Promise is the only program that has taken effect, with the first cohort of students having started in the fall of 2015. The LAO chart on below describes the components the two state programs:

State-Level Tuition-Free Community College Programs ^a		
	Tennessee Promise	Oregon Promise
Start Date ^b	Fall 2015.	Fall 2016.
Minimum GPA Requirement	2.0 (college).	2.5 (high school and college).
Deadline to Enroll	Fall after high school graduation.	Within six months of high school graduation.
Required Units	At least 12 units per semester.	At least half time (six to eight units per quarter).
Eligible Institutions / Programs	Community colleges, colleges of applied technology, and associate's degree programs at certain public and private universities.	Community college transfer, associate's degree, and career technical education programs.
Other Requirements	Two meetings with mentor. Eight hours of community service per semester. Student must not already have an associate's degree.	Student must not have already completed 90 or more quarter units in an eligible program.
Tuition Coverage	Generally full tuition, after taking into account all other tuition aid. ^c	Up to the average in-state tuition after taking into account all other tuition aid. Pro-rated for part-time students. Requires a \$50 copay per term.
Other Financial Aid	None.	Recipients already receiving tuition coverage may receive up to a \$1,000 stipend for living expenses.
Length of Program	Up to five semesters.	Up to 90 quarter units.
Annual Cost	\$10.6 million estimated for 2016-17.	Maximum limit of \$10 million.
Fund Sources	State lottery endowment.	General Fund.

^a For both programs, recipients must be state residents who (1) graduate from an in-state high school, (2) apply to the program, and (3) apply for financial aid. Recipients generally must maintain continuous enrollment to have eligibility renewed.

^b Date of first entering cohort of students.

^c Awards used to pay for associate's degree programs at four-year institutions are based on average tuition and fees at community colleges.

Initial data regarding the Tennessee Promise estimates that 80 percent of high school graduates submitted applications, and about 28 percent of applicants enrolled. The Tennessee Higher Education Commission reported that the average Tennessee promise award was \$1,020, with a \$10.6 million net program cost for 2015-16. Additionally, fall enrollment at community and technical colleges increased by 23 percent, while enrollment at four-year public institutions declined by 7 percent. The net change was a ten percent increase statewide. State officials are conducting further research to understand the impact on enrollment on four-year institutions.

As noted above, the first cohort of students for the Oregon Promise program will enroll in the fall of 2016, therefore data for the program is not yet available, however approximately 4,000-6,000 students are expected to be served in the first year of the program.

The subcommittee may wish to ask:

- Does the state need a college promise program? If so, what eligibility criteria should be included, and how would it differ from the eligibility criteria in the BOG Fee Waiver and Cal Grant programs? What are the expected costs, and would it require the state to redirect resources from other community college programs?
- Would tuition free college promote access in California? If so, how much and among which type of students?
- Is tuition the most significant financial barrier to access for students? How do other attendance costs, such as housing, impact access?
- What impact will tuition free college have on completion and time to degree?

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, March 3, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultants: Elisa Wynne and Anita Lee

AGENDA PART A

<u>Item</u>	<u>Department</u>	<u>Page</u>
6110	Department of Education	
6870	California Community Colleges	
Issue 1	Overview of Proposition 98 and Governor's 2016-17 Budget Proposals	2
6110	Department of Education	
Issue 2	Local Control Funding Formula	11
Issue 3	Federal Every Student Succeeds Act Update	17

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

**6110 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****Issue 1: Overview of Proposition 98 and 2016-17 Budget Proposals (Information Only)****Panel I:**

- State Superintendent of Public Instruction Tom Torlakson

Panel II:

- Lisa Mierczynski, Department of Finance
- Kenneth Kappahn, Legislative Analyst's Office
- Debra Brown, California Department of Education
- Dan Troy, Chancellor's Office of California Community Colleges

Background:

California provides academic instruction and support services to over six million public school students in kindergarten through twelfth grade (K-12) and 2.3 million students in community colleges. There are 58 county offices of education, approximately 1,000 local K-12 school districts, more than 10,000 K-12 schools, and more than 1,200 charter schools throughout the state, as well as 72 community college districts, 113 community college campuses, and 70 educational centers. Proposition 98, which was passed by voters as an amendment to the state Constitution in 1988, and revised in 1990 by Proposition 111, was designed to guarantee a minimum level of funding for public schools and community colleges.

The proposed 2016-17 budget includes funding at the Proposition 98 minimum guarantee level of \$71.6 billion. The budget proposal also revises the 2015-16 Proposition 98 minimum guarantee to \$69.2 billion, an increase of \$766 million from the 2015 Budget Act, and revises the 2014-15 Proposition 98 minimum guarantee to \$66.7 billion, an increase of \$387 million from the 2015 Budget Act. The Governor also proposes to pay \$257 million in Proposition 98 settle-up towards meeting the 2009-10 Proposition 98 minimum guarantee. Together, the increased guarantee levels and settle-up payments reflect a total of \$4.3 billion in increased funding for education over the three years, as compared to the 2015 Budget Act.

The Governor proposes to use one-time Proposition 98 funds to provide discretionary funding that will also help to reduce the mandate backlog, as well as to fund one-time programs, like the career technical education incentive grant program that was included in the 2015 Budget Act. Most of the ongoing Proposition 98 increase is proposed to be used towards implementing the Local Control Funding Formula (LCFF). The Governor's proposal also includes several other initiatives in the areas of career technical education for community colleges, early education, and special education, among others. These proposals are more fully described later in this section and in separate sections of this report.

Proposition 98 Funding. State funding for K-14 education—primarily K-12 local educational agencies and community colleges—is governed largely by Proposition 98. The measure, as modified

by Proposition 111, establishes minimum funding requirements (referred to as the “minimum guarantee”) for K-14 education. General Fund resources, consisting largely of personal income taxes, sales and use taxes, and corporation taxes, are combined with the schools’ share of local property tax revenues to fund the Proposition 98 minimum guarantee. These funds typically represent about 80 percent of statewide funds that K-12 schools receive. Non-Proposition 98 education funds largely consist of revenues from local parcel taxes, other local taxes and fees, federal funds and proceeds from the state lottery.

The table below summarizes overall Proposition 98 funding for K-12 schools and community colleges since 2007-08, or just prior to the beginning of the steep recent recession. 2012-13 marked a turning point for education funding, and resources have grown each year since then. The economic recession impacted both General Fund resources and property taxes. The amount of property taxes has also been impacted by a large policy change in the past few years—the elimination of redevelopment agencies (RDAs) and the shift of property taxes formerly captured by the RDAs back to school districts. The guarantee was adjusted to account for these additional property taxes, so although LEAs received significantly increased property taxes starting in 2012-13, they received a roughly corresponding reduction in General Fund.

**Proposition 98 Funding
Sources and Distributions
(Dollars in Millions)**

	Pre-Recession 2007-08	Low Point 2011-12	2012-13	2013-14	Revised 2014-15	Revised 2015-16	Proposed 2016-17
Sources							
General Fund	42,015	33,136	41,682	42,996	49,554	49,992	50,972
Property taxes	14,563	14,132	16,224	15,905	17,136	19,183	20,613
Total	56,577	47,268	57,907	58,901	66,690	69,175	71,585
Distribution							
K-12	50,344	41,901	51,719	52,392	59,329	61,096	63,243
CCC	6,112	5,285	6,110	6,431	7,281	7,997	8,259
Other	121	83	78	78	80	82	83

Source: Legislative Analysts’ Office and Department of Finance

Calculating the Minimum Guarantee. The Proposition 98 minimum guarantee is determined by comparing the results of three “tests”, or formulas, that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student average daily attendance, and a calculated share of the General Fund. When Proposition 98 was first enacted by the voters in 1988, there were two “tests”, or formulas, to determine the required funding level. Test 1 calculates a percentage of General Fund revenues based on the pre-Proposition 98 level of General Fund that was provided to education, plus local property taxes. Test 2 calculates the prior year funding level adjusted for growth in student average daily attendance and per capita personal income. K-14 education was guaranteed funding at the higher of these two tests. In 1990, Proposition 111 added a third test, Test 3 which takes the prior year funding level and adjusts it for growth in student average daily attendance and per capita General Fund revenues. The Proposition 98 formula was adjusted to compare Test 2 and Test 3, the lower of which is applicable. This applicable test is then compared to Test 1 and the higher of the tests determines the Proposition 98 guarantee level.

Proposition 98 Tests
Calculating the Level of Education Funding

Test	Calculated Level	Operative Year	Times Used
Test 1	Based on a calculated percent of General Fund revenues (currently around 38.1%).	If it would provide more funding than Test 2 or 3 (whichever is applicable).	4
Test 2	Based on prior year funding, adjusted for changes in per capita personal income and attendance.	If growth in personal income is \leq growth in General Fund revenues plus 0.5%.	14
Test 3	Based on prior year funding, adjusted for changes in General Fund revenues plus 0.5% and attendance.	If statewide personal income growth $>$ growth in General Fund revenues plus 0.5%.	9

Generally, Test 2 is operative during years when the General Fund is growing quickly and Test 3 is operative when General Fund revenues fall or grow slowly. The Test 1 percentage is historically-based, but is adjusted, or “rebenchmarked”, to account for large policy changes that impact local property taxes for education or changes to the mix of programs funded within Proposition 98. In the past few years, rebenchmarking was done to account for property tax changes, such as the dissolution of the RDAs, and program changes, such as removing childcare from the Proposition 98 minimum guarantee and adding mental health services. In the budget year, the Test 1 calculation is adjusted to reflect the end of the “triple flip” and the retirement of the Economic Recovery Bonds and for RDA changes. Proposition 98 tests are based on estimated factors during budget planning; however, the factors are updated over time and can change past guarantee amounts and even which test is applicable in a previous year. Statute specifies that at a certain point the Proposition 98 minimum guarantee for a given year shall be certified and no further changes shall be made.

The Governor’s proposal assumes that in 2016-17, the Proposition 98 guarantee is calculated under Test 3, the current year is a Test 2 year, and prior year is a Test 1. A Test 3 is reflective of strong per capita personal income growth in comparison to relatively lower General Fund growth. Generally, the Proposition 98 minimum guarantee calculation was designed in order to provide growth in education funding equivalent to growth in the overall economy, as reflected by changes in personal income (incorporated in Test 2). In a Test 3 year, the Proposition 98 minimum guarantee does not grow as fast as in a Test 2 year, in recognition that the state’s General Fund is not reflecting the same strong growth as personal income and the state may not have the resources to fund at a Test 2 level, however a maintenance factor is created as discussed in more detail later. As noted in the table above, in most years the Proposition 98 minimum guarantee has been determined by the application of Test 2.

Suspension of Minimum Guarantee. Proposition 98 includes a provision that allows the Legislature and Governor to suspend the minimum funding requirements and instead provide an alternative level of funding. Such a suspension requires a two-thirds vote of the Legislature and the concurrence of the Governor. To date, the Legislature and Governor have suspended the Proposition 98 minimum guarantee twice—in 2004-05 and 2010-11. While the suspension of Proposition 98 can create General Fund savings during the year in which it is invoked, it also creates obligations in the out-years, as explained below.

Maintenance Factor. When the state suspends the Proposition 98 minimum guarantee or Test 3 is operative (that is, when the Proposition 98 guarantee grows more slowly due to declining or low General Fund growth), the state creates an out-year obligation referred to as the “maintenance factor.” When growth in per capita General Fund revenues is higher than growth in per capita personal income

(as determined by a specific formula also set forth in the state Constitution), the state is required to make maintenance factor payments, which accelerate growth in K-14 funding, until the determined maintenance factor obligation is fully restored. Outstanding maintenance factor balances are adjusted each year by growth in student average daily attendance and per capita personal income.

The maintenance factor payment is added on to the minimum guarantee calculation using either Test 1 or Test 2.

- In a Test 2 year, the rule of thumb is that roughly 55 percent of additional revenues would be devoted to Proposition 98 to pay off the maintenance factor.
- In a Test 1 year, the amount of additional revenues going to Proposition 98 could approach 100 percent or more. This can occur because the required payment would be a combination of the 55 percent (or more) of new revenues plus the established percentage of the General Fund—roughly 38.4 percent—that is used to determine the minimum guarantee.

Prior to 2012-13, the payment of maintenance factor was made only on top of Test 2, however in 2012-13, the Proposition 98 guarantee was in an unusual situation as the state recovered from the recession, it was a Test 1 year and per capita General Fund revenues were growing significantly faster than per capita personal income. Based on a strict reading of the Constitution, the payment of maintenance factor is not linked to a specific test, but instead is required whenever growth in per capita General Fund revenues is higher than growth in per capita personal income. As a result the state funded a maintenance factor payment on top of Test 1 and this interpretation continues today and results in the potential for up to 100 percent or more of new revenues going to Proposition 98 in a Test 1 year with high per capita General Fund growth, as is the case in 2014-15, when the maintenance factor payment is approximately \$5.4 billion.

The Governor's proposal includes maintenance factor payments of \$810 million in the 2015-16 year, completely paying off the outstanding maintenance factor balance. However, in 2016-17, the Governor's proposal projects a Test 3 year and the creation of \$548 million in maintenance factor owed in future years.

Settle-Up. Every year, the Legislature and Governor estimate the Proposition 98 minimum guarantee before the final economic, fiscal, and attendance factors for the budget year are known. If the estimate included in the budget for a given year is ultimately lower than the final calculation of the minimum guarantee, Proposition 98 requires the state to make a "settle-up" payment, or series of payments, in order to meet the final guarantee for that year. The Governor's budget assumes General Fund settle-up payments of \$362 million in 2014-15 and \$814 million in 2015-16 (due to increases in the guarantees for those years.) The Governor's budget proposal also includes a settle-up payment of \$257 million counting towards the 2009-10 minimum guarantee. After this payment, the state would owe \$975 million in settle-up for years prior to 2014-15.

Spike Protection. Proposition 98 also has a built-in formula to prevent large increases in the guarantee, referred to as "spike protection". This constitutional formula specifies that in years when a Test 1 is operative and is greater than the Test 2 amount by 1.5 percent of General Fund revenues, then when calculating the guarantee level in the subsequent year, the excess amount over the 1.5 percent of General Fund revenues is not included in the calculation. This part of the formula has only been in play

twice, spikes in revenues in the 2012-13 and 2014-15 years, resulted in spike protection reducing the impact of these revenue gains on the 2013-14 and 2015-16 minimum guarantees, respectively.

Proposition 98 Rainy Day Fund and District Reserve Caps. Proposition 2 passed in the November 4, 2014 general election and requires certain debt payment and reserve deposits in some years. As part of these reserve requirements, a deposit in a Proposition 98 Rainy Day Fund is required under certain circumstances. These conditions are that maintenance factor (accumulated prior to 2014-15) is paid off, that Test 1 is in effect, that the Proposition 98 guarantee is not suspended, and that no maintenance factor is created. Related statute requires that in the year following a deposit into this fund, a cap on local school district reserves would be implemented. Both the Governor and the Legislative Analyst's Office (LAO) continue to project that a Test 1 will not be in effect in their forecast period over the next few years. The conditions needed to trigger Test 1 include significant year-over-year revenue gains that are unlikely given the modest growth projections and potential for a slowing economy in the near future.

Outstanding Obligations. The state currently has paid most of the outstanding obligations to school districts and community colleges that built up over the last recession. However, as of the 2015 Budget Act, the state still has nearly \$2.6 billion in unpaid mandate claims. The Governor's proposal for 2016-17 would retire approximately \$786 million of these mandate obligations.

Governor's Proposal:

K-14 Proposition 98 Education Overall. The budget estimates that the total Proposition 98 guarantee (K-14) for 2014-15 increased by \$387 million, compared to the level estimated in the 2015 Budget Act. Similarly, for 2015-16, the Governor estimates an increase in the total guarantee of \$766 million. Both of these adjustments lead to Proposition 98 "settle-up" obligations, which result in additional one-time resources. The Governor proposes to use these additional one-time resources primarily to provide discretionary funding to LEAs, a portion of which would reduce the backlog of mandate claims. The budget estimates a total Proposition 98 funding level of \$71.6 billion (K-14). This is a \$3.2 billion increase over the 2015-16 Proposition 98 level provided in the 2015 Budget Act.

K-12 Education Proposition 98 Major Spending Proposals. The budget includes a proposed Proposition 98 funding level of approximately \$63.2 billion for K-12 programs. This includes a year-to-year increase of more than \$2.1 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition 98 K-12 funding level for 2015-16. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from \$10,223 provided in 2015-16 to \$10,591 in 2016-17. This 2016-17 proposed funding level in Proposition 98 funds for K-12 reflects a per-pupil increase of 3.5 percent, as compared to the revised per-pupil funding level provided for 2015-16. The Governor's major K-12 spending proposals are identified below.

- **K-12 Local Control Funding Formula.** The 2013 Budget Act changed how the state provides funding to school districts and county offices of education by creating the Local Control Funding Formula (LCFF). The budget proposes an increase of approximately \$2.8 billion to implement the LCFF. This investment would eliminate about 50 percent of the remaining funding gap between the formula's current year funding level and full implementation for school districts and charter schools. Overall, this investment results in the formula being 95 percent fully funded in 2016-17. County offices of education reached full implementation with the LCFF allocation in the 2014 Budget Act. The accountability system for LCFF is also not yet fully implemented. Implementation

of LCFF is more fully discussed in *K-12 Education Reform: Finance, Accountability, and Standards* in this report.

- **Mandate Backlog Reduction.** The budget proposes more than \$1.2 billion in discretionary one-time Proposition 98 funding be provided to school districts, charter schools, and county offices of education to offset outstanding mandate debt. The Administration indicates that, while the use of this funding is discretionary, it allows school districts, charter schools, and county offices of education to continue to invest in implementing state adopted academic content standards, upgrade technology, provide professional development, support beginning teacher induction and address deferred maintenance projects.
- **Enrollment and Cost-of-Living Adjustments.** The proposed budget reflects an estimated decrease in student enrollment in the K-12 system. Specifically, it reflects a decrease of \$150.1 million in 2015-16, as a result of a decrease in the projected average daily attendance (ADA), as compared to the 2015 Budget Act. For 2016-17, the budget reflects a decrease of \$34.1 million to reflect a projected decline in ADA for the budget year. The budget also proposes an increase of \$61 million in Proposition 98 funds to reflect an increase in charter school ADA. The proposed budget also provides \$22.9 million to support a 0.47 percent cost-of-living adjustment for categorical programs that are not included in the new LCFF. These programs include special education and child nutrition, among others. The proposed funding level for the LCFF includes cost-of-living adjustments for school districts and county offices of education.
- **K-12 School Facilities.** The budget does not include a specific K-12 school facilities proposal, but notes continued concerns with the existing program, including but not limited to, program complexity, costly administrative burdens, inequalities in funding allocation, and lack of alignment with actual local facility needs. The Administration acknowledges that a new program is needed, but states that the \$9 billion school bond on the November 2016 ballot fails to make needed changes, while adding significant debt service costs. The Administration proposes to continue the dialogue with the Legislature and stakeholders about the best way to fund school facilities going forward, specifically focused on funding for the highest-need schools and districts, and increased local flexibility.

Other K-12 Education Budget Proposals

Additional proposals contained within the budget related to K-12 education include the following:

- **Charter School Startup Grants.** The budget proposes to allocate \$20 million in one-time Proposition 98 funds to provide start-up grants for new charter schools. In previous years, new charter schools were eligible for start-up funding through the federal Public Charter Schools Grant program. California was not selected to participate in the latest cohort of this grant program.
- **K-12 High Speed Network.** The budget proposes \$8 million Proposition 98 funds (\$4.5 million ongoing and \$3.5 million one-time) to support the operations of the K-12 High Speed Network. The 2015 Budget Act required the program to use existing reserves to fund operations in 2015-16.
- **Proposition 47.** The budget proposes \$7.3 million in Proposition 98 funding to support improved outcomes for students who are truant, at risk of dropping out of school, or are victims of crimes. Proposition 47 reduced penalties for some crimes and required that 25 percent of the resulting

savings be invested in K-12 truancy, dropout prevention, victim services, and drug and mental health treatments.

- **Systems of Learning and Behavioral Supports.** The budget proposes to allocate \$30 million in one-time Proposition 98 funds to support an effort (beginning in 2015-16 with \$10 million in one-time Proposition 98 funds) to help LEAs establish and implement schoolwide systems of academic and behavioral support for students.
- **Proposition 39 Energy Efficiency Investments.** The budget proposes to allocate \$419 million in Proposition 39 energy funds available in 2016-17 as follows:
 - \$365.4 million to K-12 school districts, for energy efficiency project grants.
 - \$45.2 million to community college districts, for energy efficiency project grants.
 - \$5.4 million to the California Conservation Corps, to provide technical assistance to school districts.
 - \$3 million to the Workforce Investment Board, for continued implementation of job-training programs.
- **Special Education.** The budget proposes a decrease of \$15.5 million in Proposition 98 funds to reflect a decrease in special education ADA.
- **Child Care and Development.** The budget provides \$3.6 billion total funds (\$948 million federal funds; \$1.7 billion Proposition 98 General Fund; and \$998 million non-Proposition 98 General Fund) for child care and early education programs.

California Community Colleges Proposition 98 Major Spending Proposals.

- **Creates New Workforce Program, Makes Another Permanent.** The budget includes \$200 million in new ongoing funding to implement recommendations of the Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy. The new “Strong Workforce Program” would require community colleges to collaborate with education, business, labor, and civic groups to develop regional plans for career technical education (CTE). The regions would be based on existing planning boundaries for the federal Workforce Innovation and Opportunity Act (WIOA).
- **Extends Career Technical Education Pathways Initiative.** The budget also includes \$48 million in ongoing funding to support the CTE Pathways Program. Over the last 11 years, this program has supported regional collaboration among schools, community colleges, and local businesses to improve career pathways and linkages. The state had scheduled to sunset the program at the end of 2014–15 but extended it through 2015–16 using one-time funding. The Governor proposes to make the program permanent and align future CTE Pathway funding with the regional plans developed under the Strong Workforce Program. The Pathway program would continue to have separate categorical requirements.
- **Basic Skills Initiative.** The budget proposes \$30 million ongoing Proposition 98 General Fund increase for the Basic Skills Initiative, bringing total spending on this program to \$50 million, to

implement practices that increase student mobility from remedial math and English courses to college-level courses. Trailer bill language repeals the previous categorical program and ties increased funding to the use of evidence-based practices and improved outcomes in transitioning students from basic skills courses to college-level work.

Other Community College Budget Proposals

- **Apportionments.** The budget provides \$115 million Proposition 98 General Fund for two percent enrollment growth and \$29 million for a 0.47 percent cost-of-living adjustment (COLA).
- **Institutional Effectiveness Initiative.** The budget proposes \$10 million ongoing Proposition 98 General Fund for the Institutional Effectiveness Initiative, bringing total funding to \$27.5 million. This includes \$8 million for workshops and training and \$2 million for technical assistance to local community colleges and districts.
- **Zero-Textbook-Cost Degrees.** The budget provides \$5 million ongoing Proposition 98 General Fund for campuses to develop “zero-textbook-cost” degree and certificate programs using open educational resources. Colleges would be eligible for up to \$500,000 per degree program.
- **Telecommunications and Technology Infrastructure Program.** The budget proposes \$3 million ongoing Proposition 98 General Fund to improve systemwide data security.
- **Cost-of-Living Adjustments for Categorical Program.** The budget provides \$1.3 million Proposition 98 General Fund for a 0.47 percent COLA for Extended Opportunity Programs and Services, Disabled Student Programs and Services, and the CalWORKs Program. The Administration also provides \$1.8 million Proposition 98 to raise the apprenticeship funding rate to the highest noncredit rate.
- **Deferred Maintenance.** The budget proposes \$289 million one-time Proposition 98 increase for deferred maintenance, instructional equipment, and specified water conservation projects. Community colleges will not need to provide matching funds for deferred maintenance in 2016-17. This is one-time funding, although \$255 million is from ongoing sources.
- **Mandate Debts.** The budget provides \$76.3 million one-time Proposition 98 General Fund increase to pay-down outstanding mandate claims. These payments will further reduce outstanding mandate claims and open up one-time resources to address various one-time needs, such as campus security, technology and professional development.
- **Innovation Awards.** The budget proposes \$25 million Proposition 98 General Fund for innovation awards focusing on technology, transfer pathways and successful transition from higher education to the workforce. This award would only be available to community colleges seeking to implement programs that allow students to simultaneously earn high school diplomas and industry credentials or transfer degrees, develop online basic skills or zero-textbook-cost degree programs. Similar to previous innovation awards, colleges would submit proposals, and a committee chaired by the Department of Finance would select awardees. Each awardee would receive at least \$4 million.

LAO Analysis and Recommendations

The LAO recently released “The 2016-17 Budget: Proposition 98 Education Analysis” which includes detailed information on the calculation of the Proposition 98 Guarantee and programs provided with Proposition 98 funding. The LAO’s analyses of specific Proposition 98 funded programs will be discussed in detail when the subcommittee hears the related program area.

In general, the LAO and the Administration are in agreement about the calculation of the Proposition 98 guarantee and the related state revenue estimates. Both the Administration and the LAO will continue to monitor economic trends and update estimates at the May Revision. The LAO notes that over the three-year period, changes in revenues could impact different years very differently:

- The 2014-15 guarantee calculation is highly sensitive to changes in revenue, such that an increase or decrease in the state’s General Fund revenue would result in approximately a dollar for dollar change in the guarantee. However spike protection would prevent any increase in the guarantee from impacting the 2015-16 guarantee.
- The 2015-16 guarantee calculation is relatively insensitive to changes in state revenues. The LAO estimates that the state’s General Fund revenues in 2015-16 could increase by as much as \$7 billion or decrease by up to \$1.3 billion with no impact to the guarantee.
- The 2016-17 guarantee calculation is moderately sensitive to revenue changes. Similar to historical “normal” guarantee calculation years, for each additional dollar of General Fund revenue the guarantee would increase by approximately 50 cents.

The LAO does differ with the Administration in the calculation of local property tax revenues. The LAO estimates that the Administration is under estimating local property taxes by \$1.1 billion (\$520 million in 2015-16 and \$620 million in 2016-17), primarily due to differences in the way the Administration estimates redevelopment-related ongoing revenue and assessed property values. The LAOs property tax estimates would result in no change to the overall Proposition 98 guarantee level, but would offset the amount General Fund under the formula, freeing up a like amount of General Fund for other non-Proposition 98 uses.

Subcommittee Questions

1. Are the Department of Finance and the LAO working together to identify and resolve differences in the calculation of local property taxes?
2. What rate of growth are LAO and the Department of Finance estimating for the Proposition 98 guarantee in the out years (2017-18 and later)? How does this impact the ability of the state to meet Proposition 98 funding obligations?

Staff Recommendation

No action, this issue is information only and the Proposition 98 guarantee calculation will be updated at the May Revision.

6110 DEPARTMENT OF EDUCATION

Issue 2: Local Control Funding Formula

Panel:

- Aaron Heredia, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, California Department of Education

Background:

K-12 School Finance Reform. As of the 2015 Budget Act, the state appropriates more than \$60 billion in Proposition 98 funding (General Fund and local property taxes) annually for K-12 public schools. In 2013-14, the state significantly reformed the system for allocating funding to school districts, charter schools, and county offices of education. The LCFF replaced the state's prior system of distributing funds to local education agencies (LEAs) through revenue limit apportionments (based on per student average daily attendance) and approximately 50 state categorical education programs.

Under the old system, revenue limits provided LEAs with discretionary (unrestricted) funding for general education purposes, and categorical program (restricted) funding was provided for specialized purposes, with each program having a unique allocation methodology, spending restrictions, and reporting requirements. Revenue limits made up about two-thirds of state funding for schools, while categorical program funding made up the remaining one-third portion. For some time, that system was criticized as being too state-driven, bureaucratic, complex, inequitable, and based on outdated allocation methods that did not reflect current student needs.

Local Control Funding Formula. The LCFF combines the prior funding from revenue limits and more than 30 categorical programs that were eliminated, and uses new methods to allocate these resources and future allocations to school districts, charter schools, and county offices of education, allowing LEAs much greater flexibility in how they spend the funds than under the prior system. There is a single funding formula for school districts and charter schools, and a separate funding formula for county offices of education that has some similarities to the district formula, but also some key differences.

School Districts and Charter Schools Formula. This formula is designed to provide districts and charter schools with the bulk of their resources in unrestricted funding to support the basic educational program for all students. It also includes additional funding, based on the enrollment of low-income students, English learners, and foster youth, provided for increasing or improving services to these high-needs students. Low-income students, English learners, and foster youth students are referred to as "unduplicated" students in reference to the LCFF because for the purpose of providing supplemental and concentration grant funding, these students are counted once, regardless of if they fit into more than one of the three identified high-need categories. Major components of the formula are briefly described below.

- **Base Grants** are calculated on a per-student basis (measured by student average daily attendance) according to grade span (K-3, 4-6, 7-8, and 9-12) with adjustments that increase the base rates for

grades K-3 (10.4 percent of base rate) and grades 9-12 (2.6 percent of base rate). The adjustment for grades K-3 is associated with a requirement to reduce class sizes in those grades to no more than 24 students by 2020-21, unless other agreements are collectively bargained at the local level. The adjustment for grades 9-12 recognizes the additional cost of providing career technical education in high schools.

- **Supplemental Grants** provide an additional 20 percent in base grant funding for the percentage of enrollment that is made up of unduplicated students.
- **Concentration Grants** provide an additional 50 percent above base grant funding for the percentage of unduplicated students that exceed 55 percent of total enrollment.
- **Categorical Program** add-ons for Targeted Instructional Improvement Block Grant and Home-to-School Transportation provide districts the same amount of funding they received for these two programs in 2012-13. The transportation funds must be used for transportation purposes. Charter schools are not eligible for these add-ons.
- **LCFF Economic Recovery Target** add-on is provided to districts and charter schools if their undeficit per-ADA funding under the old funding model (adjusted to projected 2020-21 levels) is at or below the 90th percentile and the district or charter school would have been better off under the old funding model rather than the LCFF model. ERT payments are frozen based upon the calculations made by the California Department of Education in 2013-.
- **Hold Harmless Provision** ensures that no school district or charter school will receive less state aid funding under the LCFF than its 2012-13 funding level under the old system.

County Offices of Education Formula. The County Offices of Education (COE) formula is very similar to the school district formula, in terms of providing base grants, plus supplemental and concentration grants for the students that COEs serve directly, generally in an alternative school setting. However, COEs also receive an operational grant that is calculated based on the number of districts within the COE and the number of students county-wide. This operational grant reflects the additional responsibilities COEs have for support and oversight of the districts and students in their county.

Excess Taxes and Basic Aid Districts. Most school districts receive a mix of local property taxes and Proposition 98 General Fund to meet their LCFF funding level. Under LCFF and under the prior revenue limit system, some county offices and school districts received local property tax revenue that exceeded the revenue limit and now exceeds their LCFF targets (or LCFF transition funding). Districts, consistent with pre LCFF policy, retain local property taxes above their LCFF funding level and can use them for any educational purpose. These school districts are referred to as “basic aid”. County offices, also consistent with pre-LCFF policy, do not keep their excess taxes. Prior to LCFF this funding rolled over to the following year and under LCFF it is swept and used for other purposes within the county.

During the recent recession, the state reduced revenue limit funding for all districts and also cut categorical funding for basic aid districts. This categorical funding policy was called a “fair share” reduction in that non-basic aid districts were impacted through cuts to their revenue limit funding due to the recession, but basic aid districts were not impacted by revenue limit cuts because they already

received no state funding for revenue limits and therefore would share the burden of reduced funding through categorical cuts. While most basic aid districts have long histories of being considered basic aid, there are some that were cut into basic aid status when the state made these reductions to revenue limit and categorical funding.

In calculating the LCFF funding provided to districts each year, pursuant to statute, the Department of Education calculates the LCFF floor, the total of the district's 2012-13 revenue limit and categorical funding. The LCFF floor of some districts included the reduced categorical funding, in addition to the reduced revenue limits that all district LCFF floor calculations were based on. For basic aid districts that were on the border of being basic aid and were "cut" into this status during recession, this lower floor means that these districts receive less in total LCFF funding during the transition to full implementation than they would have absent the inclusion of the categorical reductions when calculating their LCFF floor.

Budget Appropriations. The LCFF establishes new "target" LCFF funding amounts for each LEA, and these amounts are adjusted annually for COLAs and pupil counts. When the formula was initially introduced, funding all school districts and charter schools at their target levels was expected to take eight years and cost an additional \$18 billion, with completion by 2020-21. The Department of Finance (DOF) has not released an updated estimate of the completion date at this point. County offices of education reached their target funding levels in 2014-15 and adjust each year for COLAs and ADA growth.

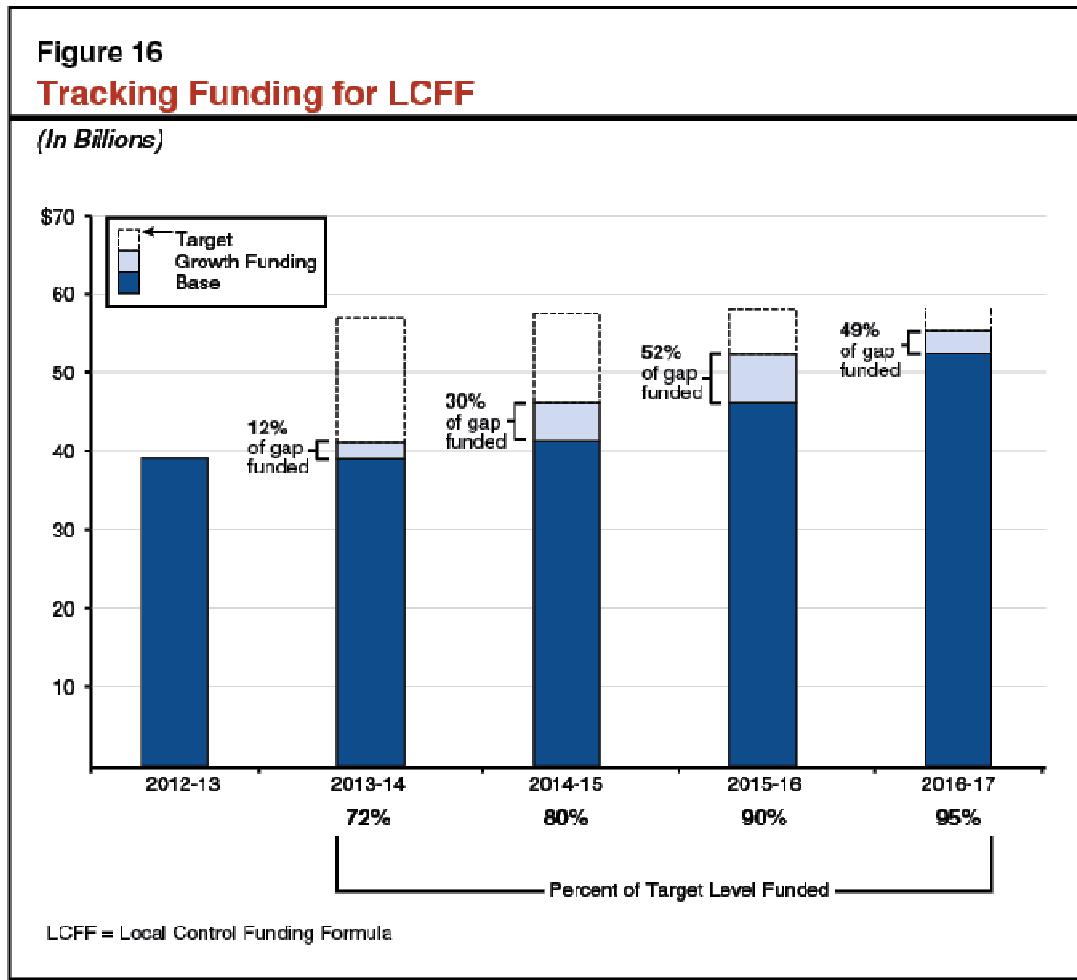
Over the past three years, the state has made considerable investments towards implementing the LCFF, as shown in the tables below. The 2015-16 funding closed almost 52 percent of the remaining gap to full funding of the LCFF target levels for school districts and charter schools. The remaining gap is recalculated annually based on funding provided but also on annual adjustments to the LCFF funding targets. The proposed 2016-17 funding would close 50 percent of the remaining gap. Overall, the LCFF is about 90 percent fully funded as of the 2015 Budget Act and the proposed additional investment would bring that up to 95 percent.

**Amounts Provided in the Annual Budget to fund increased costs for LCFF
(Dollars in Billions)**

Fiscal Year	Original Estimated Need to Fully Fund LCFF	Gap Appropriation	Remaining Need to Fully Fund LCFF
2013-14	\$18.0	\$2.1	\$15.8
2014-15	N/A	\$4.7	\$11.3
2015-16	N/A	\$6.0	\$5.3 (estimated)

Figures may not sum due to changes between years for growth and cost of living adjustments.

Source: California Department of Education



Source: Legislative Analyst's Office

The significant ongoing allocations of funding for the LCFF was made possible by considerable growth in the Proposition 98 guarantee over the past few years. A strong economic recovery has accelerated growth in the Proposition 98 guarantee, including funding to make up for years of low growth beginning in 2008-09.

Governor's Proposal:

The budget provides an increase of \$2.8 billion in Proposition 98 funding for schools for the fourth year of LCFF implementation. The DOF indicates this funding level represents closing approximately 50 percent of the gap between the school districts' 2015-16 funding levels and the LCFF full implementation target rates as of the budget year. Under the budget, the LCFF would be 95 percent funded in 2016-17. County offices of education, which reached full implementation in 2014-15, would receive a cost-of-living increase.

LAO Analysis and Recommendations

The LAO supports the Governor's budget proposal to provide additional ongoing funding towards implementation of the LCFF. They note that the use of funding to move towards full implementation is consistent with the priorities of the Legislature and the Governor over the past few years, and under the adoption of the LCFF.

The LAO has identified a concern that the county office of education LCFF formula results in significant funding advantages for some county offices of education that are above their LCFF targets. Under the LCFF, county offices of education have two hold harmless provisions (these also apply to school districts). County offices of education will receive at least as much funding as they received from revenue limits and categorical programs in 2012-13, and at least as much Proposition 98 General Fund as they received in 2012-13 for categorical programs, called “minimum state aid.” County offices of education historically have varied widely in their amount of Proposition 98 funding and the LAO notes that county offices of education that receive the minimum state aid amount on top of their LCFF allocation (due to strong property tax growth or in county offices that were already funded at high levels prior to LCFF) further widens the variance among funding levels between county offices of education.

The LAO recommends repealing the minimum state aid allocation for county offices of education while still holding the county offices of education harmless to their 2012-13 funding level. The LAO estimates that eliminating the minimum state aid allocation would reduce the amount of Proposition 98 resources being provided to county offices of education in 2016-17 by \$75 million (contrasts with the Administration’s estimate of \$35 million) and make those resources available for other Proposition 98 priorities.

Staff Comments

LEAs have seen large investments in ongoing funding for the LCFF as the state’s economy recovers from the last recession. This trend continues with the 2016-17 Governor’s budget proposal, however both the LAO and the Department of Finance show the pace of economic growth slowing in future years. The Legislature may wish to continue to monitor investments in the LCFF to ensure LEAs reach meet their LCFF targets. Funding for any new ongoing programs within the Proposition 98 guarantee over the next few years should be considered within the context of meeting LCFF funding obligations.

Changing to a new funding formula was a complex process, involving considerable workload on the part of the Administration and the Legislature to develop and enact authorizing statute and of the CDE fiscal staff, to overhaul their systems for the calculation and apportionment of funding. While simple in concept, the implementation of LCFF continues to reveal complexities in implementation, as in the case of some districts and county offices of education funding. The Legislature should continue to monitor implementation and engage in discussions with the Administration and stakeholders on potential improvements.

Subcommittee Questions

1. Does the Department of Finance or the LAO have an updated projection on whether the state will reach full implementation of LCFF by 2020-21? If not, when will that be available?
2. If there are additional Proposition 98 funds available at the May Revision, does the Department of Finance anticipate proposing to increase the amount of ongoing funds committed to fully funding the LCFF?
3. Is the Department of Finance considering any changes to the funding formula for districts or county offices of education?

Staff Recommendation

Hold open pending May Revision funding projections.

6110 DEPARTMENT OF EDUCATION

Issue 3: Federal Every Student Succeeds Act Update (Information Only)

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Debra Brown, California Department of Education

Background

On December 10th, 2015, the federal Elementary and Secondary Education Act (ESEA) was reauthorized with the passage of the Every Student Succeeds Act (ESSA). This replaces a prior version of the law, passed in 2002, known as No Child Left Behind (NCLB). The ESEA was originally passed in 1965 by the Lyndon B. Johnson administration, with a primary goal of supporting low-income students. Under ESEA, states are eligible for both formula and competitive grants, with the largest being Title I formula grants that states receive on the basis of the number of low-income students. In general, the new ESSA law is very similar to NCLB, but with some key differences in as noted below.

Title I. Title I provides funding to support the academic achievement of low income students. Under ESSA, as under NCLB, states receive funding based on the number of low-income students, most of which goes out on a formula basis to local educational agencies (LEAs). Of the total grant, states may use up to 1 percent for state administration. For the 2016-17 year, California anticipates receiving \$1.8 billion in Title I funds.

Federal accountability is also included in Title I. Under ESSA, of the total Title I grant amount, states must set aside 7 percent for school improvement interventions and technical assistance. The majority of these funds must be used to provide 4 year grants to LEAs. States may also set aside 3 percent of the total Title I allocation for direct services to students. Additionally, under Title I states are required to adopt challenging academic standards (federal approval is not required) and implement standards-aligned assessments in specified grade spans and subject areas (the same as under NCLB).

States must develop accountability systems that rate schools using academic achievement, growth rates (K-18), graduation rates (high school), English learner progress in language proficiency, and other factors determined by the state. Academic growth must have the greatest weight. Title I requires identification of and intervention in the lowest performing five percent of schools, high schools with graduation rates lower than 2/3 and schools in which any subgroup is in the lowest performing five percent and has not improved over time.

Title II. Title II provides funding to increase the quality of teachers and principals. The changes to Title II under ESSA include formula adjustments to weight poverty more heavily than population than the current program. Under ESSA, Title II also prohibits the Secretary of Education from requiring or controlling teacher evaluations, definitions of effectiveness, standards, certifications, and licensing requirements. Under NCLB, Title II funding for California is approximately \$250 million.

Title III. Title III provides funding specifically for the education of English learner students. Under ESSA, Title III includes reporting on English learners; numbers, percentages, attainment of

proficiency, and long term academic performance. Under NCLB, Title III included accountability provisions called annual measurable achievement objectives. Under the ESSA reauthorization, accountability for English Learners is included in the new accountability system under Title I. Under NCLB, Title III funding for California is almost \$145 million.

Other Changes. There are some changes to other Title programs under ESSA. Title IV includes a new grant program that provides funds for supporting students in a variety of ways (e.g. enrichment activities, school climate, health and safety, technology access. There are new competitive preschool grants administered jointly by ED and the Health and Human Services departments. Additionally, the granting of waivers has changed, LEAs must first submit waiver requests to the State Educational Agency (in California this is the SBE) who must forward eligible waivers to the federal Department of Education.

ESSA Implementation Timeline. Different components of the ESSA have different timelines. However, the Legislature can expect that ESSA funding changes will impact the state's budget process for the 2017-18 fiscal year. Other timelines related to ESSA are as follows:

- Waivers provided under the old ESEA end August 1, 2016
- New ESSA for competitive grants effective October 1, 2016
- New ESSA for formula grants effective July 1, 2016. However, additional federal statute, notwithstanding this timeline and provides that formula grants authorized under ESEA for the 2016-17 school year shall be administered in accordance with the prior ESEA, meaning that formula grant changes will not take effect until the 2017-18 school year.
- New ESSA for accountability will take effect in 2017-18.
- Generally, programs may finish out existing grant funds and requirements before transitioning to new ESSA requirements.

A regulations process at the federal level will be underway this year, and will result in additional information and formal guidance for states in implementing the ESSA.

ESSA State Plan. The ESSA State Plan is a comprehensive plan that includes all of the federal requirements as reflected in Titles I through IX. A stakeholder process to contribute to the ESSA State Plan will be provided through the California Practitioners Advisory Group (CPAG). The SBE solicited applications for the constituted advisory committee to provide input to the SBE federal Title I requirements and efforts to establish a single coherent local, state, and federal accountability and continuous improvement system. CPAG Meetings will be open to the public. The following table describes the timeline shared by CDE and the SBE for completing the ESSA state plan.

Proposed Development of ESSA State Plan

February 2016	Announced application for the California Practitioners Advisory Group (CPAG)
March 2016	The State Board of Education Screening Committee recommendations for

	appointments to the CPAG. The CDE submits an assurance letter to Federal Department of Education (ED) concerning its transition plan for supplemental educational services (SES) and public school choice in the 2016-17 school year.
April 2016	Proposed orientation and first meeting for CPAG.
May 2016	The CDE posts the one-year transition plan for SES and public school choice for the 2016-17 school year. CDE solicits input from stakeholders on select components of the ESSA State Plan.
June 2016	Early June- CPAG Meeting Proposed SBE Information Memorandum on draft concepts of the ESSA State Plan.
July 2016	CDE drafts ESSA State Plan to conform to rules and regulations. Propose concepts for integrating federal requirements with state accountability.
September 2016	CDE presents early draft of ESSA State Plan based on stakeholder input.
October 2016	Proposed CPAG meeting.
November 2016	Draft ESSA State Plan for SBE Review.
December 2016	Proposed CPAG meeting.
January 2017	CDE revises ESSA State Plan based on stakeholder feedback and submits to SBE for approval at January meeting. CDE then submits approved ESSA State Plan to ED; ED has up to 120 days to review ESSA State Plan.
June 2017 (or earlier)	Accepted ESSA State Plan is published.
July 2017	New Accountability System begins August 2017. The ESSA State Plan takes effect 2017-18 and implements process to identify schools for assistance.
2018-19	The new interventions under ESSA are implemented.

Source: State Board of Education and California Department of Education

Staff Recommendation: No action. This item is informational only.

Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, March 3, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultant: Anita Lee

PART B

<u>Item</u>	<u>Department</u>	<u>Page</u>
6440	University of California	
6610	California State University	
Issue 1	Overview of Governor's 2016-17 Budget Proposals	2
Issue 2	Capital Outlay Oversight	13

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

**6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY****Issue 1: Overview of the Governor's University of California and California State University 2016-17 Budget Proposals – Information Only****Panel**

- Maritza Urquiza, Budget Analyst, Department of Finance
- Jason Constantouros, Fiscal & Policy Analyst, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, Assistant Vice Chancellor for Budget, California State University

Background

During the recent recession, the state was limited in its ability to invest in public higher education and significantly cut state support to the universities. The universities responded by shifting more of the financial burden to the students through increased tuition. Most notably, between 2004 and 2013, tuition at the University of California (UC) and California State University (CSU) more than doubled. Rapid tuition increases led to growing concerns about the affordability of higher education. The December 2012 Public Policy Institute of California (PPIC) Statewide Survey found that 65 percent of Californians were concerned about the cost of college. However, as the economy recovered, this trend of divestment started to reverse. The passage of Proposition 30 and recent budget acts facilitated a renewed investment in public higher education. Since the passage of Proposition 30 in 2012, the state has funded a multiyear investment plan, starting in 2013-14 for the public universities.

Since 2012-13, funding for UC has grown by \$691 million, and funding for CSU has grown by \$823 million. The budget continues that growth, proposing an additional \$125 million ongoing General Fund for UC and \$148 million ongoing General Fund for CSU in 2016-17. Additionally, the state has continued to fund robust financial aid programs, maintaining the Cal Grant entitlement even during the economic downturn, amounting to significant levels of indirect state support for institutions.

University of California. The 1960 Master Plan for Higher Education designates the UC as the primary state-supported academic agency for research. In addition, the UC is designated to serve students at all levels of higher education and is the public segment primarily responsible for awarding the doctorate and several professional degrees, including in medicine and law.

There are ten UC campuses: Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. Nine of these are general campuses and offer undergraduate, graduate, and professional education. The San Francisco campus is devoted exclusively to the health sciences. The UC operates five teaching hospitals in Los Angeles, San Francisco, Sacramento, San Diego, and Orange counties. The UC has more than 800 research centers, institutes, laboratories, and programs in all parts of the state. The UC also provides oversight of one United States Department of Energy laboratory and is in partnerships with private industry to manage two additional Department of Energy laboratories.

The UC is governed by the Board of Regents which, under Article IX, Section 9 of the California Constitution, has "full powers of organization and governance," subject only to very specific areas of legislative control. The article states that "the university shall be entirely independent of all political and sectarian influence and kept free therefrom in the appointment of its Regents and in the administration of its affairs." The Board of Regents consists of 26 members, as defined in Article IX, Section 9, each of whom has a vote (in addition, two faculty members — the chair and vice chair of the Academic Council — sit on the board as non-voting members):

- 18 regents are appointed by the governor for 12-year terms.
- One is a student appointed by the Regents to a one-year term.
- Seven are ex officio members — the Governor, Lieutenant Governor, Speaker of the Assembly, Superintendent of Public Instruction, president and vice president of the Alumni Associations of UC and the UC president.

The Governor is officially the president of the Board of Regents; however, in practice the presiding officer of the Regents is the Chair of the Board, elected by the board from among its members for a one-year term, beginning each July 1. The regents also appoint its officers of general counsel; chief investment officer; secretary and chief of staff; and the chief compliance and audit officer.

The following table displays the budgeted expenditures and positions for the UC, as proposed in the Governor's budget. Of the amounts displayed in the table, \$2.9 billion in 2014-15, \$3.3 billion in 2015-16, and \$3.4 billion in 2016-17 are supported by the General Fund. The remainder of funding comes from tuition and fee revenue and various special and federal fund sources.

**University of California
Budgeted Expenditures and Positions
(Dollars in Millions)**

	2014-15	2015-16	2016-17
Personal Services	\$11,147	\$11,715	\$12,285
Operating Expenses and Equipment	\$16,709	\$17,161	\$17,490
Total Expenditures	\$27,856	\$28,876	\$29,775
Positions	96,008	96,872	9,687

California State University. The CSU system is comprised of 23 campuses, consisting of 22 university campuses and the California Maritime Academy. The California State Colleges were brought together as a system by the Donahoe Higher Education Act of 1960. In 1972, the system became the California State University and Colleges; the name of the system was changed to the California State University in January 1982. The oldest campus, San Jose State University, was founded in 1857 and became the first institution of public higher education in California. Joint doctoral degrees may also be awarded with the UC. The program goals of the CSU are to:

- Provide instruction in the liberal arts and sciences, the professions, applied fields that require more than two years of college education, and teacher education to undergraduate students and graduate students through the master's degree.
- Provide public services to the people of the state of California.
- Support the primary functions of instruction, public services, and student services in the University.
- Prepare administrative leaders for California public elementary and secondary schools and community colleges with the knowledge and skills needed to be effective leaders by awarding the doctorate degree in education.
- Prepare physical therapists to provide health care services by awarding the doctorate degree in physical therapy.
- Prepare faculty to teach in postsecondary nursing programs and, in so doing, help address California's nursing shortage by awarding the doctorate degree in nursing practice.

The CSU Board of Trustees is responsible for the oversight of the system. The board adopts rules, regulations, and policies governing the CSU. The board has authority over curricular development, use of property, development of facilities, and fiscal and human resources management. The 25-member Board of Trustees meets six times per year. Board meetings allow for communication among the trustees, chancellor, campus presidents, executive committee members of the statewide Academic Senate, representatives of the California State Student Association, and officers of the statewide Alumni Council. The trustees appoint the chancellor, who is the chief executive officer of the system, and the presidents, who are the chief executive officers of the respective campuses.

The following table displays the budgeted expenditures and positions for the CSU, as proposed in the budget. Of the amounts displayed in the table, \$2.76 billion in 2014-15, \$3.03 billion in 2015-16, and \$3.15 billion in 2016-17 are supported by the General Fund. The remainder of funding comes from tuition and fee revenue and various special and federal fund sources.

**California State University
Budgeted Expenditures and Positions
(Dollars in Millions)**

	2014-15	2015-16	2016-17
Personal Services	\$4,081	\$4,303	\$4,373
Operating Expenses and Equipment	4,968	4,836	4,953
Total Expenditures	\$9,049	\$9,139	\$9,326
Positions	44,079	46,608	46,608

Governor's Proposal

University of California

Multi-Year Funding Plan. The Governor's proposed budget includes a \$125.4 million General Fund increase for the UC to support the Administration's fourth installment of their four-year investment plan in higher education. This plan, initiated in 2013-14, assumes additional General Fund support for the UC, the CSU, and Hastings College of the Law.

For UC, the budget assumes no systemwide tuition and fee increases for resident undergraduate students, except for a \$54 (five percent) increase in the Student Services Fee. The budget assumes UC will enroll 5,000 more resident undergraduates in 2016-17 and receive an associated \$25 million ongoing augmentation in 2015-16, pursuant to the 2015 Budget Act. Additionally in May 2015, the Governor announced his intention to propose four percent General Fund increases for UC in 2017-18 and 2018-19. The Governor also proposed for UC to begin increasing tuition around the rate of inflation in 2017-18.

Deferred Maintenance. The budget proposes \$35 million one-time General Fund for deferred maintenance. Last year, the budget provided \$25 million for this purpose, which UC distributed to campuses for projects ranging from roof repair to fire alarm replacements. UC recently compiled a list of deferred maintenance from its campuses, totaling \$1.2 billion. UC asserts this list is not exhaustive and understates its total backlog.

Energy Projects. The budget proposes \$25 million one-time cap-and-trade funds for energy projects for UC.

Pay Down Debts and Liabilities. The budget provides \$171 million one-time Proposition 2 funds to pay down the unfunded liability of the UC Retirement Plan. This is the second of three proposed payments from Proposition 2 to UC for this purpose. Consistent with the 2015 funding agreement, the UC Regents are expected to establish a retirement program that limits pensionable compensation consistent with the Public Employees' Pension Reform Act of 2014, no later than June 30, 2016.

The Legislative Analyst's Office developed the following charts that display the Governor's January revenue assumptions and UC's corresponding expenditure plan.

**University of California Budget
(Dollars in Millions)**

Revenue ^a	
2015–16 Revised	
General Fund	\$3,257
Tuition and fees	3,028
Total	\$6,285
2016–17 Changes	
General Fund	\$209
Tuition and fees ^b	158
Subtotal	(\$367)
Other ^c	145
Total	\$512
2016–17 Proposed	
General Fund	\$3,467
Tuition and fees	3,186
Total	\$6,652

Changes in Spending	
UC's Plan for Unrestricted Funds	
General salary increases (3 percent)	\$152
Resident undergraduate enrollment growth (3.4 percent) ^d	50
Academic quality initiatives ^e	50
Faculty merit salary increases	32
Operating expenses and equipment cost increases	30
Health benefit cost increases (5 percent)	27
Deferred maintenance	25
Pension benefit cost increases	24
Debt service for capital improvements	15
Nonresident enrollment growth (3.2 percent) ^f	14
Dream Loan Program	5
Retiree health benefit cost increases	4
Subtotal	(\$428)
Restricted General Fund	
Proposition 2 payments for UC Retirement Plan (one time)	\$171
Deferred maintenance (one time)	35
Remove one-time funding provided in 2015–16	–122
Subtotal	(\$84)
Total	\$512

^aIncludes all state General Fund. Reflects tuition after discounts. (In 2016–17, UC is projected to provide \$1.1 billion in discounts.)

^bReflects increases in nonresident supplemental tuition (8 percent), the Student Services Fee (5 percent), and increased enrollment, offset by increases in discounts.

^cReflects: (1) General Fund for enrollment growth UC intends to carry over into 2016–17, (2) savings from administrative efficiencies, (3) increased revenue from investments, and (4) philanthropy.

^dUC has not yet indicated its final plan for resident graduate enrollment growth.

^eFor purposes such as increasing instructional support, reducing student-to-faculty ratios, recruiting faculty, increasing faculty salaries, and providing stipends to graduate students. UC indicates it will allow campuses to determine how to spend the funds.

^fFunded from nonresident tuition.

California State University

Multi-Year Funding Plan. The Governor's proposed budget includes a \$148.3 million General Fund increase for CSU—to support the Administration's fourth installment of their four-year investment plan in higher education.

For CSU, the budget proposes: (1) a \$125.4 million unallocated augmentation identical to UC's base increase, (2) an additional unallocated \$15 million associated with savings from changes to the Middle Class Scholarship program made in 2015-16, and (3) \$7.9 million for lease-revenue bond debt service. The Governor does not propose enrollment targets or enrollment growth funding and assumes no increase in tuition.

Deferred Maintenance. The budget proposes \$35 million one-time General Fund for deferred maintenance. Last year, the budget provided \$25 million for this purpose, which CSU distributed to campuses for projects ranging from roof repair to fire alarm replacements. CSU has reported that it has roughly \$2.6 billion in deferred maintenance needs, with nearly \$2 billion for facilities and the remainder for campus infrastructure.

Energy Projects. The budget proposes \$35 million one-time cap-and-trade funds for energy projects for CSU. CSU states that it would fund several types of projects with this money, including mechanical retrofit projects (\$18 million), such as replacing fan motors, insulation, boilers, and chilling systems, lighting replacement projects (\$10.4 million), and projects to replace and improve energy information systems on campuses (\$6.6 million).

Precision Medicine. The budget proposes one-time \$10 million over a three year period to the Office of Planning and Research to further research or develop precision medicine. Funding will be distributed through an interagency agreement between OPR and the Regents of the University of California, or an auxiliary organization of the California State University.

The LAO developed the chart on the following page that displays the Governor's January revenue assumptions and CSU's corresponding expenditure plan.

**California State University Budget
(Dollars in Millions)**

Revenues ^a	Amount
2015–16 Revised	
General Fund	\$3,297
Tuition	2,273
Total	\$5,570
2016–17 Changes	
General Fund	\$187
Tuition ^b	16
Total	\$203
2016–17 Proposed	
General Fund	\$3,484
Tuition	2,288
Total	\$5,772
Changes in Spending	
CSU's Plan for Unrestricted Funds	
Employee compensation increase (2 percent)	\$70
Resident enrollment growth (1 percent)	37
Employee health benefits	35
Lease-revenue debt service	8
Pension benefits ^c	7
Maintenance of newly constructed facilities	1
Other ^d	7
Subtotal	(\$164)
Restricted General Fund	
Deferred maintenance (one time)	\$35
Retiree health benefits	27
College Textbook Affordability Act (ongoing)	2
Remove one-time funding in 2015–16	-25
Subtotal	(\$39)
Total	\$203

^aReflects General Fund, including most appropriations outside of CSU's main appropriation.
 Reflects tuition after discounts. In 2016–17, CSU is projected to provide \$668 million in discounts.

^bGenerated from 1 percent enrollment growth.

^cReflects higher pension costs that CSU must fund from within its base increase. The state is providing CSU an estimated \$52 million (not shown) for higher pension costs attributed to its 2013–14 payroll level.

^dCSU has not yet specified how it would allocate this funding. It has identified capital improvements and student success initiatives as possible priorities. This amount slightly differs from CSU's Academic Sustainability Plan due to different tuition revenue assumptions made by the Governor and CSU.

Segments' Adopted Budget

UC's Budget Plan. As a part of the 2016-17 budget approved by the Regents in November of 2015, UC requests additional funding above the Governor's proposal. UC requests the following increases:

- **Graduate Student Enrollment** - \$6 million General Fund to enroll 600 more graduate students. As UC increases enrollment for undergraduates, it states that additional graduate students are needed to support faculty in the research mission of the University and to help with the teaching load associated with additional undergraduates.
- **Cap-and-Trade** - \$69.1 million in one-time cap-and-trade funds in 2016-17, which UC would match with \$81 million of university funds, to reduce greenhouse gas emissions and reduce energy use in existing buildings to help support the UC's commitment to become carbon neutral by 2025. UC proposes using this funding for energy efficiency improvements, solar installations, and biogas development, which seeks to convert agricultural waste into energy.
- **Transportation Research** - \$9 million over three years from the Public Transportation Account to augment the state contribution to the Institute for Transportation Studies. The Institute conducts research in five areas that the state has identified as critical, including climate change and infrastructure development. The institute currently receives less than \$1 million from the state's Public Transportation Account.

CSU's Budget Plan. As a part of the 2016-17 budget approved by the Board of Trustees, CSU requests additional increases above the Governor's proposal. CSU requests the following increases:

- **Enrollment Growth** - \$110 million for funded three percent, or 10,700 FTES, enrollment growth, including undergraduate and graduate students. Under the Governor's proposal, CSU would only be able to grow enrollment by one percent, or 3,565 FTES. This includes net tuition revenue adjustment, which is associated with increased enrollment.
- **Student Success and Completion Initiative** - \$50 million across the system, with an average allocation of \$2.2 million per campus to prioritize investments to improve graduation rates, reduce achievement gaps, and increase the number of degree completions at CSU.
- **Facilities and Infrastructure Needs** - \$25 million ongoing for infrastructural renewal needs and improvements, such as technology network, building replacements/renovations, and debt service.
- **Cap-and-Trade** - \$55 million one-time to implement greenhouse gas and energy reduction projects.
- **Deferred Maintenance** - \$15 million one-time to address maintenance backlog.

Given that significant budget authority has been delegated to UC and CSU, the Legislature has historically relied on two primary budgetary control levers or “tools”— earmarks and enrollment targets — to ensure that state funds are spent in a manner consistent with the Legislature’s intent and that access is maintained. The use of these tools has also ensured a clear public record and transparency of key budget priorities.

Earmarks. Historically, the annual budget act included a number of conditions on UC's and CSU's General Fund appropriations. These earmarks have varied over the years in keeping with the Legislature's and Governor's priorities at the time. Due to the Governor's vetoes, earmarks for the UC and CSU were essentially eliminated from the budget acts of 2012, 2013 and 2014.

Enrollment Targets. Historically UC's and CSU's budgets have been tied to a specified enrollment target. To the extent that the segments failed to meet those targets, state funding associated with the missing enrollment reverted to the General Fund. Since 2007-08, the state budget only twice included both enrollment targets and enrollment growth funding. This was largely due to difficult budget years in which the state reduced support for the universities, and in turn provided the universities with increased flexibility in how to respond. Though the state began to recover its fiscal footing in 2013-14, the Administration's 2013-14, 2014-15, 2015-16 budget proposals did not provide enrollment targets or enrollment funding, and instead gave the UC and CSU even greater flexibility in managing their resources to meet obligations, operate instructional programs most effectively, and avoid tuition and fee increases. However in the 2015-16 Budget Act, the budget included language to provide UC \$25 million in ongoing funding should UC increase resident undergraduate enrollment by 5,000 students by the 2016-17 academic year, when compared to the 2014-15 academic year. Additionally, budget bill language for CSU stipulates that CSU increase their enrollment by 10,400 full-time equivalent students.

Access. California students seeking to enter college continue to face obstacles. Since fall 2010, CSU has annually turned away more than 20,000 students who are eligible for entrance to a CSU campus, based on Master Plan criteria. (The Master Plan declares that any student finishing in the top one-third of their high school class is eligible for CSU.) When campuses or specific programs receive more eligible applicants than they have resources for, impaction occurs and campuses or programs restrict enrollment. For 2015-16, all programs are impacted at CSU Fullerton, CSU Long Beach, San Diego State University, San Jose State University, and Cal Poly San Luis Obispo. And while UC officials state that they are accepting all eligible high school students (those finishing in the top 12.5 percent of their class), three of UC's campuses – UC Berkeley, UCLA and UC San Diego - have recently enrolled fewer Californians than in the past as they have increased out-of-state and foreign enrollment.

Completion. The Governor's budget summary notes that fewer than one in five students who enter the CSU as freshman graduate in four years. In a recent report, the CSU indicate that four-year graduation rates of first-time freshman Pell Grant students are 11 percent lower than their peers. Specifically only 11percent of first-time freshman Pell Grant students in the entering class of 2010 graduated in four years, compared with 22 percent to their peers. As noted in their budget request, the CSU have expressed a commitment to addressing this persistent challenge.

Legislative Analyst's Office (LAO) Comments

The LAO recently released “The 2016-17 Budget: Higher Education Analysis” which includes detailed information regarding the Governor’s higher education budget proposals. The LAO’s analyses of specific proposals such as UC’s unfunded pension liability and UC and CSU enrollment and academic quality and performance, will be discussed in detail when the subcommittee hears the related program area.

Unallocated Base Augmentation. Similar to last year, the Governor provides each segment with an unallocated base augmentation that is not linked to a specific purpose. In general, the LAO raised serious concerns about the Governor’s overall budgetary and states this proposal makes it difficult to assess whether the augmentations are needed and whether any monies provided would be spent on the highest state priorities. According to the LAO, the Administration’s discretionary funding approach diminishes the Legislature’s role in key policy decisions and allows the universities to pursue their own interests rather than the broader public interest. The continued unallocated base increases at the UC and CSU dilute the role and authority of the Legislature in the budget process and, as a result, the Legislature will have difficulty assessing whether augmentations are needed and ultimately whether any monies provided would be spent on the highest state priorities. Linking funding with enrollment serves an important state purpose because it expresses the state’s priority for student access and connects funding with student-generated costs. Despite these benefits, the Governor continues to disregard the state’s longstanding enrollment practices for UC and CSU.

The subcommittee may wish to ask:

- In their 2016-17 budget proposal, the UC Board of Regents requested an additional \$6 million General Fund to support growth in graduate student enrollment, which the board believes will help support the undergraduate student enrollment growth it is pursuing. Why does UC need additional funding for graduate students? What does the Administration think of this proposal?

- CSU has reported that it added more than 10,000 full-time equivalent students in Fall 2015, when compared to 2014. Which campuses added students? Which CSU campuses are in the best position to increase enrollment going forward?

- How many qualified students were not admitted to CSU in Fall 2015? Can CSU develop a referral process to ensure students understand which campuses and programs have openings?

Staff Recommendation. Hold Open.

Issue 2: Capital Outlay – Oversight**Panel**

- Raghda Nassar, Budget Analyst, Department of Finance
- Jason Constantouros, Fiscal & Policy Analyst, Legislative Analyst's Office
- Dan Feitelberg, Vice Chancellor for Planning and Budget, UC Merced
- Elvyra San Juan, Assistant Vice Chancellor, Capital Planning, Design & Construction, California State University

Background

Prior to 2013-14 for UC and 2014-15 for CSU, the state funded construction of state-eligible projects by issuing general obligation and lease-revenue bonds and appropriated funding annually to service the associated debt. General obligation bonds are backed by the full faith and credit of the state and require voter approval. Lease-revenue bonds are backed by rental payments made by the segment occupying the facility and only require a majority vote of the Legislature. The debt service on both is repaid from the General Fund. State eligible projects are facilities that support the universities' core academic activities of instruction and, and in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

Chapter 50, Statutes of 2013 (AB 94, Committee on Budget) and Chapter 34, Statutes of 2014 (SB 860, Committee on Budget), revised this method by authorizing UC and CSU, respectively, to pledge its state support appropriations to issue bonds for state eligible projects, and as a result the state no longer issues bonds for university capital outlay projects. The authority provided in AB 94 and SB 860 is limited to the costs to design, construct, or equip academic facilities to address: (1) seismic and life safety needs, (2) enrollment growth, (3) modernization of out-of-date facilities, and (4) renewal of expansion of infrastructure to serve academic programs. SB 860 also included the costs to design, construct, or equip energy conservation projects for CSU. Additionally, the state allows each university to pay the associated debt service and deferred maintenance of academic facilities using its state support appropriation.

Under the new authority, UC and CSU are required to submit project proposals to the Department of Finance and the budget committees of the Legislature by September 1 for the upcoming fiscal year. By February 1, DOF is required to notify the Legislature as to which projects it preliminarily approves. The budget committees then can express any concerns with the projects to DOF. The DOF can grant final approval of projects no sooner than April 1 for the upcoming fiscal year.

SB 81 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2015, revised UC's capital outlay authority to allow them to enter into contracts with private partners to finance, design, construct, maintain and operate state-eligible facilities. SB 81 also expanded the eligible uses of state support funds to include availability payments, lease payments, installment payments, and other similar or related payments for capital expenditures. For the Merced project,

SB 81 requires UC to use its own employees for routine maintenance, meaning the partner only would perform maintenance on major buildings.

Governor's Proposal

On February 17th, the Department of Finance submitted letters to the Legislature listing one UC and 21 CSU projects DOF preliminarily approved.

CSU's 2016–17 capital outlay request includes 21 projects totaling \$535 million. To pay for these projects, CSU would issue bonds worth \$473 million in the coming year, and campuses would provide the remaining funds from their operating reserves. The projects include \$194 million for new facility space at eight campuses and \$341 million for improvements and renovations to facilities and infrastructure at every campus across the system. CSU estimates the total debt service on these projects would range from \$30 million to \$47 million, depending on market conditions at the time the bonds are sold.

The DOF preliminarily approved the following CSU capital outlay proposals:

1. Statewide Infrastructure Improvements (PWC): \$138,291,000 for preliminary plans, working drawings, and construction of approximately 73 projects at 23 campuses. Projects include building systems modernization (plumbing, mechanical, and electrical), replacement of chillers, boilers, and HVAC systems, energy management upgrades, and Americans with Disabilities Act (ADA) upgrades. Campus reserves in the amount of \$18,630,000 will fund various phases of the projects, for a total cost of \$156,921,000.
2. Monterey Bay Academic Building III: \$34,364,000 (\$718,000 for a portion of working drawings and \$33,646,000 for construction) to construct a new 50,800 GSF lecture and office building to address the need for additional capacity related to academic growth in the college of Arts, Humanities, and Social and Behavioral Sciences. Campus reserves in the amount of \$500,000 will fund a portion of the working drawings phase of the project, for a total cost of \$34,864,000.
3. Dominguez Hills Center for Science and Innovation: \$65,321,000 (\$1,526,000 for working drawings, \$60,547,000 for construction, and \$3,248,000 for equipment) to construct a new 80,000 GSF science laboratory and classroom building to serve the biological, physical, and earth science disciplines. Campus reserves in the amount of \$500,000 will fund a portion of the working drawings phase of the project, for a total cost of \$65,821,000.
4. Fullerton McCarthy Hall Science Renovation, Phase 1: \$12,726,000 for construction, to address fire and life safety needs, ADA upgrades, and electrical upgrades. Campus reserves in the amount of \$1,646,000 will fund preliminary plans and \$393,000 will fund working drawings, for a total cost of \$14,765,000.
5. Humboldt Jenkins Science Hall Renovation: \$11,389,000 (\$333,000 for preliminary plans and \$11,056,000 for construction) to renovate and repurpose the building; updates

to the building systems will improve energy use and operating cost efficiency, and will address ADA deficiencies. Campus reserves in the amount of \$368,000 will fund working drawings and \$212,000 will fund equipment, for a total cost of \$11,969,000.

6. San Diego IVC North Classroom Seismic Renovation: \$2,022,000 (\$58,000 for preliminary plans, \$83,000 for working drawings, and \$1,881,000 for construction) to renovate and upgrade the North Classroom Building on the IVC campus. Seismic upgrades as well as ADA code deficiencies will be addressed.
7. Chico Siskiyou II Science Replacement Building: \$73,651,000 (\$2,606,000 for preliminary plans and \$71,045,000 for construction) to construct a new building to replace the existing seismically deficient Physical Sciences Building. The replacement building will include science classrooms, wet lab space, faculty office space, a data center, and a vivarium. Campus reserves in the amount of \$2,414,000 will fund working drawings and \$4,521,000 will fund equipment for a total cost of \$80,586,000.
8. San Jose Science Replacement Building: \$2,755,000 for preliminary plans to build a replacement facility for the Biology and Chemistry Departments in the College of Science. The facility will include wet laboratories, faculty offices, and graduate research space.
9. Fresno Central Plant Replacement, Phase 1: \$23,087,000 (\$1,428,000 for preliminary plans and \$21,659,000 for construction) to replace the existing central plant components (chillers/boilers/cooling towers/HVAC systems) campus wide. Campus reserves in the amount of \$5,601,000 will fund working drawings and \$851,000 will fund equipment for a total cost of: \$29,539,000.
10. Fullerton Pollak Library Renovation, Phase 1: Campus reserves in the amount of \$12,748,000 (\$320,000 for preliminary plans, \$385,000 for working drawings, \$11,295,000 for construction, and \$748,000 for equipment) will renovate the entire first floor of the library, as well as the fourth and fifth floors of the south wing. This campus-funded project will be completed in four phases.
11. Long Beach Student Success Building/Peterson Hall 2: \$38,156,000 for construction to renovate the building to provide space for academic advising, disabled student services, learning assistance, teaching lab spaces. The project will address seismic deficiencies (the building is currently rated a seismic level 5). Campus reserves in the amount of \$1,084,000 will fund preliminary plans, \$1,355,000 will fund working drawings, and \$2,762,000 will fund equipment for a total cost of \$43,357,000.
12. East Bay Library Seismic Renovation: \$50,255,000 (\$1,541,000 for preliminary plans and \$48,714,000 for construction) to renovate the East Bay library building. The renovation will address seismic deficiencies; upgrade fire and life safety systems, and building system renewals. The facility is currently rated a seismic level 6. Campus reserves in the amount of \$1,571,000 will fund working drawings and \$3,000,000 will fund equipment for a total cost of \$54,826,000.

13. Stanislaus Library Seismic Renovation: \$3,539,000 (\$1,841,000 for preliminary plans, \$1,728,000 for working drawings) to renovate the library building. The renovation will address seismic deficiencies, upgrade fire and life safety systems, ADA compliance, and will upgrade plumbing and mechanical equipment. The facility is currently rated a seismic level 5.
14. Northridge Sierra Hall Renovation, Phase 1: \$1,867,000 for preliminary plans to renovate the instructional lab building. The renovation will be completed in two phases; phase 1 will reconfigure and modernize lecture space and teaching labs. The renovation will also address ADA and fire and life safety deficiencies. Campus reserves in the amount of \$1,862,000 will fund working drawings, for a total cost of \$3,729,000.
15. San Diego Utilities Upgrade, Phase 1: Campus reserves in the amount of \$1,730,000 will fund the preliminary plans phase of this project, to correct campus utility infrastructure deficiencies. Upgrades will be made to campus electrical systems, chiller plant systems, steam lines, and steam boilers.
16. Sacramento Utilities Infrastructure, Phase 1: \$3,724,000 (\$1,996,000 for preliminary plans and \$1,728,000 for working drawings) for the first phase of utilities infrastructure improvements. Improvements will upgrade and extend the storm water collection system, irrigation pumps, natural gas distribution system, chilled water system, and the domestic water distribution system.
17. Channel Islands Gateway Hall: \$1,983,000 for the preliminary plans phase of a new project to renovate and expand the facility. The project also includes the demolition of hospital wings on the north side of the campus. Expansion will add 56,900 square feet of space to accommodate 1,485 full-time students and 80 faculty offices.
18. Los Angeles JFK Library Seismic Renovation: \$1,900,000 for the preliminary plans phase of a new project to renovate the library and correct seismic deficiencies. The facility is currently rated a seismic level 5.
19. Maritime Academy Learning Commons: \$1,458,000 (\$708,000 for preliminary plans and \$750,000 for working drawings) to construct a new 50,000 square foot building that will connect to the existing campus library to allow for the expansion of enrollment and programs.
20. Sonoma Professional Schools Building: \$2,306,000 (\$1,125,000 for preliminary plans and \$1,181,000 for working drawings) to construct a new 62,300 square foot building to house professional disciplines of business administration, education, and nursing. The project will include lecture space to accommodate 513 full-time students and 100 faculty offices.
21. Bakersfield Humanities Classroom: \$4,386,000 (\$109,000 for preliminary plans and \$4,277,000 for construction) to construct a 6,700 square foot addition to the Humanities

Office Building complex. The addition will allow the campus to accommodate the general lecture requirements of the undergraduate degree program by utilizing larger classrooms with 120 or more stations, as opposed to multiple smaller classrooms with 20-30 stations. Campus reserves in the amount of \$143,000 will fund working drawings and \$72,000 will fund equipment for a total cost of \$4,601,000.

UC capital outlay project preliminarily approved for 2016-2017. The DOF preliminarily approved one UC capital outlay projects totaling \$527 million in 2016-17, including \$400,000,000 from external financing and \$127,300,000 from developer funding

- **The Merced—State 2020 Project:** \$527,300,000 total costs (\$18,857,000 for preliminary plans, \$43,999,000 for working drawings, \$428,343,000 for construction, and \$36,101,000 for equipment). The Merced—State 2020 Project will include instructional, research, and academic office space, an enrollment center, and campus operations. This project is part of the larger comprehensive Merced 2020 Project (totaling \$1.1 billion) that will accommodate enrollment growth from the current 6,200 students to 10,000 students by the year 2020, allowing the campus to attain self-sufficiency. The annual cash flow requirement to fulfill the Merced 2020 Project obligations for state eligible facilities is estimated to be \$47 million (and \$58 million for non-state eligible facilities). UC anticipates financing its payment obligations from several different sources, including revenue generated by campus auxiliaries, other campus revenue and fee sources, and its General Fund support appropriation.

Proposed New Space and Cost for UC Merced Project (Dollars in Millions)

	Assignable Square Feet	Cost
State-Eligible		
Research labs and support	181,000	\$300
Faculty and administrative offices	144,600	121
Classrooms, teaching labs, and other instructional space ^a	69,800	86
Other ^b	19,000	20
Subtotals	(414,400)	(\$527)
Not State-Eligible		
Housing	380,500	\$258
Student recreation	122,600	163
Parking	—	95
Other	—	100
Subtotals	(503,100)	(\$616)
Totals	917,500	\$1,143

^aIncludes flexible space adjacent to research laboratories. UC indicates this space will be for faculty and student interaction.
^bFacilities for public safety, environmental safety, and workplace safety personnel.

UC Proposes to Deliver Project Using Public–Private Partnership. Under the partnership, the partner would design and construct the facilities. As noted above, UC would issue \$400 million in bonds for construction of the state–eligible facilities. The partner would finance the remaining \$127 million for these facilities. Under the contract, UC would pay the partner for the construction costs in three installments upon completion of certain construction milestones. UC states that this payment schedule would provide an incentive for the partner to complete construction without delays.

Annual Ongoing Costs. The LAO notes that the UC’s annual ongoing costs for the project would initially total \$47 million, specifically UC would cover annual debt service on the bonds it issued for state–eligible facilities (\$21 million) and would perform annual routine maintenance on the new facilities (\$7.3 million). In addition, UC would make annual payments to the partner for the partner’s financing costs (\$13 million) and for the partner to perform maintenance on major building systems (\$5.4 million). UC indicates that the contract it plans for the partnership would allow it to reduce or withhold these payments if the facilities do not meet certain operational standards. For example, if a facility were to shut down and no longer be available for use, UC could withhold funding from the partner. In 2055, UC would assume full responsibility for the operation and maintenance of the facilities.

Legislative Analyst’s Office Comments

The Legislative Analyst’s Office recently released a report, “Review of the UC’S Merced Campus Expansion Proposal,” which includes detailed information regarding the UC Merced proposal and issues for legislative consideration.

Enrollment Considerations. UC cites enrollment growth as the key justification for expanding the Merced campus, and LAO notes that the Legislature may wish to consider the appropriate enrollment growth UC should undertake. Student demand varies by campus, with Berkeley, Los Angeles and San Diego receiving the most applicants. In order to accommodate all eligible applicants UC traditionally redirects some eligible students to UC Merced. The 2015-16 budget set an expectation that UC enroll 5,000 more undergraduate resident students in 2016-17 than in 2014-15. The 2015-16 budget made a \$25 million augmentation contingent on meeting this enrollment expectation. UC plans to meet these expectations, and accordingly, UC Merced is expected to increase enrollment by 450 students.

LAO notes that over 40 percent of the proposed state-eligible space and over 50 percent of the estimated state construction cost is for new research facilities. Increasing research activities increases cost because it increases the campus’s overall space needs and research space is the costliest type of space to construct. The LAO suggests that the Legislature could prioritize the construction of instructional space, including teaching laboratories, enabling the campus to continue to accommodate more student and reducing cost.

Procurement Method and Costs Considerations. UC asserts that a private partner could develop innovative construction and maintenance practices that would produce long-term savings relative to a design–bid–build or design–build procurement method. Although these savings are plausible, LAO notes savings are highly uncertain because the state has entered into only a few partnerships and evidence from other states is limited. The partner will face higher interest rates than UC when issuing debt, thereby increasing financing costs for the project. In LAO’s view, UC has not been able to provide sufficient evidence that construction and maintenance costs would be low enough under a public–private partnership to outweigh the likelihood of increased financing costs. Therefore, LAO notes that savings from public–private partnership are uncertain.

Although UC asserts that a public–private partnership would transfer risks associated with the construction and operations of a facility onto the private partner, the partner most likely will factor these risks into its bid. As public–private partnerships tend to entail complex legal contracts, with each side attempting to minimize risk, disputes are common. For this project, future disputes between UC and the partner over the terms of the contract could be numerous and serious. For instance, UC could experience costly disputes with the partner if the contract fails to address an unforeseen issue or lacks clarity on a specific performance metric. Such disputes have occurred in other public–private partnership projects in California and created increased costs for the state agencies involved in the disputes.

Improve Maintenance. Under the proposal, UC would be contractually obligated to provide ongoing payments to the partner to maintain the project’s facilities. The contract also would require the partner to maintain a reserve account to ensure that funding is available for scheduled facility renewal. A stable budget for maintenance could prevent the campus from accumulating a large deferred maintenance backlog.

Staff Comments: The Governor’s approach was a dramatic departure from how UC and CSU capital outlay has been historically addressed. The Administration indicated the motivation for combining the universities’ support and capital budgets was to provide universities with increased flexibility, given limited state funding. However, the Administration did not identify specific problems with the previous process used or any specific benefits the state might obtain from the new process.

Project Prioritization. The change occurred without any analysis of ongoing need, not only for capital outlay but also deferred maintenance at existing buildings, and for campuses that might be needed in the future. While UC only has one proposed project this year, LAO notes that UCOP does not have a process for prioritizing projects across campuses, and gives campuses broad discretion to set their own capital priorities. Whereas, the CSU Chancellor’s Office performs assessments and ranks projects on behalf of all campuses, giving priority rankings to projects that mitigates risks associated with campus or partial campus shutdown. However, some ambiguity remains with CSU’s prioritization of other projects included in its capital outlay request. For example, some projects do not appear to be associated with mitigating risks of a campus shutdown. Additionally, the Department of Finance also notes they do not provide UC and CSU guidance on how to prioritize their capital outlay projects. Lastly, the Legislature does

not have a system to prioritize projects within each higher education segment and among all higher education segments. Last year, the LAO recommended the state set priorities for projects to provide more guidance to segments. For example, the Legislature could state its priorities for funding projects in a certain order, such as (1) life safety, (2) seismic corrections, (3) modernization, and (4) program expansions.

Timeline for Review. As noted above, statute requires DOF to notify the Legislature as to which projects it preliminarily approves by February 1. The budget committees then can express any concerns with the projects to DOF, and DOF can grant final approval of projects no sooner than April 1 for the upcoming fiscal year. However, DOF submitted the preliminary approved list on February 17, 2016, past the statutory deadline. The subcommittee may wish to request an extension on the timeframe for legislative review.

The subcommittee may wish to ask:

- Regarding the UC Merced 2020 Project, why does UC believe a public-private partnership is the appropriate method to construct and operate new buildings? Will UC seek state funding for the \$47 million annual payment associated with this project once it is completed in 2020? Is UC considering other public-private partnerships?
- How does UC prioritize capital outlay projects?
- Based on the Governor's budget, how is CSU prioritizing capital outlay projects?

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, March 10, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultants: Elisa Wynne and Anita Lee

<u>Item</u>	<u>Department</u>	<u>Page</u>
6110	Department of Education	
6870	California Community Colleges	
Issue 1	Adult Education Block Grant	2
Issue 2	K-14 Education Mandates	9
Issue 3	Proposition 39 Energy Efficiency Projects	16
6110	Department of Education	
Issue 4	Career Technical Education Incentive Grant	21
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

**6110 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****Issue 1: Adult Education Block Grant****Panel I:**

- Natasha Collins, Legislative Analyst's Office
- Jessica Holmes, Department of Finance
- Debra Brown, California Department of Education
- Debra Jones, California Community Colleges

Panel II:

- Bill Bettencourt, Principal, Placer School for Adults
- Susan Yamate, Director, San Diego Adult Education Regional Consortium

Background:

Adult Education Block Grant. The 2015-16 Budget Act provided \$500 million in ongoing Proposition 98 funding for the Adult Education Block Grant (AEBG) and budget trailer bill, AB 104 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, contained implementing statute. This new program built on two years of planning to improve and better coordinate the provision of adult education by the Chancellor of the California Community Colleges and the Superintendent of Public Instruction. Under the restructuring effort, regional consortia, made up of adult education providers, formed to improve coordination and better serve the needs of adult learners within each region.

There are currently 71 regional consortia with boundaries that coincide with community college district service areas. Formal membership in consortia is limited to school and community college districts, county offices of education (COEs), and joint powers agencies (JPAs). Each formal member is represented by a designee of its governing board. With input from other adult education and workforce service providers, such as local libraries, community organizations, and workforce investment boards, the consortia developed regional plans to coordinate and deliver adult education in their regions. Only formal consortium members may receive AEBG funding directly. However, under a regional plan, funds may be designated for and passed through to other adult education providers serving students in the region.

Consortia Governance Structures. To be eligible for AEBG funds, regional consortia are required to establish a governance structure, however statute does not specify the type of governance structures consortia must adopt, instead providing flexibility for local decision-making. The chancellor and superintendent must approve the governance structure of each consortium. Of the 71 consortia, 53 currently indicate a governance structure of one vote per member. The chart below describes the governance structures that consortia have adopted.

Voting Power for Regional Consortia in 2015-16	Number of Consortia	Percentage of Consortia
One vote per member (1:1)	53	75%
Modified 1:1 – additional votes for community colleges	7	10%
Modified 1:1 – additional votes for larger member institutions	5	7%
Modified 1:1 – additional votes for members with MOE funds	3	4%
No assigned voting power due to consensus model	3	4%

According to California Department of Education (CDE) and the California Community Colleges Chancellor's Office (CCC), seven consortia are in the process of revising their governance structure for 2016-17.

Instruction Authorized in Seven Areas. Block grant funds may be used for programs in seven adult education instructional areas:

- 1) Elementary and secondary reading, writing, and mathematics (basic skills).
- 2) English as a second language and other programs for immigrants.
- 3) Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.
- 4) Short-term career technical education with high employment potential.
- 5) Pre-apprenticeship training activities coordinated with approved apprenticeship programs.
- 6) Programs for adults with disabilities.
- 7) Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

Consortia Funding. The 2015-16 Budget Act provided \$500 million in ongoing Proposition 98 funding to regional consortia. In 2015-16, \$337 million of this funding was distributed based on a maintenance of effort amount for school districts and COEs that operated adult education programs in 2012-13 and subsequently became members of regional consortia. Each of these providers received the same amount of funding in 2015-16 as it spent on adult education in 2012-13. The remainder of the funds were designated for regional consortia based on each region's share of the statewide need for adult education as determined by the chancellor, superintendent, and executive director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy. The CDE and CCC report that need-based funding in 2015-16 for consortia was \$158 million, with \$5 million not yet allocated and set-aside for the potential expansion of consortia.

Beginning in 2016-17, the CCC and CDE will distribute block grant funding based on (1) the amount allocated to each consortium in the prior year, (2) the consortium's need for adult education, and (3) the consortium's effectiveness in meeting those needs. If a consortium receives more funding in a given year than in the prior year, each member of the consortium will receive at least as much funding as in the prior year. The CCC and CDE report that the preliminary 2016-17 fiscal year allocation

schedule, to be released in March, 2016, will reflect the provision of the same amount of funding to consortia as provided in the 2015-16 fiscal year.

AB 104 authorized each consortium to choose a fiscal agent to receive state funds and then distribute funding to consortium members, or to opt out and have members receive funds directly. The current distribution of fiscal agents, as of March 2016, includes, 12 K-12 districts, 48 community college districts, three county offices of education, and nine consortia that opted instead for direct funding from the state.

Data and Reporting. In the 2015-16 Budget Act, the CCC and CDE were provided \$25 million Proposition 98 funds to identify common measures for determining the effectiveness of the consortia in providing quality adult education. AB 104 specified that, at a minimum, the chancellor and superintendent accomplish both of the following:

- Define the specific data that each consortium shall collect.
- Establish a menu of common assessments and policies regarding placement of adults in education programs that measure the educational needs of adults and the successfulness of the provider in meeting those needs.

Of the total data allocation, 85 percent is available for grants to establish systems or obtain necessary data and 15 percent is available for grants for development of statewide policies and procedures related to data collection and reporting, or for technical assistance to consortia. The CDE and CCC have not yet awarded grants or expended any of the \$25 million.

Legislative intent language also specifies that the chancellor and superintendent work together to enter into agreements between their two agencies and other agencies, including the Education Development Department and the California Workforce Investment Board.

Report on Progress:

AB 104 required the chancellor and Superintendent to report on the progress made towards defining specific data collected, establishing menus of common assessments and policies, and enacting data sharing agreements to be submitted by November 1, 2015. The statutory requirements and report responses are compared below:

1. **Requirement:** Identify the specific data that each consortium shall collect.

Report Response: An interim reporting tool has been created on the Adult Education Block Grant website for consortia to enter data required by AB 104, plus data on the number of adult students transitioning from the K-12 system to the community college system. This system will also require consortia to report expenditures by program area. The required information under AB 104 is as follows:

1. How many adults are served by members of the consortium.
2. How many adults served by members of the consortium have demonstrated the following:
 - Improved literacy skills.

- Completion of high school diplomas or their recognized equivalents.
 - Completion of postsecondary certificates, degrees, or training programs.
 - Placement into jobs.
 - Improved wages.
- Specific data elements already identified in the final planning report required last spring in statute (AB 86 (Committee on Budget), Chapter 43, Statutes of 2013), that should be collected are:
 - Student headcount for each academic term and year by provider, aggregated into statewide and consortium totals and disaggregated by age, gender, and race/ethnicity.
 - Fulltime equivalent students/average daily attendance of each of the five instructional areas, in total and by course sections.
 - Degrees/certificates attained.
 - Learning gains (i.e. test scores or advancing to a higher instructional levels).
 - Employment outcomes (e.g. entered employment, retained employment, and wage gains).
 - Transition to postsecondary education or training.
 - The CDE and CCC have examined the student identifiers that are used in the K-12 system (Statewide Student Identifiers) and the community college system (social security numbers). Other potential identifiers are the Individual Taxpayer Identification number and the California Driver's License number. A decision to align identifiers or collect either of the potential additional identifiers has not been made and would require changes to the data systems being used by CDE and CCC.
 - The CCC and CDE have also identified that a centralized clearinghouse is needed to track student outcomes within and across both systems.
2. **Requirement:** Establish a menu of common assessments and policies regarding placement of adults in education programs that measure the educational needs of adults and the successfulness of the provider in meeting those needs.

Report Response: Within consortia, local providers are aligning assessments to ease the transition between programs or into the workforce. The CCC and CDE identified the assessments used by both the adult education and the CCC system. These include:

- Comprehensive Adult Student Assessment System (K-12 adult education, CCC who receive federal Title II or WIOA funds).
- Test of Adult Basic Education (CCC and K-12).

- General Assessment of instructional Needs (CCC and K-12).
- Basic English Skills Test for Literacy (CCC and K-12).
- Common Assessment Initiative – under development (CCC).

The CCC and CDE have not yet identified work readiness assessments used by providers. The report also did not include data on state or consortia-specific policies regarding the placement of adults.

3. Requirement: Development of memorandums-of-understanding (MOUs) for the purposes of data sharing.

Report Response: There are MOUs between CCC and CDE that allow for the matching of students between the CDE's CALPADS system and CCC's data system. CDE and CCC are also working on MOUs with the Employment Development Department to enable the identification of wage data.

Member Effectiveness Data. AB 104 also required the CCC and CDE to identify specific metrics on member effectiveness. CDE and CCC recently identified the following metrics:

- Each member must participate in completing and updating the Annual Plan Template.
- Adult Education Block Grant member funds must be expended in the seven program areas, and services provided must be consistent with the plan.
- Each member must participate in completing and updating the 3-year Consortia Plan, including any amendments.
- Member expenditures of Adult Education Block Grant funds must match the objectives and activities included in the Annual Plan.
- Members participate in consortium/public meetings.
- Members participate in consortium final decisions.
- Members report student level enrollment data and outcomes for mid-year and final reporting.
- Members share information on programs offered, and the resources being used to support the programs.

Coordination of Other Adult Education Fund Sources. AB 104 requires the state to coordinate funding of two federal adult education programs, the Adult Education and Family Literacy Act, also known as Workforce Innovation and Opportunity Act (WIOA) Title II, and the Carl D. Perkins Career and Technical Education Act (Perkins), with state Adult Education Block Grant funding. WIOA Title II was reauthorization that became effective July 1, 2015, and funding is allocated by the CDE to numerous adult education providers, including adult schools, community colleges, libraries, and community-based organizations. The CDE distributes funding based on student learning gains and other outcomes. Perkins is ongoing federal funding allocated by CDE to schools, community colleges, and correctional facilities. This funding may be used for a number of career technical education purposes, including curriculum and professional development and the purchase of equipment and supplies for the classroom. Of these funds, 85 percent directly supports local career technical education programs and 15 percent supports statewide administration and leadership activities, such as support for career technical education student organizations.

The CCC and CDE are required to submit a plan to Department of Finance, the State Board of Education, and the Legislature by January 31, 2016 on the distribution of WIOA Title II and Perkins funds in alignment with AEBG funds. As of writing this agenda, CCC and CDE state the plan is still undergoing editing, however, they have provided the committee with a draft copy that anticipates these funds will continue to be allocated the same way as they have been allocated in the past.

The CCC and CDE note that the reauthorization of WIOA Title II and Perkins may make changes in structure, goals and implementation of the acts, which could drive state-level changes for alignment purposes. Until reauthorization of the Carl D. Perkins Act, and until guidance for WIOA is released, the CDE and CCC have determined it is premature to change funding processes and will continue to allocate funds under the current structure and plan. Once WIOA Title II regulations are released and Perkins is reauthorized, CCCCO and CDE recommend reconstituting the Joint Advisory Committee on Career Technical Education to assist in the development of alternative methods of allocating multiple funding streams.

Governor's Budget Proposal

The Governor's budget proposal includes no changes to the funding amount of \$500 million in ongoing Proposition 98 each year for the AEBG.

The Governor proposes trailer bill language that modifies consortia decision-making procedures. Specifically, trailer bill language requires a consortium to consider input provided by pupils, teachers employed by local educational agencies, community college faculty, principals, administrators, classified staff, and the local bargaining units of the school districts and community college districts before making a decision.

Staff Comments

The first year of the AEBG has highlighted many successes among consortia, funding has been allocated and local governance and financing structures have been established. Most consortia have reported significantly increased collaboration among consortium members. However, staff continue to be concerned with slow progress on the development of systems for collecting and reporting data statewide. While the reports required in statute have been released or are in progress, it is difficult to determine what the chancellor and the superintendent have accomplished since the AB 86 cabinet report was released in Spring 2015. Many of the same issues around data collection, student identifiers and assessments remain.

Staff are also concerned that the \$25 million allocated specifically to develop data systems remains unspent. These funds were specifically intended to address the lack of data consistency among the providers of adult education. Adult education is an area of education that can result in a variety of positive outcomes for students from employment, to additional education, to improved English language skills. The AEBG does not require a specific number of adult students to be served. As a result of the unique nature of adult education, accurate tracking of positive student outcomes is vital to determining the success of the AEBG program and the appropriate allocation of any future funding increases. The Legislature may wish to explore whether additional legislative direction is needed to align data systems to ensure reliable outcome indicators for adult education.

Finally, the CCC and CDE have noted in several reports that the anticipated WIOA Title II regulations and Perkins reauthorizations limit the CCC and CDE from making changes to disbursement and alignment of funds, and identifying and aligning common assessments. However, it is unclear if WIOA regulations will significantly change the current understanding of the law's requirements. Further, the Perkins reauthorization and subsequent rulemaking process could take another several years. The Legislature may wish to require follow-up reporting from the CCC and CDE specifying which in areas they feel it is important to delay further progress on state coordination of federal funds, as well as common assessments, until WIOA's (and later, Perkins) final regulations are released and which state priorities they can move forward in the coming months.

Subcommittee Questions

- 1) What are the next steps that the CDE and CCC plan to take in the current year towards alignment of data to measure effectiveness and ensure positive outcomes for adult students?
- 2) How is the CCC's Common Assessment Initiative, currently under development, aligned with other assessments used by adult education providers?
- 3) How are consortia directing programs to meet the needs of their regions? What indicators of need are most useful for local planning purposes?

Staff Recommendation

Hold open pending May Revision funding projections.

Issue 2: K-14 Education Mandates**Panel:**

- Rebecca Hamilton, Department of Finance
- Dan Kaplan, Legislative Analyst's Office
- Debra Brown, California Department of Education
- Dan Troy, California Community Colleges

Background:

The concept of state reimbursement to local agencies and school districts for state-mandated activities originated with the Property Tax Relief Act of 1972, SB 90 (Dills), Chapter 1406, Statutes of 1972, known as SB 90. The primary purpose of the act was to limit the ability of local agencies and school districts to levy taxes, however it also included provisions to require the state to reimburse local governments when they incurred costs as the result of state legislation. In 1979, Proposition 4 (superseding SB 90) was passed by voters, amending the California Constitution to require local governments to be reimbursed for new programs or higher levels of services imposed by the state. In response to Proposition 4, the Legislature created the Commission on State Mandates (CSM) to hear and decide upon claims requesting reimbursement for costs mandated by the state.

In the area of K-14 education, school districts, county offices of education (COEs), and community colleges, collectively referred to as local educational agencies (LEAs), can file mandate claims to seek reimbursement. Charter schools have filed mandate claims in the past and the CSM disapproved the claims stating that a charter school is voluntarily participating in the charter program and therefore their activities are not mandates. In addition, a charter school is not considered a school district under the Government Code sections that allow for the claiming of reimbursement. However, charter schools are required, as a course of operation, to provide some of the same programs, or higher levels of service for which other education agencies may file mandate claims and receive reimbursement.

Mandate Reimbursement Process. A test claim must be filed within 12 months of the effective date of the activity. The CSM first determines whether an activity is a mandate. Generally, a new program or higher level of service for a local government may not be considered a reimbursable mandate if 1) it is a federally-required program or service; 2) it is the result of a voter-approved measure; 3) it is the result of an optional or voluntary activity; 4) it has offsetting saving or revenues designated for that purpose; or 5) the requirement was enacted prior to 1975. The test claim must include detailed information on the enacting statutes or executive orders, mandated activities, and costs incurred as a result.

If the CSM determines the program or service to be a reimbursable mandate, the next step is for the CSM to approve “Parameters and Guidelines” that identify the eligible claimants, activities, costs, and time-period as needed for LEAs to file claims. The State Controller’s Office (SCO) then issues claiming instructions and LEAs file initial claims, followed by annual claims for reimbursement. The SCO reviews, approves, and audits a sample of claims. After the initial claims are filed for a reimbursable state mandate, the SCO aggregates these costs and provides a statewide cost estimate for adoption by the CSM. These statewide cost estimates are reported to the Legislature and used to estimate ongoing state mandate costs and the backlog of unpaid mandate claims.

The mandates reimbursement process has some identified shortcomings. The process often takes years for decisions to be reached, allowing potentially significant costs to accrue prior to initial claims and delaying a decision by the state to suspend or amend the requirements. Reimbursements under this process are based on actual costs; therefore LEAs may lack an incentive to perform required activities as efficiently as possible. In addition, reimbursement on an annual basis requires potentially significant bureaucratic workload for LEAs to keep required records for all of the various mandated activities. Also, depending on the amount of reimbursement available, not all LEAs may file a claim; those with less administrative capacity may simply absorb the costs of the mandate. The reverse is likely also true; LEAs with the necessary administrative resources may more aggressively pursue reimbursement, resulting in uneven funding for the same mandated activities.

In order to simplify the process, in 2004 the state created the Reasonable Reimbursement Methodology (RRM). Rather than requiring LEAs to submit detailed documentation of actual costs, RRM uses general allocation formulas or other approximations of costs approved by the CSM. Only three school mandates currently have approved RRMs.

Payment of Mandates. Over the years, as the cost and number of education mandates has grown, the state began to defer the full cost of education mandates for multiple years at a time, paying claims on an inconsistent schedule, mostly when one-time funds are available. After deferring payments for years, in 2006, the state provided more than \$900 million in one-time funds for state mandates, retiring almost all district and community college mandate claims (plus interest) through the 2004-05 fiscal year. However on a regular ongoing basis, the state continues to defer the cost of roughly 50 education mandates, but still requires LEAs to perform the mandated activity by providing a nominal amount of money (\$1,000) for each activity.

There have been some attempts to force the state to pay mandate claims. For example, Proposition 1A, approved by the state's voters in 2004, required the Legislature to appropriate funds in the annual budget to pay a mandate's outstanding claims, "suspend" the mandate (render it inoperative for one year), or "repeal" the mandate (permanently eliminate it or make it optional). The provisions in Proposition 1A, however, do not apply to K-14 education. In addition, in 2008, a superior court found the state's practice of deferring mandate payments unconstitutional, however constitutional separation of powers means the courts cannot force the Legislature to make appropriations for mandates.

More recently the state has had significant one-time Proposition 98 funding available and has made sizeable payments towards the mandates backlog. After 2013-14, the LAO estimated that the mandates backlog reached a high of approximately \$4.5 billion. The 2014-15 Budget Act, provided \$450 million to pay K-14 mandates. The 2015-16 Budget Act, provided an additional \$3.8 billion for mandates. In both of these years, the funds were not apportioned for specific claims, but provided on an equal amount per average daily attendance (ADA) for K-12 and per full time equivalent student (FTES) for community colleges. Charter schools were also included in the per ADA allocation although they do not have mandate claims. This payment methodology acknowledges that all LEAs and community colleges were required to complete mandated activities, but for a variety of reasons, not all LEAs and community colleges submitted claims.

**Recent K-14 Mandate
Recent Backlog Payments**

	2014 Budget Act	2015 Budget Act
K-12 Education (In thousands)	\$400,500	\$3,205,137
Per ADA Rate (In whole dollars)	\$67	\$529
Community Colleges (In thousands)	\$49,500	\$632,024
Per FTES Rate (In whole dollars)	\$45	\$556
Total (In thousands)	\$450,000	\$3,837,161

Does not account for leakage.

Source: Department of Finance

This payment methodology has a significant limitation in its ability to fully pay off remaining mandate claims. The per ADA and FTES methodology results in “leakage”, or the amount of the one-time payments that does not count against the mandate backlog because it was provided to LEAs or community colleges that did not submit claims or whose claims have already been paid off. As the state pays off more of the mandate backlog, the amount of leakage becomes more significant. With fewer LEAs that have remaining claims on the books, additional funding provided on a per ADA and per FTES basis has a diminishing return on reducing the backlog as the remaining claims become concentrated in those LEAs with high per-student claims.

Remaining Mandates Backlog. The Administration roughly estimates that after the 2015-16 payments are applied to the mandates backlog, the remaining balance of unpaid claims totals approximately \$2.3 billion for K-12 mandates and close to \$300 million for the California Community College mandates. This includes an estimate that the \$3.8 billion provided in 2015-16 reduces mandate claims by approximately \$2.8 million. However, the SCO has not yet applied this funding to claims, so actuals are not yet available. In addition, some mandates are currently involved in litigation and the SCO has not applied the CSM ruling on offsetting revenue pending completion of the lawsuit. The LAO takes into account pending litigation and adjusts the backlog down to \$1.9 billion. The estimation of the actual amount of the backlog is complicated by a variety of factors, mandates claims continue to accrue on an annual basis, there is a lag in the SCO application of new one-time funds towards claims, and as a result in the calculation of leakage, claims continue to be subject to audit, and some statewide mandate costs are involved in litigation.

Mandates Block Grant. As an alternative to the traditional mandates claims process and to help create more certainty for LEAs in the payment of mandates, in the 2012-13 budget, the state created two block grants for education mandates: one for school districts, COEs, and charter schools (for which some mandated activities apply) and another for community colleges. Instead of submitting detailed claims that track the time and money spent on each mandated activity on an ongoing basis, LEAs can choose to receive block grant funding for all mandated activities included in the block grant. The mandates block grant does not reflect the actual statewide costs estimates for each included mandate.

Block Grant Funding and Participation. The 2015-16 budget includes a total of \$251 million for the mandates block grants (\$219 million for schools and \$32 million for community colleges). Block grant funding is allocated to participating LEAs on a per-pupil basis, based on ADA or FTES. The rate varies by type of LEA and by grade span, due to the fact that some mandates only apply to high schools. The per-pupil rates are as follows:

- School districts receive \$28.42 per student in grades K-8 and \$56 per student in grades 9-12.
- Charter schools receive \$14.21 per student in grades K-8 and \$42 per student in grades 9-12.
- County offices of education (COEs) receive \$28.42 for each student they serve directly, plus an additional \$1 for each student within the county. (The \$1 add-on for COEs is intended to cover mandated costs largely associated with oversight activities, such as reviewing district budgets.)
- Community colleges receive \$28 per student.

Most school districts and COEs, and virtually all charter schools and community college districts, have opted to participate in the block grant. Specifically, in 2015-16, the LEAs participating in the block grant serve about 96 percent of LEAs, including charter schools, and 99 percent of ADA and 100 percent of community college districts and FTES.

New Education Mandates. New mandate claims continue to be filed on an ongoing basis and generally, once the CSM has adopted the statewide cost estimate, this amount is added to the mandates backlog. In addition, the state must make a determination about whether to add new mandates to the block grant and correspondingly increase the mandates block grant and by what amount. Finally, if the state is not going to suspend the mandate, generally a minimal appropriation of \$1,000 is provided in the annual budget act towards the costs of the mandate. In the past, the mandates block grant has not been adjusted for low-cost mandates, but has been adjusted for high-cost mandates, such as the graduation requirements mandate, which results in an increase in the block grant in 2013-14 of \$50 million.

The CSM approved a new mandate for the required technology, training, and internet access LEAs need to provide to administer the new California Assessment of Student Performance and Progress, beginning in 2013-14. While the CSM approved mandated activities for reimbursement in January 2016, it will be some time before the CSM process results in a statewide cost estimate.

Governor's Proposal:

The Governor proposes to provide \$1.4 billion (1.3 billion for school districts, county offices, and charter schools, and \$76 million for community colleges) in one-time discretionary Proposition 98 funds. These funds would offset any existing mandate claims. Similar to prior years, this funding would be allocated on a per ADA and per FTES basis, with school receiving \$214 per ADA and community colleges receiving \$72 per FTES. LEAs can use their funds for any purpose, however the Governor includes language suggesting that school districts, COEs, and charter schools dedicate their one-time funds to implementation of Common Core State Standards, technology, professional development, induction programs for beginning teachers, and deferred maintenance and community colleges use their one-time funds for campus security, technology, professional development, and the development of open education resources and zero-textbook-cost degrees.

Providing funds on a per ADA and per FTES basis means that all LEAs, including charter schools and community colleges, would receive some funding, regardless of whether they had submitted mandate claims, or the dollar amount of their outstanding claims. As a result, the entire \$1.4 billion will not offset the mandates backlog, but rather some lesser portion of the total, as determined by the SCO. The Governor estimates this amount to be approximately \$786 million, leaving a remaining mandates backlog of approximately \$1.8 billion.

The Governor provides \$219 million for the K-12 mandates block grant, reflecting a \$1 million reduction for a decline in ADA and \$33 million for the community colleges block grant, reflecting a \$1 million increase for new FTES estimates. Per-pupil rates remain the same and there are no changes to the mandates included in the block grant. The Governor did not provide a COLA for the mandates block grant.

The Governor also proposes trailer bill language that would require that costs used to determine a reasonable reimbursement methodology for a mandate are based on audited claims.

LAO Analysis and Recommendations

The LAO's recent report, *The 2016-17 Budget: Proposition 98 Analysis*, analyzes the mandates backlog. The LAO found that many LEAs no longer have claims – 50 percent of school districts, 31 percent of county offices of education, and 86 percent of community colleges. They also looked at the cost per student and found that it varied widely and there was no uniform reason why any LEA would still have claims, although county offices in general had larger per student claims than school districts. In particular the widespread differences are highlighted in looking at community college claims where remaining claims are concentrated – 90 percent in four community college districts, who represent just seven percent of FTES.

Distribution of LEAs' Outstanding Claims per Student

	Share With Claims	Minimum Claim	Median Claim	Maximum Claim
School districts	50%	— ^a	\$400	\$8,673
County offices of education	69	\$148	2,649	29,719
Community college districts	14	183	1,514	5,001

^aActual value of claim is \$0.39 per student.

Note: Local education agencies (LEAs) with no outstanding balances have been omitted.

Source: Legislative Analyst's Office

The LAO notes that the prior years' practice of paying mandate claims with a per ADA and per FTES amount for all LEAs did ensure that LEAs that did not claim for mandates because it was administratively burdensome or provided services at a lower cost were not disadvantaged compared with other LEAs. However, paying the full mandates backlog using this methodology is not reasonable, given the growing amount of leakage as remaining claims become more concentrated.

The LAO recommends an alternative payoff methodology, providing \$2.6 billion over the next few years. Under this plan, in exchange for a designated amount of one-time funding LEAs would be required to write-off remaining mandate claims. School districts would receive \$450 per ADA, equal to the median outstanding per-student school district and county office claim. County offices would receive the greater of \$1 million or \$450 per ADA, plus \$20 per each countywide ADA. If all school districts and county offices choose to participate, the cost would be \$2.4 billion for school districts and \$160 million for county offices. The LAO does not recommend making additional payments to charter schools as they do not have outstanding claims and were paid the same per-ADA rate as school districts in prior backlog payments, despite having to perform fewer mandated activities. The LAO also does not recommend making payments to community colleges as their remaining claims are so concentrated in a few districts. While there may be LEAs that choose not to participate and community colleges that retain claims on the books, there will be relatively few remaining claims. The state can continue to monitor the claims backlog over time as new mandates arise, and in future years when claims once again build up, can take a similar approach to retiring debt.

The LAO also reviewed the Governor's proposal for the mandates block grant and recommends that the Legislature apply the same COLA (0.47 percent) to the mandates block grant as is applied to other education programs, at an estimated cost of 1.2 million. The LAO notes that a COLA would ensure that the purchasing power of the mandates block grant is maintained and better reflect the costs of performing mandated activities.

Staff Comments

Significant progress has been made in paying down the mandates backlog over the past few years with the additional benefit that LEAs have received unrestricted one-time resources as the economy has recovered and they build back programs for their students. However, during this same time period, there have been significant education reforms, including new academic content standards and assessments that have required significant professional development, instructional materials, and technology upgrades. While the Governor proposes language that suggests, but does not require, the expenditure of funds on identified priorities, the Legislature may wish to consider whether funds should be instead specifically targeted to priority areas, although the state would not be able to count those funds as reducing the mandates backlog.

In addition, the payment of mandate claims has been inconsistent at best over the past decade. The inequities in the mandates system are well documented and over time, some LEAs have amassed large amounts of claims on the books. In 2012-13, the state created the mandates block grant and took a step towards preventing future backlogs of mandate claims totaling billions of dollars, with LEAs uncertain as to when they would be paid back for required activities. However the remaining backlog, created before the block grant, remains on the books and the Legislature may wish to consider alternative methods of paying the backlog off in a timely manner.

Subcommittee Questions

1. Does the DOF have a response to the LAO's alternative proposal?
2. Does the LAO anticipate there will be sufficient one-time funds in future years to fund the entire \$2.6 billion needed under their proposal if all LEAs participate?
3. Why did the DOF not apply a COLA to the mandates block grant to retain the purchasing power of the grant?

Staff Recommendation

Hold open pending May Revision funding projections.

Issue 3: Proposition 39 Energy Efficiency Projects**Description**

The California Clean Energy Jobs Act was created with the approval of Proposition 39 in the November 6, 2012 statewide general election. Under this act, specific proceeds of corporate tax revenues are allocated to the Clean Energy Job Creation Fund through 2017-18, and are available for appropriation by the Legislature for eligible projects to improve energy efficiency and expand clean energy generation. This item includes an update on projects that have been completed or are underway and the Governor's proposal for the 2016-17 expenditure of funds.

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Cheryl Ide, Department of Finance
- Debra Brown, California Department of Education
- Drew Bohan, California Energy Commission
- Dan Troy, California Community Colleges

Background:

Proposition 39 changed the corporate income tax code to require most multistate businesses to determine their California taxable income using a single sales factor method. The increase in the state's corporate tax revenue resulting from Proposition 39, is allocated half to the General Fund and half to the Clean Energy Job Creation Fund for five fiscal years, from 2013-14 through 2017-18. The Clean Energy Job Creation Fund is available for appropriation by the Legislature for eligible projects to improve energy efficiency and expand clean energy generation. For fiscal years 2013-14 through 2015-16 the state provided \$973 million in Proposition 39 revenue for K-12 energy efficiency projects and planning, \$124 million for community college energy projects, and \$56 million for a revolving loan program to fund similar types of projects in both segments. The state also provided smaller amounts to the California Workforce Investment Board and the California Conservation Corps.

K-12 - Local Educational Agency Proposition 39 Award Program. SB 73 (Committee on Budget and Fiscal Review), Chapter 29, Statues of 2013, establishes that 89 percent of the funds deposited annually into the Clean Energy Job Creation Fund, and remaining after any transfers or other appropriations, be allocated by the State Superintendent of Public Instruction for awards and made available to LEAs for energy efficiency and clean energy projects. Minimum grant amounts were established for LEAs within the following average daily attendance (ADA) thresholds:

- \$15,000 for LEAs with ADA of 100 students or less.
- \$50,000 for LEAs with ADA of 100 to 1,000 students.
- \$100,000 for LEAs with ADA of 1,000 to 2,000 students.

The Energy Commission, in consultation with the Department of Education, the Chancellor's Office and the Public Utilities Commission, was required to develop guidelines for contracts with LEAs. The Energy Commission released these guidelines in December 2013.

In order to receive an energy efficiency project grant, LEAs must submit an expenditure plan to the Energy Commission outlining the energy projects to be funded. The Energy Commission reviews these plans to ensure they meet the criteria set forth in the guidelines. The Department of Education distributes funding to LEAs with approved expenditure plans. LEAs can also request funding for planning prior to submission of the plan. The Department of Education notes that as of February 2016, 1,646 LEAs have received planning funds and 516 have received energy project funds and the Energy Commission has approved \$354 million in projects.

K-12 Proposition 39 Energy Efficiency Funds For 2013-14 through 2015-16 fiscal years as of February 2016 (dollars in millions)	
Total Allocation	\$ 973.4
Planning funds paid	\$ (153.6)
Energy projects paid	\$ (338.2)
Total Payments	\$ (491.8)
Remaining balance	\$ 481.6

Source: Department of Education

The types of projects approved for K-12 education are as follows:

Project Type	Count	Percentage of Total
Lighting	4,666	47%
Lighting Controls	1,081	11%
HVAC	1,683	17%
HVAC Controls	1,007	10%
Plug Loads	636	6%
Generation (PV)	251	3%
Pumps, Motors, Drives	219	2%
Building Envelope	128	1%
Domestic Hot Water	133	1%
Kitchen	32	0%
Electrical	15	0%
Energy Storage	24	0%
Pool	6	0%
Power Purchase Agreements	4	0%
Irrigation	3	0%
Total Projects	9,888	100%

Source: California Energy Commission

California Community College Chancellor's Office. SB 73 established that 11 percent of the funds deposited annually into the Clean Energy Job Creation Fund be allocated to the California Community College Chancellor's Office to be made available to community college districts for energy efficiency and clean energy projects.

In conjunction with the Energy Commission, the Chancellor's Office developed guidelines for districts as they plan to use Proposition 39 funds. Funding has been distributed to colleges on a per-student basis. In 2013-14, the Proposition 39 allocation was \$36 per full-time equivalent students (FTES), \$28 per FTES in 2014-15, and \$27 per FTES in 2015-16. The guidelines also sought to leverage existing energy efficiency programs, including partnerships most districts had with investor-owned utilities. These partnerships had been in existence since 2006, thus most college districts did not need to use Proposition 39 for planning; the planning was complete.

According to the Chancellor's Office, for fiscal year 2015-16, \$22.8 million of \$32.7 million funding has been allocated for 130 projects. At least 80 percent of the projects approved in 2015-16 are expected to be installed by June 30, 2016 and closed out by September 1, 2017. The Chancellor's Office estimates annual system-wide cost savings of about \$2.56 million from these projects. About 52 percent of the projects were related to upgrading lighting systems to make them more energy efficient and 29 percent of the projects were related to heating, ventilation, and air conditioning projects (HVAC). The chart below indicates uses of the funding at community colleges in the first three years of Proposition 39.

Project Type	2013-14		2014-15		2015-16	
	Count	Percentage of Year 1 Projects	Count	Percentage of Year 2 Projects	Count	Percentage of Year 3 Projects
Lighting	168	56.57%	102	43.97%	68	52.31%
HVAC	55	18.52%	72	31.03%	38	29.23%
Controls	45	15.15%	34	14.66%	11	8.46%
Other	11	3.70%	4	1.72%	4	3.08%
RCx	13	4.38%	6	2.59%	2	1.54%
Technical Assistance	3	1.01%	0	0.00%	0	0.00%
Self- Generation	2	0.67%	2	0.86%	1	0.77%
MBCx	0	0.00%	12	5.17%	6	4.62%
Total Projects	297	100%	232	100%	130	100%

The Chancellor's office reports that in the first three years, community colleges have spent \$94.2 million on these projects and have achieved the following savings:

- \$12.4 million in annual energy costs savings
- 65.6 kilowatt-hours annual savings
- 1,402 therms annual savings

From 2013 to 2016, the system spent \$15.7 million of its Proposition 39 funding on workforce development programs related to energy efficiency. Workforce development funds have been used to purchase new equipment, create and improve curriculum, and provide professional development for faculty and support for regional collaboration. Specifically, 13,734 certificates, degrees, and energy certifications were awarded in energy-related fields, such as construction, environmental controls technology and electrical and electronics technology.

The Governor's proposed budget provides \$45.1 million in Proposition 39 funding for community colleges in 2016-17. The Chancellor's Office reported that a call for projects was issued to community college districts on January 8, 2016, and 63 of 72 districts have responded and provided preliminary project lists. The deadline to submit project applications with detailed costs and scope information for 2016-17 is April 1, 2016.

California Energy Commission Energy Conservation Assistance Act – Education Subaccount: Loan and Technical Assistance Grant Program. In 2013-14, \$28 million was appropriated to the Energy Commission for the Energy Conservation Assistance Act – Education Subaccount. Of this amount, about 90 percent was to be made available for low-interest or no-interest loans. The remaining 10 percent was to be transferred to the Energy Commission's Bright Schools Program to provide technical assistance grants to LEAs and community colleges. The Bright Schools Program technical

assistance can provide American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Level Two energy audits to identify cost-effective energy efficiency measures. The Governor's budget does not include additional funding for the Energy Commission revolving loan program.

California Workforce Investment Board (CWIB). SB 73 appropriates Proposition 39 funding to the CWIB each year to develop and implement a competitive grant program for eligible workforce training organizations, which prepares disadvantaged youth, veterans, or others for employment.

California Conservation Corps. Funds have been allocated each year to the California Conservation Corps for energy surveys and other energy conservation-related activities for public schools.

Governor's Proposal:

The Governor's budget estimates \$838 million in Proposition 39 revenue, based on projections by the Franchise Tax Board. Of this amount, one-half (\$419 million) is dedicated, primarily to schools and community colleges, as follows:

- \$365.5 million and \$45.2 million to K-12 school and community college districts, respectively, for energy efficiency project grants.
- \$5.4 million to the California Conservation Corps for continued technical assistance to K-12 school districts.
- \$3 million to the California Workforce Investment Board for continued implementation of the job-training program.

Subcommittee Questions

- 1) What types of projects have yielded the most energy savings for K-12 schools or community colleges?
- 2) The K-12 projects in particular, have taken longer for completion. Do the CDE and CEC anticipate acceleration in the use of K-12 funds over the next year as LEAs move into completing projects?
- 3) Projects vary by the size of a recipient and the state of their facilities. How have smaller recipients and those with unique needs, i.e. charter schools, used Proposition 39 funds?

Staff Recommendation

Hold open pending May Revision revenue projections.

6110 DEPARTMENT OF EDUCATION

Issue 4: Career Technical Education Incentive Grant Program

Panel:

- Natasha Collins, Legislative Analyst's Office
- Amber Alexander, Department of Finance
- Debra Brown, California Department of Education

Background:

The California Department of Education defines career technical education as a “*....program of study that involves a multiyear sequence of courses that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers.*” It further defines 15 industry fields for career technical education as noted in the table below:

Industry Sectors	
Agriculture	Health Science and Medical Technology
Arts, Media, and Entertainment	Hospitality, Tourism, and Recreation
Building Trades and Construction	Information Technology
Business and Finance	Manufacturing and Product Development
Child Development and Family Services	Marketing, Sales, and Services
Energy and Utilities	Public Services
Engineering and Design	Transportation
Fashion and Interior Design	

In recent years, career technical education has largely been operated through Regional Occupational Centers and Programs (ROCPs), which provide services for high school students over 16 and some adult students. According to the California Department of Education, approximately 470,000 students enroll in ROCPs each year. Students may receive training at schools or regional centers. The provision of career technical education by ROCPs varies across the state and services are provided under the following organizational structures: 1) county office of education operates an ROCP in which school districts participate, 2) school districts participate in a joint powers agreement that operates an ROCP, or 3) a single school district operates an ROCP. Funding for ROCPs historically was on an hourly attendance basis, but is now provided under the LCFF.

Prior to 2008-09, ROCPs received funding through a categorical block grant (approximately \$450 million Proposition 98 annually). However under the policy of categorical flexibility, school districts could use ROCP funds for any purpose through 2012-13. Commencing with the 2013-14 fiscal year, the state transitioned to funding K-12 education under the Local Control Funding Formula. This new formula eliminated most categorical programs, including separate ROCP funding, and instead provided school districts with a grade span adjusted per ADA amount based on the number and type (low income, English learner and foster youth students generate additional funds) of K-12 students. The high school grade span rate included an additional 2.6 percent increase over the base grant to represent the cost of career technical education in high schools; however, school districts are not required to spend this funding on career technical education. In order to protect career technical education

programs as the state transitioned to LCFF, the Legislature and the Governor enacted a maintenance-of-effort requirement to ensure local educational agencies continued to expend, from their LCFF allocation, the same amount of funds on career technical education as they had in 2012-13 through the 2014-15 fiscal year.

New Career Technical Education Incentive Grant Program. In 2015-16, the Legislature and Governor responded to concerns that career technical education programs needed additional support outside of the LCFF in the short-term to ensure sustainability of quality programs by enacting the Career Technical Education Incentive Grant program. This grant program provides one-time Proposition 98 funding for each of 2015-16 through 2017-18 with a local matching requirement. The funding amount and match requirement adjust each year, as follows:

- 2015-16: \$400 million, match requirement 1 : 1 (grant funding : local match)
- 2016-17: \$300 million, match requirement 1 : 1.5
- 2017-18: \$200 million, match requirement 1 : 2

Within the annual allocation, the funds are further subdivided in statute according to the following:

- Four percent designated for applicants with average daily attendance (ADA) of less than or equal to 140.
- Eight percent designated for applicants with ADA of more than 140 and less than or equal to 550.
- 88 percent designated for applicants with ADA of more than 550.

School districts, charter schools, county offices of education, joint powers agencies, or any combination of these are invited to apply for these funds to develop and expand career technical education programs. Matching funds may come from Local Control Funding Formula, foundation funds, federal Perkins Grant, California Partnership Academies, the Agricultural Incentive Grant, and any other fund source with the exception of the California Career Pathways Trust. Grantees are also required to provide a plan for continued support of the program for at least three years after the expiration of the three year grant. New grantees, or those that applied but did not receive funding in the initial year, may apply in later years. Additional minimum eligibility standards include:

- Curriculum and instruction aligned with the California Career Technical Education Model Curriculum Standards .
- Quality career exploration and guidance for students.
- Pupil support and leadership development.
- System alignment and coherence.
- Ongoing, formal industry and labor partnerships.
- Opportunities for after-school, extended day, and out-of-school work based learning.
- Reflect regional or local labor market demands, and focus on high skill, high wage, or high demand occupations.
- Lead to an industry recognized credential, certificate, or appropriate post-secondary training or employment.
- Skilled teachers or faculty with professional development opportunities.
- Data reporting.

The CDE in conjunction with the California State Board of Education (SBE) shall determine whether a grantee continues to receive funds after the initial year based on the data reported by program participants.

2015-16 Career Technical Incentive Grant Program Funding

The 2015-16 Budget Act included \$400 million in one-time Proposition 98 funding for the Career Technical Education Incentive Grant Program. Of the funds, \$396 million will be allocated to program applicants and \$4 million, or one percent, will be used for technical assistance activities.

The CDE identified 100 applicants which met program requirements and took them to the state board of education for approval in January 2016. The CDE is taking a second group of applicants (265 grantees) to the March, 2016 state board meeting. Applicants approved at the January meeting will receive the first installment of funds in March, while those approved at the March meeting will receive funding in April.

The per ADA grant amount is determined within each size-based grant allocation, as follows:

- A base amount calculated on an LEA's proportional share of the total 2014–15 ADA in grades seven through twelve.
- A supplemental allocation formula calculated on each of the following:
 - A new career technical education program.
 - English-learner, low-income, and foster youth students.
 - Higher than average dropout rates.
 - Higher than average unemployment rates.
 - Current student participation in career technical education programs.
 - Regional collaboration.
 - Location within a rural area.

In order to award the technical assistance funds, the CDE divided the state into seven regions and solicited grantees to provide technical assistance. The CDE has identified the following county offices to provide regional technical assistance: Butte, Fresno, Los Angeles, Napa, Sacramento, San Bernardino, and Santa Barbara.

Governor's Proposal

The Governor's budget proposal reflects the second year of Proposition 98 funds for the career technical incentive grant program, \$300 million in one-time funds.

The Governor also proposes additional trailer bill language that would allow the superintendent, in collaboration with the executive director of the state board to determine the amount of grant funds provided for each applicant, instead of splitting the funds by the prescribed size-based category. According to the CDE and the Department of Finance, the number of applicants in each size-based category was significantly different than anticipated. This additional statutory authority is requested to allow CDE and the state board flexibility to more equitably spread grant funding across recipients.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, March 17, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultant: Anita Lee

<u>Item</u>	<u>Department</u>	<u>Page</u>
6120	California State Library	
Issue 1	California Library Services Act	3
6600	Hastings College of Law	
Issue 1	Hastings College of Law Budget Augmentation	7
Issue 2	Deferred Maintenance	

Public Comment

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, \$27.8 million in 2014-15, \$31.4 million in 2015-16, and \$31 million in 2016-17 are supported by the General Fund. The remainder of funding comes from federal funds and various special funds.

Governor's Budget – State Library Budgeted Expenditures and Positions			
Dollars in millions			
	2014-15	2015-16	2016-17
Personal Services	\$11.2	\$11.7	\$11.7
Operating Expenses and Equipment	\$12.9	\$14.3	\$14.2
Local Assistance	\$20.9	\$26	\$25.7
Total Expenditures	\$44.9	\$51.9	\$51.6
Positions	137.8	129.2	129.2

Issue 1: California Library Services Act

Panel

- Jack Zwald, Budget Analyst, Department of Finance
- Natasha Collins, Fiscal & Policy Analyst, Legislative Analyst's Office
- Greg Lucas, State Librarian of California, California State Library

Summary. The Governor's 2016-17 budget proposes an increase of \$1.8 million General Fund ongoing, and \$3 million General Fund on a one-time basis, for the California Library Services Act program.

Background

The 2015 Budget Act included both ongoing and one-time funding for the state's efforts to improve the state's information hub, preserving California's heritage and connecting people, libraries, and government to resources and tools, including:

- **Broadband Equipment Grants.** The budget provided a \$4 million one-time General Fund increase for grants to public libraries that require additional equipment, network upgrades, or modifications to physical sites to support broadband internet access. As a condition of receiving this funding, the State Library or local libraries are required to secure additional non-General Fund resources to ensure that public libraries have access to a high-speed network. The 2014-15 budget also provided \$2 million one-time General Fund increase for similar activities. The State Library notes that \$670,000 is left over from the first year of broadband grants. For the second year, the State Library is expecting to award 51 library jurisdictions with the maximum grant amount of \$30,000, and as a result, 126 of 183 library jurisdictions will have the equipment for their main branch to connect to high speed internet through Corporation for Educational Network Initiatives in California (CENIC). Should 51 grants be awarded, the State Library indicates that \$3.2 million in broadband grants will be left over from the first and second year. The last 57 jurisdictions are deciding whether or not to connect, and should they all receive the maximum grant for their main branch, the State Library notes the total cost may be \$1.7 million.
- **Literacy Program.** The budget provided an increase of \$2 million General Fund ongoing for the Literacy and English Acquisition Services Program and \$1 million one-time General Fund to pilot the Career Online High School program, which provides literacy coaches and resources to adults looking to earn an accredited high school diploma and prepare for workforce entry. The literacy program allocates funds to public libraries to support instruction in basic literacy for adults. According to the State Library, this increase in funding provided literacy services at five additional library jurisdictions, and as a result 800 of 1,100 library branches are offering these services.

Additionally, as noted during the subcommittee's previous hearing on adult education, only formal consortia members, such as school and community college districts, county offices of education (COEs), and joint powers agencies (JPAs), may receive adult education block grant funding directly. However, under a regional plan, funds may be designated for and passed through to other adult education providers, such as libraries, serving students in the region.

- **Preservation Activities.** The budget provides \$521,000 General Fund, including \$181,000 for two new positions, and \$340,000 on a one-time basis for digital scanning equipment, to help the library make critical improvements to better preserve historical materials.

California Library Services Act Program (CLSA). The California Library Services Act declares the state's intent for all California residents to have access to library resources regardless of their location. To meet this goal, the state traditionally has provided funding to regional library cooperatives. Currently, the nine regional cooperatives provide their member libraries resource-sharing services, such as purchasing access to online database subscriptions and transferring library materials across jurisdictions.

The program is administered by the 13-member California Library Services Board, which annually reviews and approves the cooperatives' budget plans and awards state CLSA funding based on the number of people residing within each of the library cooperative's boundaries. Nine board members are appointed by the Governor and four are appointed by the Legislature. The Chief Executive Officer of the board is the State Librarian, whom the Governor appoints and the Senate confirms.

Regional Cooperatives Supported by Federal, State, and Local Funds. In 2015-16, the federal Library Services and Technology Act provided \$11.3 million to local libraries to fund various activities, including resource sharing through regional cooperatives. The state provided \$1.9 million specifically for regional cooperatives. State funding for regional cooperatives was reduced from \$12.9 million in 2010-11 to \$1.9 million in 2012-13 and thereafter. The state provided a \$2 million one-time General Fund augmentation for CLSA in 2014-15, which the State Library indicates local libraries used primarily for equipment purchases to connect libraries to faster internet. Local libraries collected \$2.9 million in fees to promote resource-sharing through their cooperatives in 2014-15.

Governor's Proposal

The Governor proposes a \$4.8 million increase for CLSA regional cooperatives. Of this amount, \$3 million is one time and \$1.8 million is ongoing. According to the Administration, the board would determine in the future how to distribute the one-time funding, and it would distribute the ongoing funding based on the number of people residing within each of the cooperative's boundaries. The Administration indicates it intends for the regional cooperatives to use the funding to engage in "new business practices" and adopt new technologies to share resources.

The Governor also proposes trailer bill language to modify the CLSA by removing references to the transaction-based reimbursement, which previously covered a small portion of the costs for local libraries extending lending services beyond their jurisdiction. Since 2011, the state has not provided funding for the transaction-based reimbursement. Trailer bill language also clarifies that cooperatives may use CLSA funding for exchanging print and digital materials.

Legislative Analyst's Office (LAO) Comments

The LAO notes that standard practice is for the administration to submit a "budget change proposal" to the Legislature for each of its proposals for state agencies. In these proposals, the Administration provides justification for the funding level requested, analyzes alternatives, and outlines expected results. The Administration did not submit this documentation for this proposal.

The Governor's proposal to allow the board to distribute grant monies to the regional cooperatives and oversee their expenditures conforms to current state law and historical state practice. The board, which

includes four members appointed by the Legislature, has long conducted these activities. Without additional information from the Administration about the proposal; however, the Legislature lacks the ability to evaluate whether the funding provided is an appropriate amount, what alternatives to the proposal exist, and what results it can expect. The Legislature may wish to ask the Administration to provide this information prior to the May Revision.

Upon receiving additional information, if the Legislature were to decide to approve the Governor's proposal, LAO recommends it also require the State Library to report back on the program. Specifically, LAO recommends the State Library submit a report to the Legislature by January 1, 2017, describing (1) what criteria the board used to award grant funding, (2) the amount of funding each cooperative received, (3) a summary of each cooperative's plans and budgets for both one-time and ongoing funding (including existing funding), and (4) a summary of expected outcomes. This report could help the Legislature evaluate future budget requests.

Staff Comments

As noted above, the State Library board has latitude in deciding how funds under the library services act are spent. The Administration indicates it intends for the regional cooperatives to use funding to engage in "new business practices" and adopt new technologies to share resources; however, this is not explicit or required in trailer bill. Moreover, the State Library has not finalized how it will spend this additional funding, and indicates that the board has invited testimony from the directors of the regional library systems and chairs of the administrative councils at its April 8th meeting. Initial feedback from librarians and system coordinators have included an interest in building regional libraries of digital materials, and creating analytics that measure the impact of library services within their community. The subcommittee may wish to consider whether these funds should be specifically targeted to priority areas. The subcommittee may also wish to request additional information regarding the Governor's proposal, such as what results it can expect with additional funding, and how the State Library intends to use this funding following the April 8th meeting.

Subcommittee Question

- 1) What outcomes does the Administration hope to achieve with this proposal, and how would these outcomes be measured?

Staff recommendation: Hold open.

6600 HASTINGS COLLEGE OF LAW

Hastings College of the Law (Hastings) was founded in 1878 by Serranus Clinton Hastings, the first Chief Justice of the State of California. On March 26, 1878, the Legislature provided for affiliation with the University of California. Hastings is the oldest law school, and one of the largest public law schools, in the western United States. Policy for the college is established by the board of directors and is carried out by the chancellor and dean and other officers of the college. The board has 11 directors: one is an heir or representative of S.C. Hastings and the other 10 are appointed by the Governor and approved by a majority of the Senate. Directors serve for 12-year terms. Hastings is a charter member of the Association of American Law Schools and is fully accredited by the American Bar Association. The Juris Doctor degree is granted by the regents of the University of California and is signed by the president of the University of California and the chancellor and dean of Hastings College of the Law.

The mission of Hastings is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body and to ensure that its graduates have a comprehensive understanding and appreciation of the law and are well-trained for the multiplicity of roles they will play in a society and profession that are subject to continually changing demands and needs.

The following table displays the budgeted expenditures and positions for Hastings as proposed in the Governor's budget. Of the amounts displayed in the table, \$9.6 million in 2014-15, \$10.6 million in 2015-16, and \$11.7 million in 2016-17 are supported by the General Fund.

Governor's Budget – Hastings' Budgeted Expenditures and Positions			
Dollars in Millions			
	2014-15	2015-16	2016-17
Personal Services	\$66.7	\$33	\$33
Operating Expenses and Equipment	\$36	\$40	\$41
Special Items of Expense (Financial Aid)	\$11	\$13	\$16
Total Expenditures	\$103	\$73	\$74
Positions	246.0	245.7	245.7

Issue 1: Hastings College of Law Budget Augmentation

Panel

- Brianna Bruns, Budget Analyst, Department of Finance
- Paul Golaszewski, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- David Faigman, Acting Chancellor and Dean, Hastings College of Law

Summary. The Governor's budget proposes an increase of \$1 million General Fund ongoing unallocated base increase for Hastings College of Law.

Background

The 2015-16 budget provided \$1 million in new ongoing funding for Hastings operational costs to support the four-year investment plan in higher education, which began in 2013-14. The budget also provided \$36.8 million in lease-revenue bonds for a new academic building, authorized the use of design-build procurement, and required legislative notice before construction begins.

In 2009-10, enrollment at Hastings reached a high point at 1,179 full-time equivalent (FTE) resident JD students. Since then, enrollment has declined to 778 FTE resident JD students in 2015-16 and an estimated 749 FTE resident JD students in 2016-17. Hastings argues that it has reduced enrollment because of its concerns about the job market for its graduates, and its efforts to boost the qualifications of its student body by being more selective in its admissions.

Hastings is not budgeted on a per-student basis, and as a result the law school's state budget appropriation has not been adjusted to reflect the decrease in enrollment. As a part of the 2015-16 budget, the Legislature adopted supplemental reporting language to require Hastings to report on a proposed marginal cost funding formula that could be used to fund enrollment growth and adjust for enrollment declines. The Hastings report raised concerns with using an enrollment funding formula, including:

1. Fixed costs: Hastings relative small size means relatively high fixed costs that do not fluctuate with enrollment. As stand-alone institution, it does not enjoy the economic benefits of integration with a larger institution with extensive economies of scale or substantial endowment. Hastings does not receive funding from the UC. Hastings is obligated to fund costs that are funded at that the campus level at other law schools such as security, payroll and human resources, bursar and records, compliance and finance and financial reporting.
2. Incentives: An enrollment formula might encourage the school to enroll more students, even if students face poor job prospects.
3. Timing: Academic planning would be more difficult due to uncertainty regarding the amount of funding it would receive under the formula.
4. Forecasting: Achieving a specific enrollment target would be difficult due to challenges in predicting how many students would accept offers of admissions.

Tuition at Hastings is \$44,201 in 2015-16. Hastings expects to keep tuition flat in 2016-17, except it indicates its board will consider an increase in its health services fee. This is the fifth consecutive year that tuition has been frozen. Student fees are the primary source of funding for Hastings, accounting for nearly 75 percent of the revenues supporting the core operations (including revenue used for financial aid).

Governor's Budget

The 2016–17 budget proposes a \$1 million General Fund ongoing unallocated increase to Hastings budget. Excluding general obligation bond debt service and deferred maintenance funds, this represents a ten percent increase to Hastings budget. The Governor proposes to allow Hastings to set its own enrollment, tuition levels and financial aid packages, and spending priorities (aside from the Governor's earmark for maintenance). The charts below describes Hastings total budget, including deferred maintenance funding, which will be discussed in the following section.

Hastings College of the Law Budget
(In Millions)

Revenue^a	Amount
2015–16 Revised	
Tuition and fees	\$27.0
General Fund	12.1
Total	\$39.1
2016–17 Changes	
Tuition and fees	-\$4.6 ^b
General Fund	3.3
Subtotal	(-\$1.3)
Draw down reserves	\$3.8
Total	\$2.5
2016–17 Proposed	
Tuition and fees	\$22.5
General Fund	15.4
Total	\$37.8
Changes in Spending	
Restricted General Fund	
Deferred maintenance (one time)	\$2.0
General obligation bond debt service	0.3
Subtotal	(\$2.3)
Hastings' Plan for Unrestricted Funds	
Benefit cost increases	\$0.2
Salary increases (2.5 percent) ^c	0.1
Subtotal	(\$0.3)
Total	\$2.5

^a Reflects tuition after discounts. (In 2016–17, Hastings is projecting to provide \$16.3 million in discounts.) Includes all state General Fund.

^b Reflects a 3.7 percent decrease in enrollment (−\$1.3 million) and a 25 percent increase in tuition discounts (−\$3.3 million).

^c Increases only apply to certain employees comprising about one-quarter of Hastings' workforce.

Legislative Analyst's Office Comments.

As it has been discussed in past years, LAO has concerns with the Governor's approach of providing unallocated increases to Hastings because it diminishes legislative oversight. The LAO suggests the Legislature consider adopting a policy specifying its overarching enrollment objective for the law school and link some portion of Hastings' budget to student enrollment. A state enrollment policy for Hastings could be based on various factors, such as workforce demand for lawyers or student demand for law school.

Hastings plans to increase its tuition discounts by \$3.3 million (25 percent) from \$13.1 million in 2015–16 to \$16.3 million in 2016–17. Hastings' tuition discounts typically are awarded based on merit, not need. As such, Hastings indicates the increase is intended to help it attract more highly qualified students. It also reduces the amount of revenue Hastings has to spend on other areas (such as compensation, maintenance, or instructional equipment). The LAO suggests the Legislature consider whether additional financial aid is a higher priority than other areas. Another consideration for the Legislature is whether it shares Hastings' priorities for awarding financial aid based on merit, rather than need.

Staff Comments

The state did not include an eligibility policy for Hastings in its original 1960 Master Plan for Education and the state, to date, has not developed such a policy, nor has it set enrollment targets for Hastings in the state budget. Moreover, the state has not set enrollment targets for specific UC law schools, such as Berkeley Law or UCLA School of Law, or CSU graduate schools. However, enrollment targets are generally set within the UC and CSUs budget, which include undergraduate and graduate students.

As noted above, Hastings resident JD enrollment has been declining from 1,179 FTE students in 2009-10 to an estimated 749 FTE students in 2016-17, a 36 percent drop. Notably, even though resident JD enrolment has decreased, state funding for Hastings has increased by 41 percent during the same time under the Governor's proposal. Hastings indicates it has used the increased funding per student primarily to cover increased retirement costs and lower its student to faculty ratio from 17.3 in fall of 2013 to 13.9 in fall 2015. UC's average student to faculty ratio was 10.35 in fall 2014.

Hastings is unique, as it is a stand alone law school with its own budget line item, separate from UC. Hastings faces some of the same cost pressures as the UC, including rising retirement and health care costs, and it receives no funding from the UC. While Hastings contracts with UC for payroll, investment and reprographic services, Hastings pays on a fee-for-service basis. In addition, decreased student enrollment has lowered revenue from tuition, making General Fund more critical to maintaining operations.

Subcommittee Question

- 1) How does Hastings decide each year how many students to enroll? Does it plan to keep reducing enrollment in the coming years? When will enrollment level off or start growing again?

Staff Recommendation: Hold Open.

Issue 2: Deferred Maintenance**Panel**

- Sally Lukenbill, Principal Program Budget Analyst, Department of Finance
- Paul Golaszewski, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- David Faigman, Acting Chancellor and Dean, Hastings College of Law

Governor's Budget. The budget proposes \$2 million one-time General Fund spending on deferred maintenance. This proposal for Hastings is part of a larger package of deferred maintenance spending for various state agencies, which will be heard in Senate Budget and Fiscal Review Subcommittee No. 4. The overall proposal does not require agencies initially to identify specific maintenance projects, though agencies would be required to submit project lists to the Department of Finance after enactment of the budget. The Joint Legislative Budget Committee would have 30 days to review these lists prior to the department approving them.

Background

Hastings recently reported an estimated \$8.4 million maintenance backlog to the Department of Finance. Of the \$8.4 million, \$6.8 million is associated with Snodgrass Hall and \$1.6 million is associated with Kane Hall. Though not yet required to do so, Hastings has submitted a project-level deferred maintenance list totaling \$2.5 million. The figure below summarizes Hastings' project list by building and type of project. Hastings indicates it would address a subset of these projects under the Governor's \$2 million proposal.

Hastings' Proposed List of Deferred Maintenance Projects^a
2016–17 (In Thousands)

Project Type	Cost
Kane Hall	
Roof	\$1,265
Electrical	478
Lighting	140
Heating, ventilation, and air conditioning	130
Water conservation	60
Floors	50
Waterproofing	42
Building exterior	30
Subtotal	(\$2,195)
Snodgrass Hall	
Heating, ventilation, and air conditioning	\$115
Lighting	85
Water conservation	60
Roof	23
Building infrastructure	15
Electrical	10
Subtotal	(\$308)
Total	\$2,503

^aHastings' list includes \$2.5 million in projects, though the Governor's proposal is for \$2 million.

The 2015–16 budget funds a replacement project for the main part of Snodgrass Hall. Additionally, the Governor's California's Five-Year Infrastructure Plan indicates Hastings would like to modernize the remaining annex portion of Snodgrass Hall in 2017–18. Hastings asserts, however, that the projects for Snodgrass Hall on its deferred maintenance list are urgent and should be undertaken soon.

Legislative Analyst's Office Comments

The Governor's proposal would address nearly one-quarter of Hastings' deferred maintenance backlog. The LAO notes that this is a much higher share than the Governor proposes for other higher education agencies, including UC and CSU. (For instance, the Governor proposes \$35 million for UC, though the university asserts it has a backlog of over \$1.2 billion.) Though differing funding levels

may make sense to the extent they reflect differing priorities, the LAO notes that the Governor's proposal did not include a justification for the variation.

If the Legislature decides to provide \$2 million for Hastings, LAO recommends it prioritize Hastings' \$2.5 million list by not funding the projects related to lighting replacements and water conservation, as alternative revenues, such as by cap-and-trade auction revenues or various state revolving fund programs (where project costs are recouped over time through the project's energy savings), might be available to support these projects. LAO further recommends the Legislature prioritize projects at Kane Hall, given the state has approved replacing the main portion of Snodgrass Hall and Hastings plans to propose renovating the annex portion. LAO calculates the remaining projects left after setting these priorities would total \$2 million.

Subcommittee Question

- 1) What is the rationale for choosing this level of funding for deferred maintenance for Hastings?

Staff Recommendation. Hold open, pending action in Senate Subcommittee No. 4.

Staff Comments

The new Career Technical Education Incentive Grant program is intended to allow school districts, charter schools, county offices of education, and joint powers agencies an additional three years to transition to funding of career technical education within the LCFF. The new program is further intended to incentivize high-quality, sustainable CTE programs, replacing the ROP maintenance-of-effort requirement included under the LCFF. However, the roll-out of the new program has been significantly slower than anticipated by the Legislature. With the 2015-16 year more than half over, no funding has actually gone out to LEAs. The Legislature may wish to recommend that CDE and the state board focus on disbursing funds immediately and ask for a review of procedures to ensure that funding is not significantly delayed in years two and three of the program.

Subcommittee Questions

- 1) How many new career technical education programs have been put in place with the support of this additional funding?
- 2) What were the barriers to getting funding out in a timely manner? How does the CDE propose to remedy these barriers?
- 3) Given the delays, does the CDE anticipate enough data will be available to determine eligibility for the second year of funding?

Staff Recommendation. Hold open pending May Revision.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Wednesday, March 30, 2016
2:30 p.m.
State Capitol - Room 3191**

Consultant: Elisa Wynne

<u>Item</u>	<u>Department</u>	<u>Page</u>
6110	Department of Education	
Issue 1	Fiscal Crisis and Management Assistance Team Update on K-12 School District Fiscal Health	2
6360	Commission on Teacher Credentialing	
Issue 2	Commission Budget Overview	9
Issue 3	Teacher Misconduct Workload	16
Issue 4	Teacher Workforce Supply and Demand	20

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION

Issue 1: Fiscal Crisis and Management Assistance Team – Update on K-12 School District Fiscal Health (Information Only)

Description:

The Fiscal Crisis and Management Assistance Team (FCMAT) provides a statewide resource to help monitoring agencies in providing fiscal and management guidance and helps local education agencies (LEAs), school districts, county offices of education (COEs), and charter schools, as well as community college districts, fulfill their financial and management responsibilities. Lead FCMAT staff will provide a presentation on the financial status of local education agencies, including an update on the number of these agencies with negative and qualified certifications on the latest financial status reports and the status of state emergency loans.

Panel:

- Joel Montero, Chief Executive Officer, FCMAT
- Mike Fine, Chief Administrative Officer, FCMAT

Background:

Assembly Bill 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help LEAs avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. The measure expanded the role of COEs in monitoring school districts and required that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of the Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state. The formal review and oversight process requires that the county superintendent approve the budget and monitor the financial status of each school district in its jurisdiction. COEs perform a similar function for charter schools, and the California Department of Education (CDE) oversees the finances of COEs. There are several defined "fiscal crises" that can prompt a COE to intervene in a district: a disapproved budget, a qualified or negative interim report, or recent actions by a district that could lead to not meeting its financial obligations.

Beginning in 2013-14, funding for COE fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. COEs are still required to review, examine, and audit district budgets, as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a categorical funding source for this purpose.

AB 1200 also created FCMAT, recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. FCMAT also help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training, and other related services. FCMAT also includes the California School Information Services (CSIS). LEAs and community colleges can proactively ask for assistance from FCMAT, or the Superintendent of Public Instruction (SPI), the county superintendent of schools, the FCMAT Governing Board, the

California Community Colleges Board of Governors or the state Legislature can assign FCMAT to intervene or provide assistance. Ninety percent of FCMAT's work is a result of an LEA inviting FCMAT to perform proactive, preventive services, or professional development. Ten percent of FCMAT's work is a result of assignments by the state Legislature and oversight agencies to conduct fiscal crisis intervention.

The office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992. The Governor's 2016-17 budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The Governor's budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

Interim Financial Status Reports. Current law requires LEAs to file two interim reports annually on their financial status with the CDE. First interim reports are due to the state by December 15 of each fiscal year; second interim reports are due by March 17 each year. Additional time is needed by the CDE to certify these reports.

As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

AB 1200 states the intent that the legislative budget subcommittees annually conduct a review of each qualifying school district (those that are rated as unlikely to meet their fiscal operations for the current and two subsequent years), as follows: "It is the intent of the Legislature that the legislative budget subcommittees annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district's educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district."

First Interim Report. The first interim report was published by CDE in February 2016 and identified four LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2015-16 or 2016-17, based on data generated by LEAs in Fall 2015, prior to release of the Governor's January 2016-17 budget. The first interim report also identified 16 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2015-16, 2016-17 or 2017-18.

Second Interim Report. The second interim report, which covers the period ending January 31, 2016, has not been released by CDE yet. Based on preliminary information provided by FCMAT, the below tables show that four LEAs are estimated to have negative certifications based on second interim reporting and 16 LEAs are estimated to have qualified certifications. This data has not yet been verified by CDE.

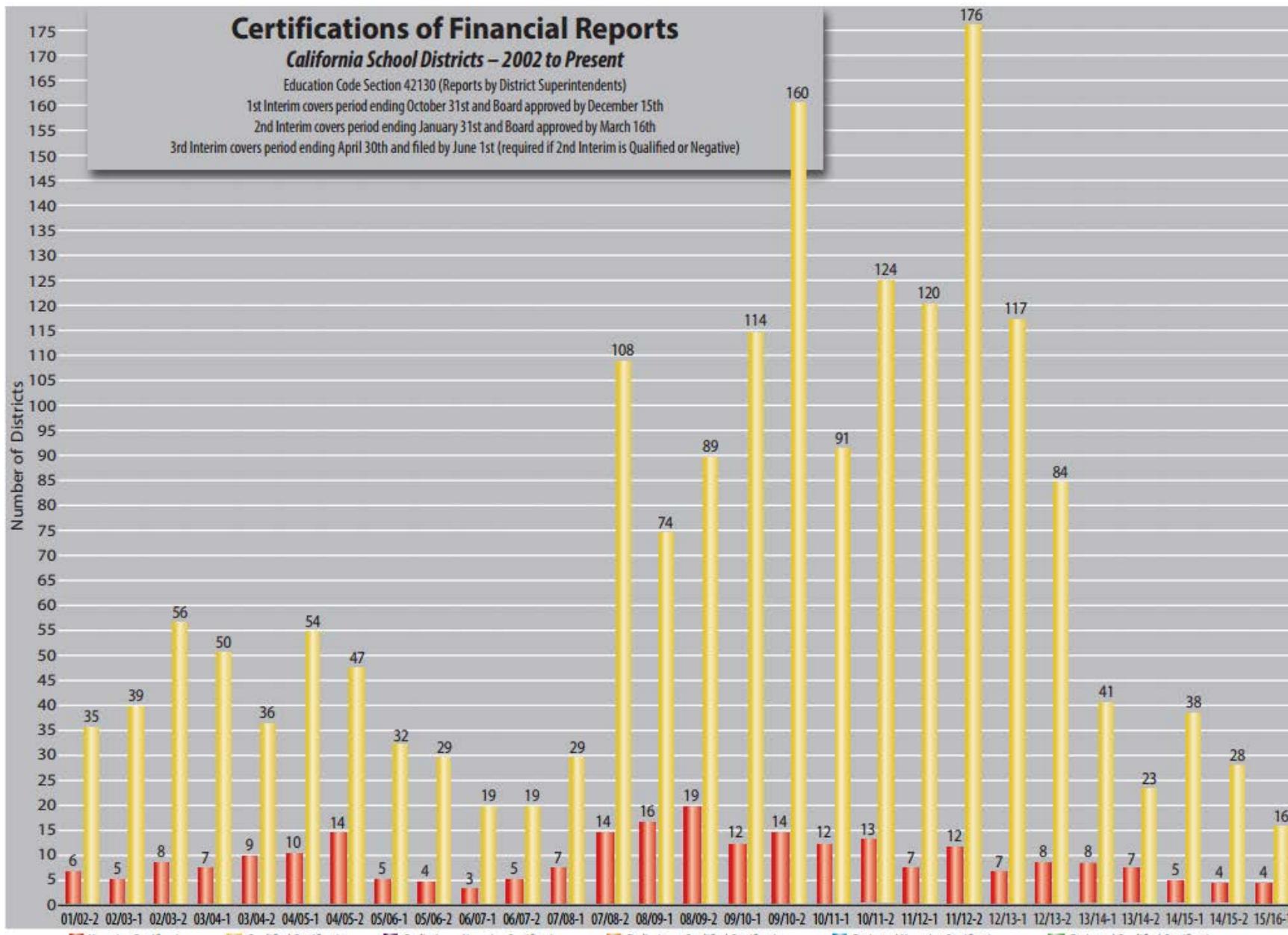
Negative Certification	
Second Interim Budget Certifications – Projected	
County:	District:
Los Angeles	Castaic Union
Los Angeles	Inglewood Unified
San Diego	Julian Union Unified
San Luis Obispo	Shandon Joint Unified

Source: Fiscal Crisis and Management Assistance Team

Qualified Certification	
Second Interim Budget Certifications - Projected	
County:	District:
Alameda	Oakland Unified
Calaveras	Calaveras Unified
El Dorado	Black Oak Mine Unified
Fresno	Parlier Unified
Lake	Middletown Unified
Los Angeles	Los Angeles Unified
Napa	Howell Mountain Elementary
Plumas	Plumas Unified
Sacramento	Galt Joint Union High
San Benito	Aromas-San Juan Unified
San Bernardino	Colton Joint Unified
San Diego	San Diego Unified
San Diego	Warner Unified
Santa Clara	Lakeside Joint Union
Sonoma	Kashia Elementary
Ventura	Moorpark Unified

Source: Fiscal Crisis and Management Assistance Team

The chart below shows the history of negative and qualified certifications. Looking back to 2001-02, the number of negative certifications in the second interim peaked in 2008-09 at 19, while the number of qualified certifications peaked in 2011-12 at 176.



Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Projected results are based on an informal survey of educational agencies.

Fiscal Crisis & Management Assistance Team 3/21/16

State Emergency Loans. A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Existing law states the intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan. For loans that exceed 200 percent of the district's recommended reserve, the following conditions apply:

- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.
- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district.
- The authority of the SPI and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place, and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Nine school districts have sought emergency loans from the state since 1991. The table below summarizes the amounts of these emergency loans, interest rates on loans, and the status of repayments. Five of these districts: Coachella Valley Unified, Compton Unified, Emery Unified, West Fresno Elementary, and Richmond/West Contra Costa Unified have paid off their loans. Four districts have continuing state emergency loans: Oakland Unified, South Monterey County Joint Union High (formerly King City Joint Union High), Vallejo City Unified, and Inglewood Unified School District. The most recently authorized loan was to Inglewood Unified School District in 2012 in the amount of \$55 million from the General Fund and the California Infrastructure and Economic Development Bank (I-Bank). Of the four districts with continuing emergency loans from the state, Inglewood Unified School District is projected to remain on the negative certification list in the second interim report in 2016-17.

**Emergency Loans to School Districts
1990 through 2015**

District	State Role	Date of Issue	Amount of State Loan	Interest Rate	Amount Paid	Pay Off Date
Inglewood Unified	Administrator	11/15/12 11/30/12 02/13/13	\$7,000,000 <u>\$12,000,000</u> <u>\$10,000,000</u> \$29,000,000 (\$55 million authorized)	2.307%	\$1,831,984	11/01/33 GF
South Monterey County Joint Union High (formerly King City Joint Union High)	Administrator	07/22/09 03/11/10 04/14/10	\$2,000,000 <u>\$3,000,000</u> <u>\$8,000,000</u> \$13,000,000	2.307%	\$5,736,022	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	\$50,000,000 <u>\$10,000,000</u> \$60,000,000	1.5%	\$36,730,736	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	\$65,000,000 <u>\$35,000,000</u> \$100,000,000	1.778%	\$65,540,535	January 2023 I-bank 6/29/26 GF
West Fresno Elementary	Administrator Trustee	12/29/03	\$1,300,000 (\$2,000,000 authorized)	1.93%	\$1,425,773	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	\$1,300,000 (\$2,300,000 authorized)	4.19%	\$1,742,501	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	\$3,500,000 <u>\$7,000,000</u> <u>\$9,451,259</u> \$19,951,259	4.40% 4.313% 4.387%	\$24,358,061	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	\$5,130,708 <u>\$2,169,292</u> \$7,300,000	5.338% 4.493%	\$9,271,830	12/20/01 GF
West Contra Costa Unified (formerly Richmond Unified)	Trustee Administrator Trustee	08/1/90 01/1/91 07/1/91	\$2,000,000 <u>\$7,525,000</u> <u>\$19,000,000</u> \$28,525,000	1.532% 2004 refi rate	\$47,688,620	05/30/12 I-bank

Source: California Department of Education

Staff Comments:

Based on the projected second interim reporting, negative and qualified certifications of LEAs are down significantly from their peak numbers in 2008-09 and 2011-12. Over the past few years, LEAs have seen significant increases in Proposition 98 General Fund as the economy rebounded from the recession. Additionally, the Legislature and Governor have enacted policy changes that have begun to pay down education debt, such as mandates or deferrals; the policy of deferring payments to LEAs that were completely paid off in 2015-16. These policies, along with changes to ongoing education funding under the Local Control Funding Formula, have resulted in an influx of funding to LEAs over the past few years with fewer restrictions for use than under the past system of categorical funds and revenue limits. Both the Department of Finance and the Legislative Analyst's Office (LAO) have projected that the Proposition 98 guarantee is likely to experience modest growth beginning in 2016-17. At the same time, LEAs may be using current funding levels to build back from the deep cuts to education since 2006-07, provide increased services to their neediest students, and absorb new costs, such as contributions to the State Teachers Retirement System and rising healthcare and minimum wage costs. The Legislature should continue to closely monitor reporting on the fiscal health of LEAs as these new policies continue to roll out over the next few years with slowing Proposition 98 growth.

Finally, the Legislature should also closely monitor the ongoing work at Inglewood Unified School District which, despite being under the purview of a state administrator and receiving an emergency loan, continues to struggle and remains on the negative certification list for 2016-17.

Suggested Questions:

- How has the work of FCMAT changed over the past few years to support LEAs under the Local Control Funding Formula?
- What are the common trends for LEAs in negative certification and those in qualified certification? What is being done to mitigate these problems going forward?
- What has the state learned from supporting LEAs that went into receivership and took emergency loans that can be applied going forward?
- Although LEAs have received an infusion of funds as the state rebounded from recession, LEAs have also experienced rising costs, including retirement and health care contributions, that will continue even as Proposition 98 growth slows. Should the Legislature be concerned about the impact of these rising costs on the fiscal health of school districts?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 2: Commission Budget Overview (Information Only)****Description:**

The Commission on Teacher Credentialing (CTC) will provide background information for the agency, including an update on major activities and workload.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing

Background:

Major Responsibilities. The CTC is responsible for the following major state operations activities, which are supported by special funds:

- Issuing credentials, permits, certificates, and waivers to qualified educators.
- Enforcing standards of practice and conduct for licensed educators.
- Developing standards and procedures for the preparation and licensure of school teachers and school service providers.
- Evaluating and approving teacher and school service provider preparation programs.
- Developing and administering competency exams and performance assessments.

Major Activities. In 2014-15, the CTC processed approximately 237,113 candidate applications for credential and waiver documents. In addition, the CTC currently administers, largely through contract, a total of six different educator exams annually. The CTC also monitors the assignments of educators and reports the findings to the Legislature.

In addition, the CTC must review and take appropriate action on misconduct cases involving credential holders and applicants resulting from criminal charges, reports of misconduct by local educational agencies, and misconduct disclosed on applications. This workload will be examined more fully in Issue 3 of this agenda. In 2014-15, the CTC averaged 2,469 open cases per month, with a total of 5,404 new cases opened in 2014-15. This is fairly consistent with caseload over the past three years.

Lastly, the CTC is responsible for accrediting 254 approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. (Of this total, there are 23 California State University campuses; eight University of California campuses; 56 private colleges and universities; 166 local educational agencies; and one other sponsor.)

Revenues. The CTC is a “special fund” agency whose state operations are largely supported by two special funds -- the Test Development and Administration Account (0408) and the Teacher Credentials

Fund (0407). Of the CTC's \$27 million state operations budget in 2015-16, about \$22 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and \$5 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received a small amount in reimbursement revenue.

Commission on Teacher Credentialing 2015-16 Projected Revenue				
Teacher Credentialing Fees	Accreditation/ Other Fees	Assessment Related Fees	Reimbursements	Total
\$21.0 Million	\$852,000	\$4.7 Million	\$388,000	\$27.0 Million

Source: Commission on Teacher Credentialing

- **Teacher Credentials Fund (Credential Fees).** The Teacher Credentials Fund is generated by fees for issuance of new and renewed credentials and other documents. Current law also requires, as a part of the annual budget review process, the Department of Finance to recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the CTC, plus a prudent reserve of not more than 10 percent. In 2012-13, the credential fee, paid every five years, was increased from \$55 to \$70 due to a projected budget shortfall and drop in credentials. This action restored the fee to the statutory maximum (Education Code §44235). In the 2015-16 budget trailer bill, AB 104 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, statute was amended and the credential fee was further increased to \$100 per applicant, with the additional revenue generated intended to support processing of teacher misconduct caseload. Since 1998-99, credential fees had been below the statutory maximum, reaching a low of \$55 in 2001-02 based on high demand for applications. However demand for applications has generally tracked with changes in the economy and began decreasing in 2007-08 as the state economy slowed. In addition to credential application fees, the Budget Act of 2014 and related trailer bill legislation included authority for the CTC to begin assessing fees on teacher preparation programs to cover the cost of accrediting these programs. These fees were established through regulations and the CTC began assessing fees in 2013-14.
- **Test Development and Administration Account (Exam Fees).** The Test Development Administration Account is generated by various fees for exams administered by the CTC, such as the California Basic Educational Skills Test (CBEST), the Reading Instruction Competence Assessment (RICA), the California Subject Examinations for Teachers (CSET), the California Teachers of English Learners (CTEL), and the California Preliminary Administrative Credential Examination (CPACE). The CTC has statutory authority (Education Code §44235.1) for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting. To determine fees for these testing programs, CTC staff projects the number of exams, based upon the most recent actual figures, and compares these figures with projected examination program costs. Similar to demand for credential applications, the number of examinations has fallen in past years. The CTC has made a number of adjustments in recent years based upon the demand for the various exams. Most recently, in 2012-13, the CTC increased fees for most exams. No exam fee adjustments were implemented for 2015-16, or currently proposed for 2016-17.

2016-17 Expenditure Authority. The Governor's budget includes \$835,000 in workload adjustments for the CTC budget in 2016-17 and \$459,000 in workload adjustments for 2015-16. The Governor's 2016-17 budget also includes the removal of one-time General Funds resources from the 2015-16 year.

Commission on Teacher Credentialing Expenditure Authority					
Budget Year	General Fund	Teacher Credentials Fund	Test Development and Administration Account	Reimbursements	Total
2015-16 Budget Act	\$7,467,000	\$20,986,000	\$4,980,000	\$388,000	\$33,821,000
2016-17 Governor's Budget	\$2,533,000	\$22,282,000	\$4,460,000	\$308,000	\$29,583,000

Source: Department of Finance

Teacher and Administrator Assessment Development. The 2015-16 Budget Act included \$5 million in one-time General Fund (\$4 million in 2015-16 and \$1 million in 2016-17) for the development and revision of teacher preparation assessments, including the Teacher Performance Assessment and the Administrator Performance Assessment.

Senate Bill 1209, (Scott) Chapter 517, Statutes of 2006, required that as of July 1, 2008, all new teacher candidates take a Teaching Performance Assessment (TPA) as part of the teacher preparation program. Prior to this legislation, the TPA requirement was dependent on an appropriation in the annual budget act. The TPA is intended to measure the mastery of California's Teaching Performance Expectations for beginning teachers and consists of four performance tasks: (1) Subject-specific pedagogy (single or multiple subject), (2) designing instruction, (3) assessing learning, and (4) a culminating teaching experience. The TPA is administered by teacher preparation programs. There are currently four versions of the TPA used in California, including the CTC-developed TPA or "CalTPA". Teacher preparation programs may use any of the four commission-approved TPA models. Each teacher preparation program locally scores the TPA using trained assessors. The results of the TPA are included in the recommendation of a new teacher candidate for a credential and may inform the new teacher candidate's areas of focus in a beginning teacher induction program.

Based on funding in the annual budget act, in 2015-16, the CTC began a process to update and improve the TPA. In December 2014 the CTC adopted TPA Design Principles and TPA Assessment Design Standards for the next generation of TPA models that both specify the use of a centralized scoring model. A fully operational assessment is anticipated to be available by 2017-18. When the new TPA is completed, the CTC could potentially approve additional versions of the TPA for use if they meet the new TPA standards.

The CTC also recently approved new program standards for the Preliminary Administrative Services Credential Program and voted to require the passage of an Administrative Performance Assessment (APA) for preliminary licensure, once one has been developed for this purpose. Also based on the 2015-16 budget act, the CTC began the process of developing an APA. This assessment is on track, with the CTC anticipating field testing in the spring of 2018.

Accreditation Data System. The 2015-16 budget act included \$5 million in one-time General Fund (\$3.5 million in 2015-16 and \$1.5 million in 2016-17) for the development of a new accreditation data system.

The CTC is responsible for accrediting approved sponsors of educator preparation programs, including public and private institutions of higher education and, local educational agencies in California. Once the program is approved, it enters a seven year accreditation cycle to ensure continuous outcome accountability, consistent adherence to the CTC standards for teacher preparation programs, and alignment with the state's academic content standards. The accreditation cycle includes biennial reporting, site visits, and program assessments.

In 2015-16, based on an approved Feasibility Study Report (FSR) from the California Department of Technology, the CTC began the work of updating the accreditation system, requiring fewer inputs into the system and relying more on output measures. This plan included:

- 1) Development and implementation of candidate, employer, and other surveys regarding preparation program effectiveness.
- 2) Development of reporting mechanisms so sponsors can improve or expand existing practices.
- 3) Development of data dashboards to inform decision making, provide transparency, and provide reliable data for other public uses.
- 4) Security enhancements for existing and newly updated online pieces of the plan.

The CTC completed a progress report by January 1, 2016, as required by supplemental reporting language adopted along with the 2015-16 budget act that provided additional information on progress made to date and future activities. The CTC notes that project development will take place in four phases. The first includes creating a data warehouse and completing data visualizations, the first of which, focused on assignment monitoring, is currently accessible on the CTC website. The next phase includes linking the CTC's existing credentialing systems to the data warehouse. Phase three is the update of the CTC website to accommodate the new data dashboard. Finally, the CTC will put into place a backup recovery system for critical applications. In addition, ongoing annual costs, beginning in 2017-18, are anticipated to be \$758,022. CTC staff note that the project is currently on budget and meeting projected timelines with an expected completion date of June 2017. The chart below shows the CTC's timeline for each phase of the project.

Overview of the Phases of the Accreditation Data Project		
Phase	How the Work will be completed	Timeline
1: Data Warehouse and Visualization Development	Contractor with Commission Staff	August 24, 2015 - June 6, 2016
2: CASE (Credential Data System) and CTC Online Enhancements	Contractor with Commission Staff	November 12, 2015 - June 20, 2017
3: Commission Website Revision	Contractor with Commission Staff	March 1, 2016 - February 28, 2017
4: Development of Program Quality Data Dashboards	Commission Staff	2016-17

Source: Commission on Teacher Credentialing

Alignment of Assessment with New Science Standards. The 2015-16 budget act also provides for \$600,000 from the Test Development and Administration Account reserve to align the California Subject Examinations for Teachers (CSET) with the Next Generation Science Standards (NGSS). The CSET is used to verify subject matter competence for both single and multiple subject teaching credentials and passage of the appropriate exam(s) is one of the requirements for a preliminary credential. Science is included in both the multiple subject subtests and in stand-alone single subject competence exams. The CSET is periodically updated to comply with state academic content standards through augmentations to the assessment contract. In addition, the required content of the state's teacher preparation programs is specified by CTC-adopted standards that are updated to align with state academic content standards.

The NGSS were adopted by the State Board of Education in September of 2013, pursuant to SB 300 (Hancock), Chapter 625, Statutes of 2011. The NGSS describe the key scientific ideas and practices that all students should learn by the time they graduate from high school. The NGSS detail performance expectations for kindergarten through grades 8 and high school.

The CTC's February meeting included an item that provided a progress update for the alignment of the CSET with NGSS. As of February 2016, the CTC had convened subject matter advisory panels of California content experts and began the process to develop and review subject matter requirements which will ultimately guide a review of the test item bank and the need for additional test items.

New Substitute Teacher Credential. The CTC is also in the process of developing regulations for a Temporary Permit for Statutory Leave (TPSL). Currently substitute teachers are only permitted to be in the classroom for 30 days (20 days for special education). This statutory requirement has the unintended consequence of LEA's hiring multiple short-term substitutes when full-time teachers are on leave. This permit would allow a substitute TPSL to teach for an extended period when a regular teacher is out on approved leave. The requirements for the TPSL include specific education and training that increases each time the permit is renewed. The TPSL would be applicable to only the employing agency. The public comment period on these regulations is anticipated in June 2016, with a potential adoption date of October, 2016.

New Teacher Induction. The 2015-16 budget act included a requirement for the CTC to report back to the budget and policy committees of each house of the Legislature, the Legislative Analyst's Office, and the Department of Finance by September 1, 2015, on options for streamlining and reforming beginning teacher induction, including findings and funding recommendations. In this report the CTC made the following recommendations; however, did not include specific funding recommendations:

- Focus induction standards on the California Standards for the Teaching Profession.
- Focus induction primarily on high quality mentoring, with an emphasis on meeting the new teacher's immediate needs and supporting long-term teacher growth through ongoing reflection on and analysis of teaching practice.
- Determine the nature and scope of each new teacher's induction program through an Individualized Learning Plan (ILP) that is guided by the candidate's current assignment, career aspirations, and local and state initiatives.
- Streamline the commission's accreditation system to eliminate unnecessary and time-consuming documentation activities and increase reliance on outcome data to determine the quality and effectiveness of programs.
- Ensure that the Local Control and Accountability Plan (LCAP) prioritizes the induction of new teachers.
- Conduct surveys of employers, new teachers and induction program sponsors on the mentoring services made available to new teachers they have hired.
- Ensure that new teachers receive appropriate support and mentoring in their first years of teaching regardless of the type of contract (temporary or probationary) under which the individual is employed, and that this mentoring be without cost to the new teacher.

Work on some of the recommendations is currently underway. For example, the CTC is streamlining the accreditation system and when completed, this system will also track the quality and outcomes of teacher induction programs. Also the CTC continues to survey commission-approved teacher induction programs to track participation and cost. At the time of this agenda, 126 programs out of 165 commission-approved programs provided information. Survey data reveals that the number of participating teachers grew from 2013-14 to 2014-15 and is anticipated to grow slightly in 2015-16. Of the survey participants, approximately 11.5 percent of districts were charging a fee to participants in 2014-15.

Credential Processing within Statutory Timeframes. Provisional language in the annual budget act requires the CTC to submit biannual reports to the Legislature, the Legislative Analyst's Office and the Department of Finance on the minimum, maximum, and average number of days taken to process the following:

- Renewal and university-recommended credentials.
- Out-of-state and special education credentials.
- Service credentials and supplemental authorizations.
- Adult and career technical education certificates and child center permits.

- Substitute, intern, and short-term staff permits.
- Percentage of renewals and new applications completed online.

This provisional language was added to the budget in 2004-05 in order to provide updates on the credential processing time workload and efforts to address a significant backlog of credential applications. AB 469 (Horton), Chapter 133, Statutes of 2007, revised the application processing time from 75 working days to 50 working days, effective January 1, 2008. Based on the most recent CTC report, released March 1, 2016, covering September 2015 through January 2016, approximately 80 percent of applications are being processed within 10 working days with almost 97 percent of applications processed within the required 50 working day processing time requirement.

Suggested Questions:

- How will the new accreditation data system provide information for teachers, employers, policymakers, and other stakeholders?
- How are institutions and programs that provide teacher preparation being prepared for additional data requirements of the new accreditation data system?
- Has the increased credential fee had any impact on the number of credentialed applicants?
- Will the proposed Temporary Permit for Statutory Leave impact the teacher shortage some LEAs are facing?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING

Issue 3: Teacher Misconduct Workload (Information Only)

Description:

The Commission on Teacher Credentialing (CTC) is charged with enforcing professional conduct standards and monitors the conduct of credential applicants and holders. The CTC has the authority to discipline applicants or holders for misconduct, and cases that are not resolved at the CTC may be referred to the Office of the Attorney General for an administrative hearing. This issue covers the process for reviewing teacher misconduct, the existing caseload and the use of additional funding resources provided in the 2015-16 budget act.

Panel:

- Kimberly Leahy, Department of Finance
- Nanette Rufo, Chief Counsel and Director, Division of Professional Practices
- Julie Weng-Gutierrez, Senior Assistant Attorney General, Office of the Attorney General

Background:

Role of the CTC. The CTC is charged with monitoring the moral fitness and professional conduct of teacher credential holders and applicants. The CTC may take disciplinary action based on immoral or unprofessional conduct, evident unfitness for service, refusal to obey laws regulating certified duties, unjustified refusal to perform under an employment contract, addiction to intoxicating beverages or controlled substances, commission of any act of moral turpitude, or intentional fraud or deceit in an application.

Under the direction of the CTC, a Committee of Credentials (COC) meets monthly to review misconduct cases. The COC is made up of seven members, three credential holders employed in public schools, one school board member, and one public member. Within the CTC, the Division of Professional Practices investigates alleged misconduct and presents the information to the COC. The COC may close an investigation based on the evidence or recommend disciplinary action. Actions by the COC are subject to final approval by the CTC. A credential holder or applicant may challenge and appeal any disciplinary action. Generally the process begins when the Division of Professional Practices receives a report from an employing school district, complaint from knowledgeable source, report of criminal conviction from the Department of Justice, or self-disclosure on a credential application.

Role of the Attorney General. A credential holder or applicant may challenge a disciplinary action and request an administrative hearing. The Attorney General's Office then represents the CTC before an administrative law judge who issues a proposed decision to the CTC. The CTC can then adopt the decision, reduce the penalty, or reject the proposed decision, review the transcript and issue a CTC decision.

Bureau of State Audits (BSA) Recommendations. On April 7, 2011, the California State Auditor issued a report entitled “*Despite Delays in Discipline of Teacher Misconduct, the Division of*

Professional Practices has not Developed an Adequate Strategy or Implemented Processes That Will Safeguard Against Future Backlogs”.

Overall, the BSA audit found that the CTC revealed weaknesses in the educator discipline process and in hiring policies and practices. Key findings from the audit include the following:

1. As of the summer of 2009, according to the commission’s management, the Division of Professional Practices had accumulated a backlog of 12,600 unprocessed reports of arrest and prosecution (RAP sheets)—almost three times a typical annual workload.
2. The large backlog of unprocessed reports appears to have significantly delayed processing of alleged misconduct by the Division of Professional Practices and potentially allowed educators of questionable character to retain a credential.
3. The Division of Professional Practices has not effectively processed all the reports of arrest and prosecution that it receives. A review of randomly selected reports could not be located within the CTC’s database. Further, the division processes reports it no longer needs.
4. To streamline the committee’s processing of pending cases, the Division of Professional Practices uses its discretion to close cases or not open cases for which it believes the committee would choose not to recommend disciplinary action against the credential holder. However, the BSA did not believe the committee can lawfully delegate this discretion to the division.
5. The Division of Professional Practices lacks comprehensive written procedures for reviewing reported misconduct and the database it uses for tracking cases of reported misconduct does not always contain complete and accurate information.
6. Familial relationships among commission employees may have a negative impact on employees’ perceptions and without a complete set of approved and consistently applied hiring practices, the CTC is vulnerable to allegations of unfair hiring and employment practices.

The BSA audit made numerous recommendations to the CTC including that it develop and formalize comprehensive procedures for reviews of misconduct and for hiring and employment practices to ensure consistency. The audit also recommended that the CTC provide training and oversight to ensure that case information on its database is complete, accurate, and consistent. Moreover, the BSA audit provided specific recommendations for the CTC to revisit its processes for overseeing investigations to adequately address the weaknesses in its processing of reports of misconduct and reduce the time elapsed to perform critical steps in the review process. The CTC has addressed the findings and recommendations of the 2011 BSA audit and provided progress updates to the BSA and Legislature, as required. At the September 2012 CTC meeting, the State Auditor announced that the commission had fully addressed all of the findings and recommendations of the 2011 BSA review.

In June 2014, the BSA returned to the CTC to do a follow-up review of the actions taken in response to the 2011 BSA audit. The BSA found that the CTC had followed up and fully implemented all of the BSA’s recommendations or taken alternative actions to appropriately resolve concerns raised by the BSA.

As a result of CTC changes in procedure, the number of open cases has remained fairly consistent over the past three years, at about 2,300 – 2,600 at any given time, down from a high of 3,374 in October of

2011. The Division on Professional Practices has increased the number of cases it moves to the COC, and is now stable at around 90 per month. In addition, the division was able to increase the number of cases placed on the COC's consent calendar due to CTC policy changes,

Remaining Backlog. Despite continuing efforts by the CTC, there continues to be a backlog of cases, however this backlog is in open cases at the Office of the Attorney General. The CTC has been seeing an increase in caseload due to high profile incidents that have increased district vigilance in reporting. The CTC noted in June 2014 that the caseload of those seeking an administrative hearing has been steadily increasing since 2011-12.

Open Cases Assigned to the Attorney General												
FY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
2011-12	114	110	107	106	106	110	102	100	95	90	86	89
2012-13	82	81	82	82	85	87	91	92	97	97	104	127
2013-14	126	134	141	145	147	147	151	156	159	166	169	179
2014-15	182	185	194	215	210	223	215	230	228	219	228	229
2015-16	238	238	244	249	250	254	266	265				

Source: Commission on Teacher Credentialing

In order to address this backlog, the 2015-16 budget act included an increase in credentialing fees. The revenue generated by this is used to support additional legal staff, with approximately \$5.1 million budgeted annually for the commission's costs for the Attorney General and the Office of Administrative Hearing. These additional resources are available in the current year, however, the state has yet to see a decrease in caseload.

The Office of the Attorney General reports that they are in the process of hiring additional staff attorneys who are dedicated to teacher misconduct caseload. In the past these cases were handled by more generalized staff and, depending on other caseload, they may not have been given priority as priority of any case was generally driven by litigation and court deadlines. According to the Office of the Attorney General, a case generally takes two years and with dedicated resources, some progress on the backlog should be made by the end of 2016-17.

Staff Comments:

The CTC and the Office of the Attorney General have seen increasing teacher misconduct caseload for multiple years and continue to struggle to ensure cases are closed in a timely manner. The monitoring of teacher misconduct is vitally important to ensuring students have competent, appropriate staff in their classrooms. The Legislature and Governor have been monitoring this important function of the CTC for several years, resulting in a BSA audit in 2011. The Legislature may wish to continue to monitor the ability of the CTC and the Office of the Attorney General to prioritize the closure of these cases and may wish to request additional reporting. With the increase in resources budgeted in the 2015-16 and 2016-17 year, the Legislature should expect to see results in the next year.

Suggested Questions:

- As of the 2015-16 budget act, the Administration estimated that the increase in the credentialing fee would generate up to \$5.5 million in revenue in 2015-16. Does the

Department of Finance or the CTC have an updated estimate? How much of this increase has been expended?

- When does the Office of the Attorney General estimate that teacher misconduct caseload will return to a “normal” level? Are any of the new staffing resources for teacher misconduct caseload at the Office of the Attorney General provided on a temporary basis to deal with the existing backlog?
- Does the CTC or the Office of the Attorney General have any plans to further streamline processes between the two offices?

Staff Recommendation: Information only

6360 COMMISSION ON TEACHER CREDENTIALING**Issue 4: Teacher Workforce Supply and Demand (Information Only)****Description:**

This item will examine current trends in the state's teacher workforce, including areas of potential shortage and possible solutions.

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing

Background:

California currently has approximately 295,000 teachers, about half in elementary schools, 40 percent in middle and high schools, and almost 10 percent in alternative schools, adult schools or other education settings. Many of California's teachers have been in the classroom a long time, on average they have 14 years of experience, with almost one-third of teachers over the age of 50.

There are a variety of paths to becoming a teacher in California, however, most new teachers first obtain a preliminary credential, which is issued for up to a five year period, and then meet the requirements for a clear credential. The general requirements are as follows:

For a preliminary credential, applicants must satisfy all of the following:

- Complete a baccalaureate or higher degree, except in professional education, from an accredited college or university.
- Satisfy the basic skills requirement.
- Complete a teacher preparation program including successful student teaching, and obtain a formal recommendation for the credential by the California college or university where the program was completed. The Teacher Performance Assessment (TPA) is a required indicator of recommendation for a credential.
- Verify subject matter competence through achieving a passing score on the appropriate subject matter examination(s).
- Pass the Reading Instruction Competence Assessment (RICA), or satisfy this requirement through a teacher preparation program.
- Satisfy the Developing English Language Skills requirement.
- Complete a course on the U.S. Constitution or pass an examination given by an accredited college or university.
- Complete basic computer technology course work that includes the use of technology in educational settings.

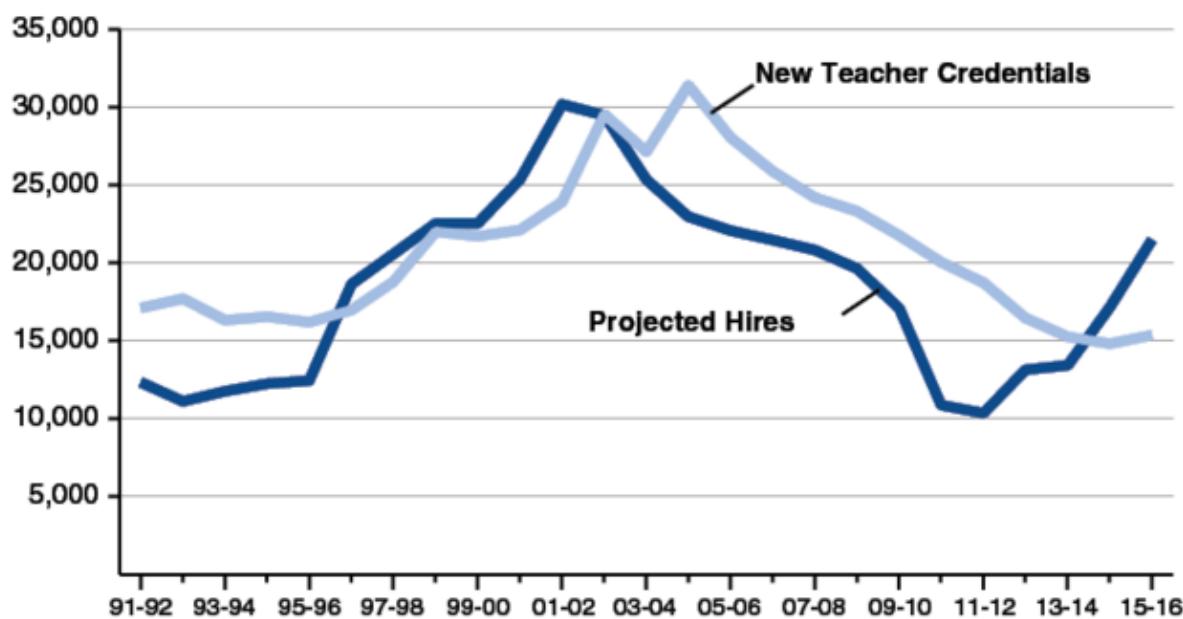
For a clear credential, new teachers generally must complete a CTC-approved General Education Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education employing the teacher; however, colleges and universities, and other school districts and county offices of education, may also provide these programs. The induction program is intended to provide support to a new teacher and should be tailored to his or her needs and the needs of the employer.

Teachers may also hold internship credentials, valid for two years, or one-year permits under certain circumstances.

Teacher Supply and Demand Data. According to the LAO, the supply of, and demand for, new teachers is driven by a variety of factors, including changes in credentialing requirements, Proposition 98 school funding, state policies regarding class sizes, and teacher pay among other things. There are a variety of data sources that may be considered when determining whether the supply of teachers is adequate to meet demand. New teacher credentials are one indicator, but generally lag behind hiring trends as shown in the chart below. The teacher workforce is also made up of former teachers re-entering the profession, and some new credential holders do not enter the profession.

Figure 34

Comparing New Teacher Credentials With New Teacher Hires in California

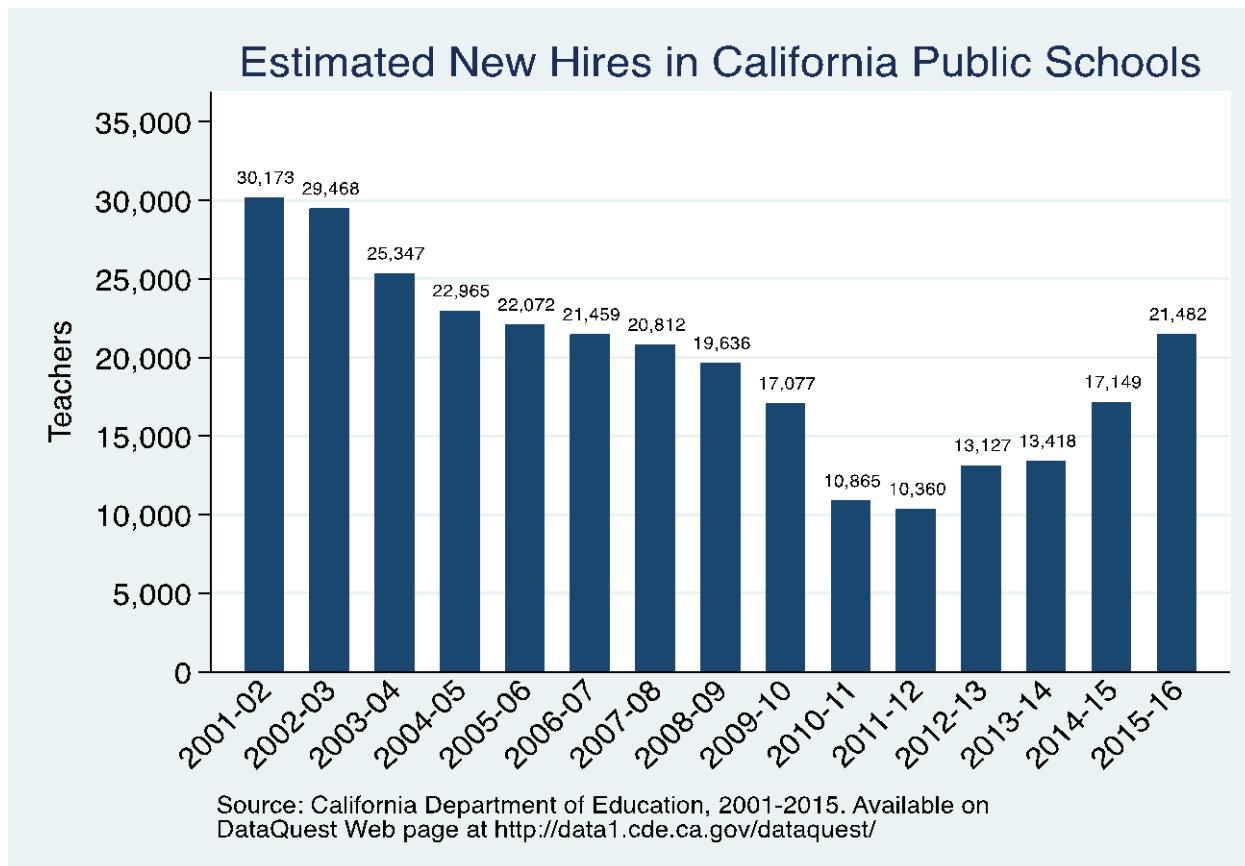


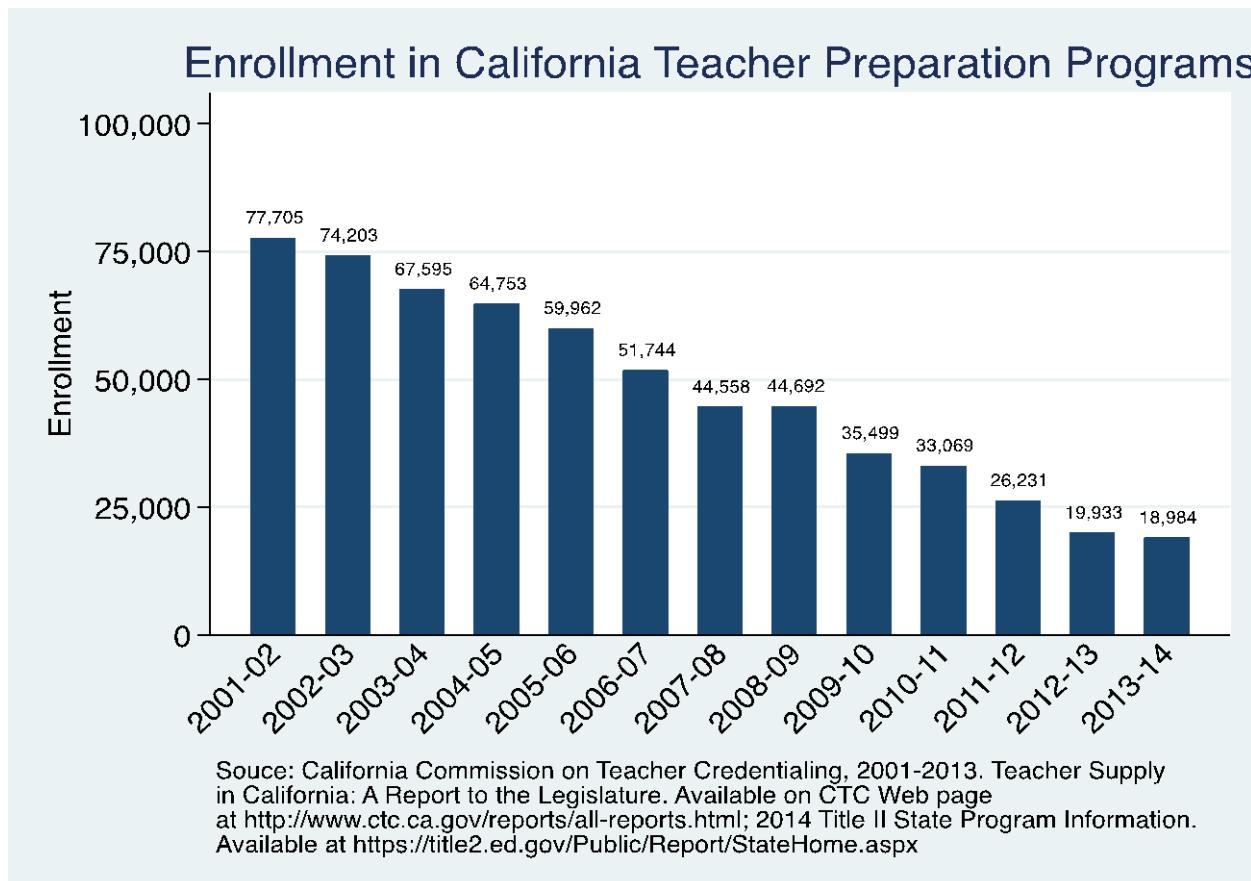
Source: Legislative Analyst's Office

Teacher Shortage. As LEA's have experienced an influx of funding as the state has recovered from the last recession, teacher hiring and compensation has increased, and policies have been put in place to ensure small class sizes, posting of available teacher jobs on EdJoin (the statewide educator job portal).

During the economic recession, LEA's laid-off significant numbers of teachers, deferred providing raises, and often left teachers uncertain, for months at a time, of having a job the following year. The effects of the economic recession contribute towards the enrollment trends in teacher preparation programs, restricting the future pipeline of teachers.

The LAO notes that statewide trends in credentialing and teacher preparation programs only provide some of the data on what is happening statewide. The LAO finds that the statewide market for teachers appears to be in the process of correcting itself, though persistent shortage areas remains. The more common shortage areas in California are science, bilingual education, special education, and math. Low-income and urban schools often face higher rates of turnover and difficulty filling positions, although some rural areas may also face difficulties filling positions for a variety of reasons.





Legislative Analyst's Office Recommendations:

The LAO's February 18, 2016 report, *The 2016-17 Budget: Proposition 98 Analysis*, analyzes the types of solutions used in the past to address periods of significant teacher shortages. While the LAO does not offer specific recommendations, they note the following, drawn from limited available research:

- Perennial shortages occur in specific subject areas (special education, science, and math) and types of schools (low-income, central-city, and certain rural schools).
- Some fiscal incentives are effective: higher base salaries can improve supply and retention, and one-time bonuses can attract teachers to areas of need, though are less effective at retaining teachers than base salary increases.
- Support programs are generally effective: Beginning teacher support programs that include specific components, such as mentoring, administrative support, and curriculum autonomy, contribute to the retention of teachers in the workforce.
- Out-of-state recruitment is effective: Some states produce more credential holders than can be hired in the state, some of these could potentially be recruited to teach in California.

Learning Policy Institute Report. The Learning Policy Institute, a non-profit education policy research firm has also released a report in 2016, *Addressing California's Emerging Teacher Shortage: An Analysis of Sources and Solutions*, that provides addition data on the teacher workforce. Report findings inform the discussion of a teacher shortage and include:

- Ed-Join teacher position listings for two months after the school year began had doubled in October 2015 from the same period in 2013, to 3,900.
- In 2014-15, provisional and short-term permits tripled from the number issued in 2012-13, to over 2,400.
- The number of teachers hired on substandard permits and credentials almost doubled from 2012-13 to 2014-15, to 7,700.
- Estimated teacher hires for 2015-16 increased by 25 percent from the prior year, while preliminary credentials and enrollment in teacher education programs experienced very modest growth.
- Shortages and under-prepared/credentialed teachers are particularly prevalent in the areas of special education, mathematics and science, and in schools serving low-income and minority students.

The report also makes specific policy recommendations to address the teacher shortage including:

- Reinstate the CalTeach program to increase teacher recruitment.
- Create incentives to attract candidates to high-need locations and subject areas, such as loan assumption programs or teacher fellowships.
- Create innovative pipelines into teaching, such as through high school career pathways.
- Increase access to high-quality preparation programs to support teacher success, particularly in high-need locations and subject areas.
- Ensure that all beginning teachers have access to high-quality support and mentoring programs.
- Provide incentives for teachers to stay or re-enter the profession, such as financial supports and streamlining of administrative processes to stay credentialed.
- Improve teacher conditions by supporting administrator training.

Related Legislation. There are several pieces of legislation that could potentially impact the recruitment and retention of teachers, including:

- Senate Bill 62 (Pavley) would allow up to 1,000 loan assumption agreements for teachers, in specified circumstances, to be awarded in a fiscal year dependent on funding in the budget through the Assumption Program of Loans for Education (APLE).
- Senate Bill 915 (Liu) would re-establish the California Center for Teaching Careers (Cal Teach), a program to recruit teacher candidates from colleges, other careers, and other states.
- Senate Bill 933 (Allen) would establish the California Teacher Corps program to provide matching grants to LEAs to create or expand teacher residency programs.

Suggested Questions:

- What statewide data is available currently, or is needed to inform the discussion of teacher shortage?

- What are the barriers to recruiting new teachers into the profession and retaining those already teaching? How does this differ by subject area?
- Will the CTC's new accreditation data system as discussed in Issue 2 of this agenda, provide additional insight into the teacher workforce pipeline and future trends?

Staff Recommendation: Information only.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Thursday, April 7, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

<u>Item</u>	<u>Department</u>	<u>Page</u>
6870	Board of Governors of California Community Colleges	
Issue 1	Workforce Education	3
Issue 2	Basic Skills Initiative	9
Issue 3	Enrollment Growth	14
Issue 4	Zero-Cost- Degree	16
Issue 5	Awards for Innovation	19
Issue 6	Deferred Maintenance and Instructional Equipment	21
Issue 7	Institutional Effectiveness Partnership Initiative	23
Issue 8	Systemwide Data Security	25

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6870 BOARD OF GOVERNORS CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) is the largest system of community college education in the United States, serving approximately 2.1 million students annually, with 1.2 million full-time equivalent students. The CCC system is made up of 113 colleges operated by 72 community college districts throughout the state. California's two-year institutions provide programs of study and courses, in both credit and noncredit categories, which address its three primary areas of mission: education leading to associates degrees and university transfer; career technical education; and, basic skills. The community colleges also offer a wide range of programs and courses to support economic development and specialized populations.

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.

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:

- Provide direction, coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

The following table displays proposed 2016-17 expenditures and positions for the CCCs, as compared to the previous and current budget years. Of the amounts displayed in the table, \$5.0 billion in 2014-15, \$5.4 billion in 2015-16, and \$5.4 billion in 2016-17 are supported by Proposition 98 General Fund. \$11.6 million in 2014-15, \$11.9 million in 2015-16, and \$18.6 million in 2016-17 are supported by non-Proposition 98 General Fund. The remainder of funding comes from local property tax revenue, fee revenue and various special and federal fund sources.

California Community Colleges Budgeted Expenditures and Positions

(Dollars in Millions)	2014-15	2015-16	2016-17
Personal Services	\$17	\$17	\$17
Operating Expenses and Equipment	\$5	\$7	\$8
Local Assistance	\$7,932	\$8,704	\$8,997
Total Expenditures	\$7,954	\$8,728	\$9,022
Positions	162.7	142.5	142.5

ITEMS FOR DISCUSSION ONLY

Issue 1: Workforce Education

Panel

- Jessica Holmes, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Van Ton-Quinlivan, Vice Chancellor Workforce and Economic Development, California Community College Chancellor's Office
- Dan Troy, California Community College Chancellor's Office
- Julius Soken, Ed. D, Dean of Student Learning Math and Physical Sciences, Moorpark College, and President-Elect of the California Community College Association for Occupational Education
- Cathy Martin, Vice President Workforce Policy, California Hospital Association

Summary. The Governor's budget proposes to increase funding for career technical education (CTE) by \$200 million ongoing Proposition 98 General Fund though the creation of the Strong Workforce program, provides \$48 million ongoing Proposition 98 General Fund to make the CTE Pathways Program permanent, and increases the funding rate for the apprenticeship program.

Background

According to a Public Policy Institute of California report, *California's Need for Skilled Workers*, by 2025, California is likely to face a shortage of workers with some postsecondary education but less than a bachelor's degree. In fact, the future gap among associate degree holders, those with one- or two-year technical certificates, and anyone who attended college but did not receive a credential, may be as high as 1.5 million. In addition to more traditional secondary and postsecondary education, the state, through community colleges, has also historically provided career technical education (CTE) for students to gain the basic knowledge and skills necessary to actively participate as citizens and to enter the workforce.

About 27 percent of community college enrollment is in career technical education (CTE) courses. Programs range considerably, from short-term certificates in a particular field (Medical Assistant, Auto Mechanic, Early Child Development Specialist, Landscape Designer, etc.) to associate's degrees in fields such as nursing.

CTE courses typically receive the same apportionment funding as general education courses, and several categorical programs also support CTE programs. These categorical programs provide \$136 million for direct instruction, planning and coordination, and student services related to workforce education. CTE categorical programs include:

- **Apprenticeship Program.** Apprentices receive supervised, hands-on training from an employer and take classes relevant to their trade. This categorical program reimburses school districts and community colleges for classroom instruction related to approved apprenticeship programs. Most apprenticeship instruction offered by the community colleges provides college credit, and all apprenticeship instruction, whether provided by colleges or school districts, is reimbursed on an hourly basis at the same rate as CCC credit instruction. In 2015–16, the state is providing a total of \$51.9 million Proposition 98 General Fund for apprenticeship instruction (\$20.5 million for school district instruction, \$16.4 million for community college instruction,

and \$15 million for ongoing development of new apprenticeship programs regardless of provider).

- **CTE Pathways.** This grant program helps regions develop sustainable CTE pathways among schools, community colleges, and regional business and labor organizations. The grants are to help consortia meet eight specific objectives identified in the program's authorizing legislation. These objectives include aligning secondary and postsecondary CTE programs to create seamless transitions for students, providing professional development to facilitate CTE partnerships, and increasing the number of students who engage in work-experience programs. The Legislature created the CTE Pathways Program in 2005, reauthorized it in 2012, and has provided \$48 million each year since reauthorization. The program was set to expire at the end of 2014–15, but the 2015–16 budget provided an additional \$48 million and extended the program for one more year. Of the \$48 million provided in 2015–16, \$33 million is for community college CTE programs and \$15 million for high school programs. The community college portion supports a mix of specialized programs (such as Career Advancement Academies, which provide basic skills instruction in a CTE context for students who dropped out of high school or are otherwise underprepared) and more centralized efforts (such as a network of regional industry liaisons for the colleges). The majority of the school district funding (\$9 million) goes to the California Partnership Academies, a California Department of Education (CDE) categorical program supporting small high school learning communities, each with a career theme.
- **Economic and Workforce Development (EWD).** The Chancellor's Office uses labor market analysis to define 15 economic regions and identify 10 priority industry sectors. In 2013–14, the program funded six initiatives to improve the delivery of CTE within these economic regions and industry sectors. The 2013–14 initiatives emphasized collaboration among community colleges, employers, labor unions, civic organizations, and economic and workforce development officials in meeting workforce needs. The program also has established common performance measures designed to apply to all CCC workforce programs. The 2015–16 budget provides \$23 million Proposition 98 General Fund for this program.

Task Force on Workforce, Job Creation, and a Strong Economy. In late 2014, the California Community Colleges Board of Governors commissioned the Task Force on Workforce, Job Creation and a Strong Economy to consider strategies and recommend policies and practices on how the community college system can improve workforce training. The task force was comprised of 26 representatives from community college faculty, staff, administration, trustees and students, the employer community, labor, public agencies involved in workforce training and economic development, K-14 education policy representatives and community-based organizations. The group collected input on CTE issues through a series of regional community college meetings, town hall meetings, and public task force meetings spanning from November 2014 through July 2015.

Based upon information gathered at its meetings and the input it received, the task force identified a set of workforce priorities. These priorities include:

- Securing adequate funding for high-cost CTE programs, including a stream of funding to keep equipment and facilities up-to-date with industry developments;
- Speeding the development and approval of new programs in response to workforce needs;
- Increasing colleges' flexibility to hire experienced professionals to teach certain skills courses;

- Providing learning opportunities that better align across educational levels within a region and focus on attainment of skills and competencies;
- Expanding student support services; and
- Improving the use of labor market and student success data to inform program planning.

The task force developed 76 recommendations related to these priorities. At its November 2015 meeting, the Board of Governors formally adopted the task force recommendations. The board included a \$200 million funding request in its system budget which called for a sustained, supplemental funding source to increase community colleges' capacity to create, adapt, and maintain CTE courses and programs that respond to regional labor market needs. The request called for funding to offset the high cost of CTE programs and provide a funding stream to purchase equipment and outfit facilities.

Governor's Budget

The proposed budget includes \$200 million in ongoing Proposition 98 General Fund support for a new "Strong Workforce Program," and accompanying trailer bill language to establish the program. Trailer bill language calls for the following:

- **Regional Planning Approach for New Workforce Program.** Under the proposed process, CCC would coordinate its CTE programs within 14 regions identified under the state's implementation of the federal Workforce Innovation and Opportunity Act (WIOA) "to the extent possible." (Five of the WIOA regions coincide with five of CCC's 15 economic regions, as defined for the EWD program, and nine have various degrees of overlap with the remaining ten CCC regions.) Within these regions, CCC would create "collaboratives" of community college districts, local education agencies, interested CSU and UC campuses, civic representatives, workforce development boards, representatives from the organized labor community, and economic development and industry sector leaders. Collaboratives would meet at least annually to develop four-year plans to meet regional workforce education needs. These plans would include a needs assessment based on regional labor market analyses, efforts to coordinate existing programs in the region, student success goals, and work plans for meeting regional priorities.
- **Performance Measures.** The proposal calls for the chancellor to align the measures, to the extent possible, with federal WIOA performance measures. (These include measures of degree and certificate completion, employment, and earnings.) Collaboratives would set measurable goals for performance in each of these areas and provide annual updates of their progress in meeting the goals. The chancellor would post regional plans on CCC's website. Beginning January 1, 2018, the chancellor would be required to report annually to the Governor and Legislature on each region's performance outcomes (disaggregated for underserved demographic groups). As part of these reports, the chancellor would be required to provide recommendations for program improvement and for future allocations to collaboratives based on program outcomes.
- **Allocation Formula for New Workforce Program.** Under the proposal, the chancellor would recommend a funding allocation to the Department of Finance for approval prior to distributing funds. The allocation would reflect each region's share of the state's: (1) unemployment, (2) CTE enrollment, (3) projected job openings, and (4) after the first year, successful performance outcomes. Each collaborative would designate one community college district to

serve as a fiscal agent to receive and distribute funds. The chancellor could reserve up to five percent of annual program funding for statewide coordination activities.

- **Distribution of Funds Within Region to Community College Districts.** The Governor's proposed legislation calls for the regional collaboratives to allocate funds in accordance with their plans. The proposal also requires that any decisions relating to the distribution of funds be determined exclusively by the community college districts participating in a collaborative. The proposal requires that districts receiving an allocation use the region's plan to inform their campus CTE planning, but it does not specify what types of activities colleges could support with the funding.
- **Additional Workforce Policy Recommendations.** The proposed trailer bill language requires the Chancellor's Office to develop recommendations to the Board of Governors regarding workforce efforts. The recommendations would include policies, regulations, and guidance necessary to facilitate sharing of best practices and curricula across colleges, streamline course and curriculum approval, and eliminate barriers to hiring qualified instructors (including reevaluating the required minimum qualifications for CTE instructors), among other efforts. The chancellor is to present the recommendations by June 30, 2017.

Makes CTE Pathways Program Permanent. The budget includes \$48 million in ongoing Proposition 98 General Fund for the CTE Pathways Program, and associated trailer bill language eliminates the July 1, 2016 sunset date for this program, making the program permanent. The Governor proposes that future CTE Pathways funding "align" with the regional plans developed under the Strong Workforce Program, but the Pathways program would continue to have separate statutory requirements.

Increases Funding Rate for Apprenticeship Instruction. The budget proposes to increase support of apprenticeship instruction by \$1.8 million Proposition 98 General Fund to bring the reimbursement rate for apprenticeship instruction up to the funding rate for noncredit Career Development and College Preparation (CDCP) courses, which is now the same as the rate as for credit courses.

Legislative Analyst's Office (LAO) Recommendations

- **Consolidate Planning Processes.** The LAO recommends the Legislature better integrate planning across adult education and CTE programs, regardless of funding source, within one set of regions.
- **Earmark Funding.** The LAO recommends the Legislature modify the Governor's proposal to create a CTE categorical program focused on addressing high CTE costs, thereby reducing any disincentives to expand CTE programs. LAO recommends this new program have two components—one largely for equipment and one for CTE programs with especially high costs.

The first component for CTE equipment and other one-time costs, such as program start-up could support additional CTE development and expansion each year based on identified regional workforce needs that are aligned with regional WIOA plans. Regions or districts could use their full allocation annually or save a portion of their allocations for a year or more to support infrequent, more expensive equipment purchases. To ensure the colleges have a substantial, ongoing funding source for these costs, LAO recommends using at least half of the proposed funding for this component. In addition to an equipment earmark, LAO recommends

the state also provide ongoing, supplemental funding to address unusually high faculty costs in some CTE programs. This component could use a similar allocation model to the equipment component.

- **Fold Other CTE Categorical Programs into the New Program.** The LAO recommends rejecting the Governor's proposal to make the CTE Pathways Program ongoing. Should the Legislature wish to continue funding some of the specific projects under the current CTE Pathways Program grants, such as the California Partnership Academies, it could move the associated funding to the existing CDE categorical program for the same projects. Similarly, the LAO recommends folding in the nursing education program into the new CTE program. Any CCC activities the Legislature wished to maintain could be incorporated into the new CTE program.
- **Require Chancellor to Report on Options to Facilitate Hiring of Experienced Industry Professionals.** The Governor's proposal requires the chancellor to recommend changes to policies regarding faculty qualifications to the Board of Governors. Given the possibility that statutory changes may be needed to address this issue, LAO recommends the Legislature direct the Chancellor to present it with options that would remove statutory barriers, authorize (but not require) colleges to use an exception or newly created special hiring category, and delineate the circumstances under which using such exceptions would be appropriate. The Legislature's direction to the Chancellor could include soliciting input from CTE faculty organizations, the Academic Senate, and other stakeholders and providing the associated report by March 1, 2017.
- **Increasing Cal Grant C Award Amount.** If the Legislature wishes to increase financial aid for CTE students who do not qualify for the larger Cal Grant B entitlement awards, it could consider increasing Cal Grant C award amounts. It could accomplish this by raising the award amount for all Cal Grant C recipients through the CSAC budget. Alternatively, it could provide a targeted increase for community college students through a CCC supplemental grant, as it did last year for Cal Grant B recipients attending CCC full time.
- **Adopt Apprenticeship Rate Increase and Consider Tying to CDCP Rate.** The LAO recommends adopting the Governor's proposal to adjust the reimbursement rate for apprenticeship instruction at the same rate as CDCP instruction. If the Legislature's intent is to continue funding apprenticeship instruction at the CDCP and credit rate, it could amend statute accordingly.

Staff Comments

The PPIC notes that over the next decade, the share of new jobs requiring some college will equal the share requiring a bachelor's degree (each is estimated to be 32 percent of the total). Roughly two-thirds of the share of new jobs for "some college" workers will require less than an associate degree. As the subcommittee evaluates the Governor's workforce proposals, it may wish to consider whether or not the proposals will help meet this workforce demand, expand or establish new or existing CTE programs, or establish a predictable funding stream for CTE.

Various CTE Efforts. Numerous federal, state and local programs seek to support CTE, including the federal Perkins Career and Technical Education Act, adult education funding and regional consortia, sector navigators established under the Economic Workforce Development program, Workforce Innovation Opportunity Act, among others. The Governor's proposal to create a regional planning process for CTE programs mirrors the adult education consortium planning process, discussed in a previous subcommittee hearing, and may be duplicative of existing CTE efforts. Moreover, continuing the CTE Pathways Program would maintain another similar regional planning process.

High Costs CTE Programs. The task force noted that CTE courses receive the same funding rate per student as other courses, however, these programs may have higher startup and operating costs, such as equipment, specialized facilities, and increased need for professional development. The task force notes that this may create a disincentive for colleges to expand their availability. For example, the LAO notes that in 2014–15, CTE enrollment was about the same level it had been ten years earlier whereas non–CTE enrollment was 15 percent higher. Additionally, the Governor’s proposal does not require any particular programmatic activities for community colleges. It is unclear to what extent funds would directly support increased enrollment in instructional programs versus other uses, such as planning, collaboration, professional development, counseling, and equipment.

The subcommittee may wish to consider whether or not funding should be allocated based on the regions (1) unemployment rate, (2) proportion of CTE enrollment, (3) projected job openings, and (4) proportion of successful workforce outcomes as evidenced by the performance accountability measures of WIOA, or if other factors should be considered as well.

The Subcommittee may wish to ask:

- How would the Chancellor's Office work with stakeholders, including the Academic Senate, to ensure that policy changes improve and expand CTE programs?
- What are the advantages of keeping the CTE Pathways program as a separate program? What is the Administration and Chancellor's Office response to the LAO recommendation that the program be folded into the Strong Workforce program?
- Does the Governor’s proposal create a stable funding stream for CTE courses and programs?

Staff Recommendation: Hold open.

Issue 2: Basic Skills Initiative

Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

Summary. The Governor's budget proposes an increase of \$30 million in ongoing Proposition 98 General Fund for the Basic Skills Initiative, and trailer bill language that repeals the existing program and creates a new program and implements performance-based funding.

Background

More than 150,000 (three-quarters of) incoming degree, certificate, and transfer-seeking students at the community colleges annually, are classified as unprepared for college-level math and/or English. Among degree, certificate, or transfer-seeking students who enter CCC prepared for college-level work, 71 percent either receive a degree, certificate or transfer within six years; compared to just 39 percent for unprepared students. Additionally, 31 percent of students who took a basic skills math course completed a college-level math course within six years, and 43 percent of students who took a basic skills English course completed a college-level English course within six years.

Basic skills courses, sometimes referred to as remedial, developmental, or foundational courses, include courses in elementary and secondary reading, writing, and math and English as a second language (ESL). Most students must take basic skills course before advancing to college-level courses needed for a certificate, degree or transfer program. In 2014–15, 28 percent of all English, reading, and writing units taken at CCC (not including ESL) were remedial, and 24 percent of all math units taken were remedial.

Under the traditional approach to basic skills instruction, colleges administer assessment tests to entering students and, based on the results, place them into a sequence of courses they must complete before enrolling in transferable college-level courses. Basic skills courses often focus on teaching specific skills through repetitive drills, with an emphasis on correct procedures and answers. These teaching methods have been criticized as ineffective because they do not necessarily promote conceptual understanding or provide interesting, relevant context to help students connect what they are learning in the classroom to their broader educational or professional goals. Moreover, traditional course sequences extend students' time in school. For example, a student beginning three levels below transferable college courses must complete three semesters of remediation.

Apportionment Funding. CCC's basic skills funding is mostly from apportionments, which supports direct instruction and is based on the number of full-time-equivalent students. In 2015–16, the LAO estimates the state provided \$700 million Proposition 98 General Fund for basic skills through apportionments.

Basic Skills Initiative (BSI). In 2007, the state established the Basic Skills Initiative to help improve the effectiveness of CCC basic skills instruction. The state has annually provided more than \$20 million in Proposition 98 General Fund for the Basic Skills Initiative, with 95 percent of this funding allocated based on the number of basic skills FTE students a college serves, and five percent for statewide professional development activities. Funding supports a variety of activities including curriculum planning and development; student assessment, advisement, and counseling services; supplemental instruction and tutoring; articulation; instructional materials and equipment; and any other purpose directly related to enhancement of basic skills, English as a second language instruction, and related student programs.

A recent basic skills information presentation to the Board Governors noted that the BSI has not significantly altered outcomes that over the past five years. Specifically, the remedial math completion rate grew by three percent, while the remedial English completion rate grew by two percent. However, the program's professional development funding, which is distributed through the California Community Colleges Success Network, or 3CSN, has allowed some faculty and campuses to develop basic skills programs with better outcomes through small scale or pilot programs.

Basic Skills and Student Outcomes Transformation Program. In an effort to transform how colleges deliver basic skills instruction and help improve student outcomes, Senate Bill 81 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2015, established the Community College Basic Skills and Student Outcomes Transformation Program. The 2015-16 budget provides \$60 million in one-time Proposition 98 General Fund for the program. Districts may apply for one-time, three-year grants of up to \$1.5 million to help them adopt or expand the use of evidence-based models for basic skills assessment, placement, instruction, and student support. Statute identifies the following types of evidence-based models:

- Using multiple measures to assess and place students into English and math courses.
- Increasing placement of students directly into transferable college-level courses and providing co-requisite basic skills instruction.
- Requiring students to master only those English and math skills needed for their programs of study.
- Contextualizing remedial instruction to relate to students' programs of study.
- Integrating student support services with instruction.
- Developing shorter sequences for completion of a college-level English or math course by using technology, the above strategies, or other strategies and practices that the college can substantiate are effective.

SB 81 requires participating colleges to adopt or expand the use of at least two of the strategies described above. Applications from districts were due on March 25, 2016, and grants are to commence July 1, 2016. Districts will be selected for awards based on the quality of their improvement plans. SB 81 specifies data collection requirements for participating community colleges and directs the LAO to evaluate the program's effectiveness in interim and final reports to be issued by December 1, 2019, and December 1, 2021, respectively.

Basic Skills Partnership Pilot Program. SB 81 also established the Basic Skills Partnership Pilot Program to promote collaboration in basic skills instruction among high schools, community colleges, and CSU campuses. The budget provided \$10 million one-time Proposition 98 General Fund for the partnership program. The Chancellor's Office will award five grants of \$2 million each to community college districts who collaborate with nearby school districts and CSU campuses to better articulate English and math instruction across segments. The Chancellor's Office breaks the state into three regional zones for the purpose of distributing awards. Two awards will go to the Southern region, two to the Central region, and one for the Northern region. Participating CSU campuses must commit to directing their underprepared students—either currently enrolled or planning to enroll—to basic skills instruction at community colleges. Applications for the Pilot Partnership Program were due on April 4, 2016. The Board of Governors will approve the awards during their May board meeting and funding will go out once they are approved.

SB 81 requires the Chancellor's Office to report to the Legislature, the LAO and the Department of Finance by April 1, 2017 on program effectiveness, cost avoidance, and make recommendations regarding the expanded use of community colleges to deliver basic skills instruction to CSU students.

Governor's Proposal

The Governor proposes to augment the existing Basic Skills Initiative by \$30 million ongoing Proposition 98 General Fund, bringing total funding for the initiative to \$50 million Proposition 98 General Fund. The Governor also proposes trailer bill language that repeals the existing BSI and creates a new program which allows spending in the following areas:

- Implementing or expanding the use of evidence-based practices and principles as described in the Basic Skills and Student Outcomes Transformation Program;
- Accelerating the adoption and use of low-cost open educational resources in basic skills English, math, or ESL courses;
- Collaborating with high schools and CSU campuses to better align remedial instruction methodologies, curricula, and course offerings among local education agencies, community colleges, and CSU campuses; and
- Implementing assessment and placement practices that increase the likelihood students will be appropriately placed in college-level rather than remedial courses.

Community colleges would be required to conduct an annual self-assessment of their basic skills efforts using an existing assessment tool, which was required under the initiative. The colleges last completed the self-assessments in 2007–08, and colleges have not done follow up assessments. Trailer bill language requires districts to report the strategies they will implement to improve the successful transition of students to college-level English and math courses. The Governor also would require colleges to provide performance targets for increasing the number of students transitioning to college-level math and English work and reducing the amount of time it takes to transition.

Trailer bill language requires the chancellor's office to prioritize applications from districts that participate in the Transformation Program or are undertaking similar evidence-based practices. Under the proposal, colleges could receive priority for Basic Skills Initiative augmentations at the same time they receive initial funding under the transformation program. Moreover, proposed trailer language requires the chancellor to use a new distribution formula for basic skills initiative grant funds based on three main factors: (1) the percentage of basic skills English, math, or ESL students completing a college-level course in the same subject within one year and two years; (2) the percentage of

incoming students (regardless of basic skills status) who complete college-level English and math courses within one year and two years of enrolling; and (3) a weighting factor of 20 percent for colleges participating in the transformation program or adopting similar reforms. Trailer bill language also permits the chancellor to include additional factors and adjustments as necessary, and requires the chancellor to receive concurrence from the Department of Finance prior to adding factors and prior to allocating funds. The proposal provides for a minimum allocation of \$100,000 per college.

The proposed legislation provides a hold harmless provision that guarantees that colleges receive as much funding under the revised Basic Skills Initiative as they received from the categorical program in 2015–16.

The proposal directs the chancellor’s office to work with the Department of Finance and the LAO to develop and recommend annual accountability measures for the program.

Legislative Analyst’s Office Recommendations

The LAO recommends the Legislature reject the Governor’s proposal to augment the Basic Skills Initiative by \$30 million. The LAO notes that it may be premature to augment the initiative given that transformation and partnership pilot programs have not been implemented and outcomes are not available. Instead, the LAO suggest other options for using the \$30 million in 2016–17, including redirecting the funds to the transformation program, deferred maintenance, or other one-time purposes.

The LAO also recommends adopting many of the Governor’s modifications to the existing initiative and transition to performance funding. Specifically, the LAO recommends adopting the following: (1) expand the allowable activities under the program as proposed, and additionally require that colleges engage in at least two evidence-based strategies, including working with other education agencies and institutions to articulate instruction; (2) adopt a revised funding allocation based primarily on the proposed performance factors; (3) adopt a short-term hold harmless provision for colleges that would phase out over no more than three years; and (4) not weigh the Basic Skills Initiative allocation toward colleges that already will be receiving funding from the transformation program. The LAO suggests directing the Chancellor to develop a revised self-assessment tool for colleges.

Staff Comments

As described earlier, poor outcomes in basic skills programs are a critical issue for community colleges. Though systemwide results are lackluster, performance varies widely by college. English remediation success rates range from 19 percent to 73 percent across community colleges. In math, rates range from eight percent to 54 percent.

As noted above, the Governor’s proposal allocates Basic Skills Initiative funding primarily on two measures of student progress creating a form of performance-based funding. The subcommittee may wish to consider whether or not a performance-based formula would penalize districts currently struggling to improve basic skills outcomes, and benefit those that are already doing well. Additionally, the proposed trailer bill language emphasizes students transitioning from high school, which may have unintended consequences for other adults, and non-traditional students, including those who may have been out of formal education for several years or immigrant populations with more learning needs. The subcommittee may wish to consider whether it is appropriate to use performance-based funding for basic skills programs, and if so, whether these are the appropriate measures the state should use.

Similar to the LAO, staff has concerns about the Governor's proposal to prioritize funding for colleges participating in the transformation program. As few as 40 of 113 colleges might participate in the transformation program, and these colleges will not necessarily be those with the poorest basic skills outcomes. Concentrating basic skills resources on this small subset of colleges could significantly disadvantage other colleges—including some that could have less grant-writing expertise but just as much need to transform their basic skills practices.

Lastly, staff is concerned that while the Department of Finance and the LAO would have an active role in development of annual accountability measures, under the Governor's proposal it is unclear what the role the Legislature will play. The Legislature may have different ideas regarding how to evaluate and address basic skills accountability. Additionally, the proposal does not provide notification to the Legislature on the annual accountability measures that would be developed.

The subcommittee may wish to ask:

- Could performance-based funding create a disincentive for colleges to serve students with remedial education needs?
- How would poor-performing colleges fair under the Administration's proposal?

Staff Recommendation: Hold Open.

Issue 3: Enrollment Growth

Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community Colleges Chancellor's Office

Summary. The Governor's budget proposes an additional \$115 million Proposition 98 General Fund for to reflect a two percent CCC enrollment growth (an additional 23,000 FTE students).

Background

The CCC system is known as an "open access" system because it is available to all Californians 18 years or older, and has no admission criteria, such as grades or previous course-taking. However, it does not guarantee access to particular classes and some classes may set prerequisites.

Changes in the state's college-age population affect community college enrollment demand, as do other factors. In particular, demand for CCC's workforce and career technical education courses tends to rise during economic downturns (when more people tend to be out of work) and fall during economic recoveries (when job opportunities are better). During the Great Recession, state funding for community colleges dramatically decreased and colleges were forced to reduce class offerings. As a result, community college enrollment dropped significantly. According to the Chancellor's Office, colleges served about 500,000 fewer students in 2012-13 than they did in 2008-09.

The state decides how much funding to provide for community college enrollment by considering (1) enrollment growth, (2) declining enrollment, and (3) enrollment restoration. In setting the CCC enrollment growth level, the state typically bases its decision on an estimate of the average enrollment growth rate that districts likely can support given student demand and available funding. The state's declining enrollment adjustment allows districts to claim the higher of their current-year or prior-year enrollment levels—effectively a one-year hold harmless provision. Districts have three years to earn back funding associated with enrollment declines. The third component, accordingly, is an estimate of the amount of enrollment districts likely will earn back (or "restore") during the budget year.

The 2015–16 budget provides \$156.6 million Proposition 98 General Fund to support a three percent enrollment growth for CCC. Preliminary estimates suggest that systemwide enrollment is growing one percent in 2015–16, though some colleges' growth rates are higher, and 54 of the 72 districts estimate that their enrollment in 2015–16 will fall short of their targets.

Governor's Budget Proposal

The Governor proposes \$115 million for two percent CCC enrollment growth (an additional 23,000 FTE students or 50,000 students by headcount).

Staff Comments

By the time of the May Revision, the CCC Chancellor's Office will have received some updated 2015–16 attendance reports from districts. These data will show the extent to which districts are meeting, exceeding, or falling short of their enrollment targets in the current year. At that time, the Legislature will have better information to assess the extent to which colleges will use the 2015–16 enrollment growth funds and be able to grow in the budget year. If the Legislature decides the full amounts are not justified for one or both years, it could use any associated freed-up funds for other Proposition 98 priorities. The subcommittee may wish to wait for updated data in May regarding the appropriate 2016–17 enrollment growth amount.

The subcommittee may wish to ask:

- Are there areas of the state where it is difficult to enroll in courses to complete educational goals?
- Which areas of the state have high enrollment growth? Which areas have low or declining enrollment?

Staff Recommendation. Hold Open.

Issue 4: Zero-Cost-Degree

Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, Community College Chancellor's Office

Summary. The Governor proposes \$5 million one-time Proposition 98 General Fund to create zero-textbook-cost degrees at community colleges.

Background.

As discussed in a previous subcommittee hearing, textbook costs constitute a growing part of a students' cost of attendance in higher education institutions. In 2014-15, the National Association of College Stores recently reported the average textbook spending was \$563 across all students. A 2012 survey of 20,000 students at 33 Florida colleges and universities found that because of text book costs, 49 percent at some point took fewer courses, 45 percent did not register for a specific course, and 60 percent did not purchase a required textbook.

Zero-textbook-cost degrees are degree pathways that students can complete entirely by taking courses that use only free instructional materials, called open educational resources (OER), in place of publisher-owned textbooks. OER resources range from course readings, modules, and tests, to full textbooks and courses to videos, and software.

Over the last several years, the state has enacted legislation to encourage the use of OER, including:

- SB 1052 (Steinberg), Chapter 621, Statutes of 2012, established the California OER Council to develop or acquire high-quality, affordable, digital open source textbooks for 50 high-enrollment, lower-division courses that are common across the three segments. The council includes three faculty members each from UC, CSU, and CCC.
- SB 1053 (Steinberg), Chapter 622, Statutes of 2012, established the California Digital Open Source Library to house the resources identified by the California OER Council and make them available over the Internet for students, faculty, and staff to easily find, use, and modify.
- SB 1028, (Committee on Budget and Fiscal Review), Chapter 575, Statutes of 2012, provided \$5 million in matching state funds to private funds support these efforts.
- AB 798 (Bonilla), Chapter 633, Statutes of 2015, repurposed \$3 million of the funding provided in Chapter 575 for an incentive grant program to be administered by the California OER Council accelerate the use of OER at CSU and CCC by providing training and incentive funds to campuses.

In addition to these statewide efforts, a number of college and universities, and departments within them have begun efforts to support and promote the use of OER in courses. In particular, the College of the Canyons is developing an associate degree for transfer in sociology that has zero textbook costs. Additionally, the state of Virginia's Community College system has supported OER grant funding for colleges, and is encouraging its 23 college colleges to develop at least one OER degree pathway in the current academic year. Faculty who have led OER initiatives in Virginia emphasize the critical importance of robust support services for faculty. Grant amounts range from \$15,000 for developing

and piloting the first 12 courses for the first 12 courses of a 20 course degree program. A national pilot program coordinated by Achieving the Dream offers \$100,000 for a full associate degree program.

Governor's Proposal.

The Governor proposes \$5 million in one-time Proposition 98 General Fund for zero-textbook-cost pathways. Community colleges would compete for grants of up to \$500,000 each to offer an associate degree, certificate, or credential program a student can complete entirely by taking OER courses. Priority would be given to developing a new degree from an existing transfer degree.

The chancellor could allocate up to 10 percent of the funds to a community college to administer the program and provide technical assistance to participating colleges. Colleges would convene multimember teams of faculty, instructional designers, and others from within the CCC to develop the degree pathways.

Colleges would post the resulting course and program materials online so that other community colleges can use or adapt. The chancellor would report to the Legislature and Administration by June 30, 2019 on the number of degrees offered, the number of students participating, the estimated savings to students, and recommendations related to the program.

Legislative Analyst's Office Recommendations.

The LAO believes the Governor's proposal to develop entire OER degree pathways at CCC is a reasonable next step. The LAO recommends:

- Building on existing state OER efforts by directing the chancellor to coordinate the new zero-textbook-cost degree initiative with the existing efforts described earlier. For example, the chancellor could work with the California OER Council to maximize the number of zero-textbook-cost degree pathways a college could assemble from the OER courses developed under the council's grant program and those developed under the proposed new initiative;
- Providing as much as half the total funding for technical assistance and professional development. Additionally, the LAO recommends giving priority to grant proposals that involve faculty collaboration across colleges and/or statewide;
- Reducing the maximum award amount for each degree pathway from \$500,000 to no more than \$100,000. At this grant level, CCC could fund 25 degrees with technical assistance, compared to only nine degrees with very limited technical assistance under the Governor's proposal;
- Establishing a clear time-line for piloting, evaluating, and offering OER courses and degrees; and
- Prioritize using existing high-quality OER instead of creating new OER.

Staff Comments.

College affordability is a long-standing priority of the Senate and, as noted above, the state has supported efforts to compile available OER and encourage their use in individual courses. However, a recent California survey found that only 12 percent of public colleges and universities had adopted all or a portion of an OER textbook; two-thirds were concerned about the effort needed to find, review, and select materials; and 72 percent said they were willing to use OER given sufficient professional development assistance to modify the materials and adjust their courses.

The LAO raises several valid concerns with the Governor's proposal. The LAO notes that other states have found that professional development and technical assistance for faculty and support service departments, such as libraries and IT offices, is vital to the success of OER initiatives. Additionally, collaboration between faculty members created improved quality and broader adoption of OER courses. The LAO also found that collaborations among faculty at different campuses to be beneficial, and that grants may not need to be as much as \$500,000.

The subcommittee may wish to ask:

- Why does the Administration believe \$500,000 is the appropriate maximum amount for grants? Could that number be lowered to allow for more grants?
- Professional development appears to be a critical component to ensuring zero- textbook- cost-degree programs are effective. Should this program have a specific set-aside for that purpose?
- Under this proposal, who would select winners? Does the Chancellor's Office envision selecting a district to administer the program?

Staff Recommendation: Hold Open.

Issue 5: Awards for Innovation

Panel

- Brianna Bruns, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community College Chancellor's Office

Summary. The Governor proposes \$25 million one-time Proposition 98 General Fund for the Awards for Innovation in Higher Education Program.

Background. The 2014–15 budget provided \$50 million in one-time General Fund to promote innovative models of higher education at UC, CSU, and CCC campuses. Campuses with initiatives to increase the number of bachelor's degrees awarded, improve four-year completion rates, or ease transfer across segments could apply for awards. Because awards were based on initiatives already implemented at the campuses, they functioned more like prizes or rewards than grants for specified future activities. A committee of seven members—five Governor's appointees representing DOF, the three segments, and the State Board of Education, and two legislative appointees selected by the Speaker of the Assembly and the Senate Rules Committee—make award decisions.

In March 2015, the committee selected 14 applicants, including six community colleges, out of 57 applicants to receive awards. The winners included individual institutions and teams of institutions, and each received from \$2.5 million to \$5 million in award funds. The budget scored \$23 million in awards to community colleges as Proposition 98 General Fund. The winning institutions will report on the effectiveness of their strategies by January 1, 2018 and January 1, 2020.

Last year, the Legislature rejected the Governor's proposal that would have provided \$25 million one-time General Fund for new awards using a similar application process. The proposal differed from the 2014–15 program, however, in that it would have (1) narrowed the priorities to focus only on improving four-year graduation rates and (2) provided awards only to CSU campuses.

Governor's Proposal. The Governor's 2016-17 budget proposes \$25 million Proposition 98 General Fund for Awards for Innovation in 2016–17. The Governor proposes to provide six innovation awards of at least \$4 million each in 2016–17. This proposal differs from the 2014–15 and 2015–16 proposals in four ways: (1) only CCC districts would be able to apply for awards, which would be funded by Proposition 98 General Fund; (2) awards would be based on proposed activities instead of initiatives applicants already have implemented; (3) awards would need to focus specifically on effective articulation and transfer pathways, successful transitions from higher education into the workforce, and innovations in technology and data; and (4) the Governor would have more discretion in selecting his appointees to the awards committee. Members no longer would have to represent any of the higher education segments or the State Board of Education.

Under the proposal, each applicant would apply to implement one of six innovations and the award committee would recommend one award in each of these areas:

- Concurrent enrollment permitting high school students to earn industry-recognized credentials or associate degrees for transfer while completing high school;
- Programs permitting college students to earn industry-recognized credentials and associate degrees for transfer concurrently;

- Use of prior learning assessment and competency-based credit, such as prior learning or experiences, including military training, to accelerate students' completion of industry-recognized credentials;
- Fully online courses for basic skills in English and mathematics available to all California residents;
- Fully online courses for completion of intersegmental general education requirements, using courses that articulate across the three public higher education segments; or
- Predominant use of OER in a college's course offerings.

Legislative Analyst's Office Recommendations.

The LAO recommends rejecting the Governor's proposal for the Awards for Innovation. The LAO is concerned that the state would provide relatively large sums to a handful of community colleges to implement local initiatives that would not necessarily have significant statewide value. The Administration has indicated that the award amounts are intended as incentives for innovation and may have no relation to the costs of implementing a winning initiative. The LAO also is concerned that this would add yet another program intended at improving student outcomes.

If the Legislature still wishes to use the \$25 million one-time funding in the higher education budget, the LAO notes that the state could target the funding to other priorities, like deferred maintenance, that are one-time in nature.

Staff Comments.

Since its inception, the Senate has noted significant concerns with this program, some of those concerns are not alleviated in this new proposal. While the proposal is an improvement over previous proposals as it focuses on new programs, it remains difficult to determine the statewide impact of funding small, localized programs. Other community college programs, such as the basic skills transformation program discussed earlier, provide targeted funding addressing a specific state-wide goal; that program could to provide improved outcomes at colleges throughout California.

Additionally, it should be noted that one of the specific areas - creating fully online courses for basic skills math and English courses - may not be a wise use of funding, as there is significant research indicating online education is not successful in remedial education settings.

The subcommittee may wish to ask:

1. What are the issues that the Administration is trying to address with this proposal?
2. What statewide impact does this proposal have on community college students?
3. What is the rationale for the award amounts?

Staff recommendation. Hold open.

Issue 6: Deferred Maintenance and Instructional Equipment

Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Dan Troy, California Community College Chancellor's Office

Summary. The Governor proposes \$290 million Proposition 98 General Fund for deferred maintenance.

Background

The CCC system has identified about \$6 billion in scheduled and deferred maintenance projects over the next five years. The system has narrowed down the list to identify a more feasible maintenance plan of \$1 billion in the highest-priority projects to be completed over this period.

The Scheduled Maintenance and Special Repairs Program (initially called the Deferred Maintenance Program) provides funding to districts for non-recurring repair and maintenance of facilities and to correct and avoid health and safety hazards, and improve long-term cost effectiveness of facility operations. This categorical program also funds the replacement of instructional equipment and library materials, architectural barrier removal, and water conservation projects.

Historically, budget language for this program has required a one-to-one match for any maintenance spending, but no match has been required since 2013–14. To use this categorical funding for maintenance and repairs, districts must adopt and submit to the CCC Chancellor's Office a five-year plan of maintenance projects. In addition to categorical funds, CCC districts fund scheduled maintenance from their apportionments and other general-purpose operating funds augmented by local bond funds.

The 2014–15 and 2015–16 budgets each provided \$148 million for this categorical program. Historically, this program has received large appropriations when a large amount of one-time Proposition 98 funding has been available and no appropriations in tight budget years. The Chancellor's Office notes that for the 2014–15 allocation, colleges spent \$96 million for 621 physical plant projects, and \$52 million on instructional support; for the 2015–16 allocation, colleges spent \$92 million on 570 physical plant projects, and \$56 million on instructional support.

Governor's Proposal. The Governor proposes \$290 million Proposition 98 General Fund for deferred maintenance. Of this funding, \$255 million is ongoing Proposition 98 General Fund, and about \$35 million is one-time Proposition 98 General Fund. The proposal continues to allow colleges to determine how they will use the funding, instead of specifying the proportion that must be spent on each category.

Legislative Analyst's Office Recommendations.

The LAO recommends adopting the Governor's proposal, and notes that dedicating \$255 million in 2016–17 Proposition 98 funding to one-time purposes would provide a cushion against future revenue declines and drops in the Proposition 98 minimum guarantee.

The LAO also recommends the Legislature require additional reporting to help identify and address the underlying causes of CCC's maintenance backlog. Specifically, the LAO suggests collecting

information about the factors that have led to the accumulation of maintenance backlogs and how the institutions could address maintenance on an ongoing basis so that deferred maintenance does not continue to accumulate.

The LAO recommends the Legislature authorize districts to use up to \$1.1 million (in aggregate) of the one-time maintenance funding toward the FUSION upgrade, a web-based planning and management tool, which maintains an inventory of CCC facility conditions. Districts report that the FUSION system is becoming outdated and cumbersome. FUSION cannot be used on mobile devices, a capability that would allow staff to input information while inspecting buildings.

Staff Comments. The Governor's proposal provides significant ongoing Proposition 98 funds for a one-time purpose. The subcommittee may wish to consider whether this is appropriate, or if this funding should be redirected to ongoing needs. In the last few years, the Legislature has successfully increased support for programs such as the Disabled Students Programs and Services (DSPS) and the Extended Opportunity Programs and Services (EOPS), however there are many programs and services that the subcommittee may wish to fund, including supporting part-time faculty office hours, services to CalWORKs students, the MESA, Puente and Middle College High Schools programs, or increasing the ration of full-time faculty at colleges.

The subcommittee may wish to ask:

- How did the Administration determine that \$290 million was the appropriate amount for deferred maintenance/instructional equipment? Why use so much ongoing funding for a one-time purpose?
- Would the Chancellor's Office support using some of this funding for other ongoing purposes?

Staff Recommendation. Hold Open.

Issue 7: Institutional Effectiveness Partnership Initiative**Panel**

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's office
- Dan Troy, California Community College Chancellor's office

Summary. The Governor proposes augmenting the Institutional Effectiveness Partnership Initiative (IEPI) by \$10 million Proposition 98 General Fund.

Background.

The Institutional Effectiveness Partnership Initiative was established in 2014 to provide technical assistance, such as operational or management advice and coaching, to community colleges. The 2014–15 budget provided ongoing funding of \$2.5 million for local assistance and \$1.1 million for state operations (nine positions) for the program. Trailer legislation required the Chancellor's Office to develop a set of effectiveness indicators related to student performance and outcomes, accreditation status, fiscal viability, programmatic compliance with state and federal guidelines, and college choice indicators. As a condition of receiving Student Success and Support Program funds, trailer legislation also required colleges to develop, adopt, and publicly post goals and performance outcomes using these indicators. Lastly, the budget directed the Chancellor's Office to provide technical assistance to districts that are not improving their performance outcomes.

The 2015–16 budget added ongoing funding of \$3 million to expand partnership resource team activities (bringing the total to \$5.5 million) and provided \$12 million for a new statewide professional development component for faculty, staff, and administrators. The Chancellor's Office awarded a specialized training contract to Chabot–Las Positas Community College District to administer the professional development component. Under this contract, the district works with the Success Center for CCC to (1) develop and coordinate workshops on practices that promote student success, improve college operations, develop leadership, and meet other statewide priorities; and (2) develop an online clearinghouse as a “one-stop shop” of effective practices, training materials, and other resources for faculty, staff, and administrators.

In 2014–15, more than 450 attendees from 104 colleges and 22 district offices attended six regional workshops on using the indicators and setting local performance goals. More than 100 subject-matter experts volunteered to participate in partnership resource teams, and the initiative deployed 46 of them in eight teams averaging six members each. Each team began working with a college or district that had requested assistance. In 2015–16, the pool of experts volunteering to serve on partnership resource teams increased to more than 230. Teams began working with 17 colleges and districts in the fall 2015 semester and another nine in the spring 2016 semester. The Chancellor's Office expects the professional development component to provide between 40 and 50 regional workshops in 2015–16, serving several thousand participants. The online clearinghouse, named the Professional Learning Network, went live in early 2016.

Governor's Proposal. The Governor proposes augmenting the Institutional Effectiveness Partnership Initiative (IEPI) by \$10 million Proposition 98 General Fund. Specifically, the proposal augments the statewide professional development activities by \$8 million, and augments technical assistance funding by \$2 million.

The Chancellor's Office reports that it will use additional professional development funds to: (1) provide between 75 and 125 regional workshops and statewide summits on effective practices; (2) continue adding content to the online Professional Learning Network, focusing especially on areas of statewide interest such as basic skills improvement; and (3) develop communities of practice to bring together faculty, staff, and administrators who are working on common issues to learn from each other.

The Chancellor's Office also notes that it will use additional technical assistance funds to: (1) expand partnership resource teams to more than 300 experts, (2) respond to an anticipated 30 technical assistance requests from colleges and districts, (3) develop separate communities of practice for institutions that recently received team visits, and (4) develop "micro teams" of experts to provide short-term, follow-up technical assistance on specific topics. Budget language would require the Chancellor's Office to report on the use of the professional development funds from the prior year by December 1 of each year.

Legislative Analyst's Office Recommendation.

The LAO states that demand for both technical assistance and professional development among the community college system appears to be strong, and therefore this proposal is worth considering. The LAO suggests the Legislature monitor the program over the next year to ensure it does not grow beyond the demand for technical assistance and professional development. The Legislature could amend the proposed reporting requirement to include information about activities under both components of the program, including college participation in those activities, as well as colleges' progress toward their goals for each of the institutional effectiveness indicators.

Staff Comments. The division plans to roughly triple the number of workshops and other professional development opportunities and launch the communities of practice. While each of these activities has merit individually, faculty, staff, and administrators have limited time they can devote to professional development. Funding for the initiative has grown very quickly in its first two years, and it is difficult to determine the appropriate funding and staffing level for the program. The Chancellor's Office expects to initiate about the same number of technical assistance projects in 2016–17 as in 2015–16, while still completing engagements begun earlier. It is also somewhat difficult to determine yet how this program is impacting critical areas such as student and accreditation outcomes.

Staff Recommendation: Hold Open.

Issue 8: Systemwide Data Security

Panel

- Keith Nazaam, Department of Finance
- Judy Heiman, Legislative Analyst's office
- Dan Troy, California Community College Chancellor's Office

Summary. The Governor proposes \$3 million Proposition 98 General Fund to improve CCC system wide data security.

Background.

In an October 2015 proclamation, the Governor noted that the state's information infrastructure faces an increasing threat of cyber-attack, loss of privacy from spyware and adware, and significant financial and personal privacy losses due to identity theft and fraud. The LAO notes that a 2013 CCC survey found that most colleges did not have a staff member dedicated to information security, did not have an information security awareness program, felt that their information security programs were fledgling, and lacked sufficient information about data security policies.

The 1996–97 budget created Telecommunications and Technology Infrastructure Program (TTIP) to coordinate the system's technology activities. The 2015–16 budget provided \$20 million for the technology infrastructure program; \$14 million under the Student Success and Support Program for e-transcript, e-planning, and common assessment tools; and \$10 million to expand the availability of courses through the use of technology.

This program also includes the CCC Information Security Center, which coordinates information security for the colleges' local information systems and statewide technology projects. The center offers vulnerability scanning, server monitoring, and model policies and procedures for colleges. The center also promotes information security awareness and provides up-to-date information on new threats and solutions.

Governor's Proposal. The Governor proposes \$3 million Proposition 98 General Fund to support a range of technical services for community colleges and statewide projects through the system's TTIP program.

The Chancellor's Office reports that the proposal would enable the system to create a comprehensive suite of security services for community colleges and statewide technology projects. Services would include providing support for colleges in the event of a data breach, offering more in-depth vulnerability scans and risk analyses, promoting the CCC information security standards and creating incentives for institutions to meet these standards, and enhancing security monitoring. The funding also would support creation of a CCC systemwide data sharing committee to ensure the security of personally identifiable information.

Legislative Analyst's Office Recommendation.

Given growing reliance on information technology systems at the colleges, and weaknesses identified in college data security practices, the LAO recommends providing funds to enhance data security. The amount required to adequately fund data security is unclear. The proposed uses of the \$3 million augmentation appear sensible, however, and LAO believes that the Chancellor's Office could productively use the proposed amount.

Staff Recommendation: Hold Open.

SUBCOMMITTEES No. 1 and 3

Senator Marty Block, Chair
Senator Benjamin Allen
Senator John M. W. Moorlach



Senator Holly Mitchell, Chair
Senator William Monning
Senator Jeff Stone, Pharm.D

Thursday, April 14, 2016
9:30 a.m. or Upon Adjournment of Session
State Capitol, Room 4203

Consultants: Samantha Lui and Elisa Wynne

<u>Informational</u>		<u>Page</u>
Governor's Budget		2
Item	Department	
6110	Department of Education	
Issue 1	Early Care and Education Block Grant	5
Issue 2	Oversight: AB 104 Report on Streamlining of Child Care and Early Education Services	8
Issue 3	Child Care Vouchers	9
Public Comment		
5180	Department of Social Services	
6110	Department of Education	
Issue 4	Federal Child Care and Development Block Grant	11
Issue 5	Oversight: CalWORKs Child Care	14
Issue 6	Proposals for Investment	17
Public Comment		

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

GOVERNOR'S BUDGET

The budget includes \$3.6 billion total funds (\$948 million federal funds; \$1.7 billion Proposition 98 General Fund; and \$998 million non-Proposition 98 General Fund) for child care and early education programs. For specific information by program, see tables below.

Child Care and Preschool Budget (Dollars in Millions)

Program	Governor's Budget
CalWORKs Child Care	
Stage 1	\$394
Stage 2	\$422
Stage 3	\$316
Subtotal	\$1,132
Non-CalWORKs Child Care	
General Child Care	\$450
Alternative Payment	\$255
Other	\$31
Subtotal	\$736
Preschool-Age Programs	
State Preschool	--
Transitional Kindergarten	--
Preschool Quality Rating Improvement System Grant	--
Proposed Block Grant	\$1,654
Totals	\$3,600*

*\$3.6 million reflects the subtotals plus an additional \$79 million for support programs.

2016 Child Care and Preschool Subsidized Slots

Program	Description	2015 Budget Act	Proposed Slots for 2016-17	Percent Change
CalWORKs (based on estimated caseload)				
Stage 1	Provides cash aid and services to eligible families. Begins when a participant enters CalWORKs.	44,154	42,995	-3%
Stage 2	When the county deems a family “stable.” Participation in Stage 1 and/or Stage 2 is limited to two years after an adult transitions off cash aid.	50,971	49,777	-2%
Stage 3	When a family expends time limit in Stage 2, and as long as family remains otherwise eligible.	35,845	36,335	1%
Subtotals for CalWORKs child care		130,970	129,107	-1%
Non-CalWORKs (based on proposed number of slots to be funded)				
General Child Care	State and federally-funded care for low-income working families not affiliated with CalWORKs. Serves children from birth to 12 years old.	28,738	42,134	47%
Alternative Payment	State and federally-funded care for low-income working families not affiliated with CalWORKs. Helps families arrange and make payment for services directly to child care provider, as selected by family.	32,852	29,344	-11%
Migrant Care	Serves children of agricultural workers.	3,060	3,064	0%
Care for Children with Severe Disabilities	Provides supervision, therapy, and parental counseling for eligible children and young adults until 21 years old.	105	105	0%
Subtotals for non-CalWORKs care		64,755	74,647	15%

Preschool and TK programs				
State Preschool	Part-day (PD) and full-day (FD) care for 3 and 4-year old children from low-income families.	98,956 58,504	PD FD	0 -100%
Transitional Kindergarten	Eligible children are 5 years old between Sept. 2 and Dec. 2.	83,000	0	-100%
Early Ed. Block Grant	Restructures funding for above programs into a to-be-defined block grant.	0	251,409	100%
Subtotals for Preschool/TK programs		240,460	251,409	5%
Total		436,185	455,163	4%

Source: Legislative Analyst's Office 2016

The Governor's proposed changes for early education and child care are more fully discussed in the following agenda issues.

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 1: Governor's Budget: Early Care and Education Block Grant**

Panelists: Jessica Holmes, Department of Finance
Virginia Early, Legislative Analyst's Office

Budget Issue. The Governor's budget proposes to consolidate Proposition 98 funding from California State Preschool Program (CSPP) (\$880 million), transitional kindergarten (TK) (\$725 million Proposition 98 General Fund), and the Preschool Quality Rating and Improvement System Grant (QRIS) (\$50 million Proposition 98 General Fund) to create a \$1.65 billion block grant, intended to benefit low-income and "at-risk" preschoolers, as locally defined. Funds from the new block grant would be appropriated to local educational agencies (LEAs) and, potentially, other entities that currently offer CSPP to operate a developmentally-appropriate preschool program. According to the Administration, the proposal would build on the tenets of the Local Control Funding Formula (LCFF) and distribute funding based on factors, such as population and need, to ensure funds are equitably distributed to schools with large populations of disadvantaged children. The budget provides a hold-harmless provision, ensuring that no LEA will receive less funding under the block grant than under prior funding models. Of note, the proposal does not move funds currently supporting the wrap component of full-day state preschool provided by non-LEAs into the block grant. In addition, the Governor's proposal does not shift \$33 million in CSPP funds that support preschool programs at 55 community colleges.¹

The Governor's budget includes placeholder trailer bill language, which will be refined in the May Revision.

Background. Since February 2016, the Administration has hosted four stakeholder meetings to solicit feedback on the following: (1) who will be prioritized for services and how to define eligibility criteria and "at risk" children; (2) program structure, such as class size, teacher ratios, and curriculum; (3) role of private providers; (4) distribution of future funding; and (5) accountability measures. In addition to the stakeholder meetings, the Administration provided a period of public comment, via mail and e-mail, which ended March 15, 2016. In general, the Administration noted that most comments centered on the following key themes: local governance, continued role for private providers, regional income eligibility issues, quality, and the transition period. The Administration indicates they will refine their proposal and provide additional detail in the May Revision, based on feedback received from the stakeholder meetings.

In response to requests from stakeholders, the Administration provided additional clarity in the spring on a limited set of topics. On timing, the Administration makes clear its goal to establish a programmatic structure for the Block Grant as part of trailer bill for the 2016 Budget Act, and a year of transition time is anticipated in 2016-17, before full implementation takes place in 2017-18. The

¹ Care offered at community colleges are often preschool programs for community college students' children, and also serve as a lab school for students training to become teachers or aides.

Administration also notes its intention to hold harmless the Proposition 98 guarantee for any statewide average daily attendance changes, due to the block grant proposal and that early education program reforms are needed before additional funding is provided to the system.

LAO Analysis. The LAO is generally supportive of the proposal to simplify the preschool program by consolidating fund sources and programs and focusing on low income, at risk, and disabled children. However, the LAO suggests the Governor's proposal, which allows local determination of income eligibility, may result in different levels of service for similar children across the state. Finally, the LAO notes that the Governor's proposal to hold LEAs harmless in funding would lock-in funding levels not currently based on need, which may undermine the Administration's goal of moving to funding based on need.

The LAO recommends the state create a system that includes:

- One consolidated funding stream that includes state preschool, transitional kindergarten, QRIS, as well as the \$33 million in preschool funds that support preschool programs at community colleges.
- Specific eligibility criteria for students served by the new preschool block grant. The LAO suggests a reasonable approach would be to provide preschool to all four-year olds from families with incomes below 185 percent of the federal poverty level or who are otherwise at risk, or have a disability.
- Funding allocated to providers based on the number of eligible children participating in the program. Any hold harmless provision under this scenario would be transitional in nature.
- Options for full-day preschool programs for children from low-income working families, and a streamlined eligibility verification process that occurs annually at the beginning of the school year.
- Program requirements for the inclusion of developmentally-appropriate activities in preschool programs, and minimum staffing requirements, such as teachers must have some education in child development.
- Basic reporting requirements for providers to collect student demographic information such as race, gender, family income and disability status.

As part of any restructuring proposal, the LAO notes that the Legislature would need to consider who will provide services, how funds will be disbursed, what system of oversight and accountability should be put in place, and depending on the system, how to best transition from the current system.

Staff Comments. Absent the detail anticipated in the May Revision, the subcommittees may be unable to fully consider the Early Childhood Education Block Grant proposal. Instead, the subcommittees may wish to consider broad principals of how to construct an intentional and intuitive early care system. In particular, the last two budgets included significant investments in supporting quality programs, including professional development opportunities for instructors and aides. The subcommittees may wish to consider how accountability measures, linked to quality, that ensure

developmentally-appropriate curriculums, enriching environments for children, and support for professionals can be included in budget discussions.

In addition, the Administration's proposal distinguishes the provision of child care and early education, stating that "child care is to support the gainful employment of working families", while noting that the goals of the Early Education Block proposal include implementing pre-kindergarten education programs. As academic literature supports the social, cognitive, and developmental benefits of investing in early childhood interventions, advocates and early education professionals have invested heavily in incorporating more developmentally-appropriate curriculum, and supporting instructors in the child care system. The subcommittees may wish to consider how these differing perspectives on child care may influence the tenor of the proposal's development.

Staff Recommendation. Hold open for further discussion.

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 2: Oversight: AB 104 Report on Streamlining Child Care and Early Education Systems**

Panelists: Virginia Early, Legislative Analyst's Office
Debra Brown, CDE

Background. Assembly Bill 104 (Budget Committee), Chapter 13, Statutes of 2015, a budget trailer bill, directed members of the Alternative Payment Program Stakeholder Group and the Direct Service Program Providers Stakeholder Group, with the facilitation of the California Department of Education (CDE), to provide finalized recommendations to the Legislature, by April 1, 2016, to streamline data and other reporting requirements for child care and early learning providers that contract with the CDE to provide state preschool and other state subsidized child care and early learning programs under the *California Code of Regulations*, Title 5. The recommendations include:

- Create a single-reimbursement rate system based on the most recent regional market rate (RMR) that includes provisions for variance in cost across regions and has a hold harmless component.
- Move from a child care contract system to a grant system with a five year cycle for application, monitoring and technical assistance.
- Provide for twelve-month eligibility. This means that a lead agency shall re-determine eligibility for services no sooner than twelve months after the initial determination.
- Simplify definitions for parent employment to full-time (30 or more hours per week) and part time (less than 30 hours per week). Create additional categories for fixed and variable work schedules.

In addition the group recommended a series of changes to the reimbursement structure, contracting process, documentation process for families, and determination of need eligibility. Many of these changes are identified as changes that could be made with no cost.

Staff Comments and Recommendation. The item is included for discussion purposes, and no action is needed at this time.

Questions

1. Please describe CDE's existing authority to implement specified provisions. Which recommendations need legislative action? What may be done through regulations?

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 3: Governor's Budget - TBL: Child Care Vouchers**

Panel I: Jessica Holmes, Department of Finance
Virginia Early, Legislative Analyst's Office
Debra Brown, California Department of Education

Panel II: Catherine Goins, Assistant Superintendent, Early Education and Administration, Placer County Office of Education
Rick Richardson, President and CEO, Child Development Associates, Inc., San Diego

*Panel II will address Issues 1 and 3

Budget Issue and Trailer Bill Language. The Governor's budget proposes trailer bill language that requires the Department of Education to develop a plan to transition, over the next five years, contracted funding into vouchers. Approximately two-thirds of California's child care is voucher-based care, meaning a voucher is provided to a family who chooses its own provider.

LAO Analysis.

- **Creates flexibility.** The Governor's voucher proposal would create additional flexibility for families in selecting the child care setting that best meets their needs and that a conversion to voucher over an extended period, such as the five years proposed by the Governor would minimize disruption to the families and providers.
- **Possible loss of slots.** However, the LAO also notes the proposal may result in a loss of slots for children who need developmentally-appropriate care, as providers accepting vouchers are not required to include developmentally-appropriate care. Converting to vouchers would be more expensive than the current contract system and the LAO estimates an additional \$25 million to \$70 million, depending on what type of care families chose.

The LAO is supportive of the Governor's proposal to have CDE develop a transition plan, but recommends providing additional parameters. Specifically, the LAO recommends that in year one, the state create a new reimbursement rate structure, monitoring system, program standards, and regulations. In year two, the state would apply the rate to existing voucher slots, beginning converting contract slots to vouchers, begin equalizing services across the state, create a new central eligibility list and provide one-time funds to support implementation. In years three to five the state would complete the conversion of slots and equalization of services.

In addition, the LAO recommends to:

- Create one voucher-based system for general child care and migrant child care.

- Prioritize migrant child care, either in one voucher system or to be served in a stand-alone voucher system.
- Require all centers and family child care homes that serve children from birth through age three, provide developmentally-appropriate activities.
- Direct CDE to develop standards for children birth through age three.
- Provide similar levels of access across the state. The LAO provides two options: 1) adjust funding levels to serve the same level of eligible families in each county, or 2) adjust funding to serve all families under a certain percentage of state median income (SMI).
- Make eligibility criteria and reimbursement rates transparent. This would include linking eligibility to the most recent SMI information (LAO recommends the 65 percentile of the 2014 SMI) and creating one reimbursement system that includes three tiers to reflect cost differences between counties.
- Establish oversight and accountability measure to provide information for policymakers and stakeholders, such as a new central eligibility list to track demand for child care and regional monitoring systems to inspect and monitor centers and family child care homes.

Staff Comments. The Legislature may wish to consider how this proposal will impact access and affordability of care for families, that may currently, despite similar characteristics, receive different funding and opportunities. The state's current rate reimbursement structure poses challenges to transparency, quality, and efficiency. Despite recent investments to the reimbursement rates for both voucher-based care (RMR) and for direct-contractors (SRR), providers indicate that they are still at-risk of closing. The Legislature may wish to consider how to create a funding structure that recognizes the quality investments of a given program, and also provides parents with clear information on the actual value amount of the voucher.

Also, the CDE indicates it may need additional information, such as timeline, detail, and what broad components should be included in the plan, from the Administration. The Legislature may wish to consider incorporating the learned lessons from the AB 104 workgroup (discussed on page 9) to this proposed trailer bill process.

Staff Recommendation. Hold open for further discussion.

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 4: Federal Child Care and Development Block Grant**

Panelists: Jessica Holmes, Department of Finance
Virginia Early, Legislative Analyst's Office
Debra Brown, CDE
Debra McMannis, Director of Early Education and Support Division, CDE
Pat Leary, Department of Social Services
Kim Johnson, Department of Social Services

Background. The Child Care and Development Block Grant (CCDBG) supports subsidized child care programs, direct service, and alternative payment contract types, including CalWORKs Stage 3 and General Child Care. In 2015-16, California received \$573 million in CCDBG funding and Department of Finance estimates that in 2016-17, the state will receive \$583 million. On November 19, 2014, President Obama reauthorized the CCDBG. Some of the provisions of the reauthorized CCDBG include: annual monitoring inspections of both licensed and license-exempt providers; implementing 12-month eligibility for children in subsidized child care; increasing the Regional Market Rate to the reimbursement ceilings identified in the most recent market rate survey; increasing opportunities for professional development; adding topics to health and safety trainings; and creating a disaster preparedness plan. Most, but not all of the provisions became effective when the reauthorization was signed.

Although California may have several years to implement these changes, some policies and practices were intended to be in place by March 2016. The Office of Child Care (OCC) formally extended the submission of the 2016-18 Child Care Development Fund State Plan until March 11, 2016 – an extension from the original due date of June 30, 2015. Pursuant to the reauthorization of CCDBG, the state must also document its level of compliance, and plans for compliance, with new federal requirements. However, there remains concern that the federal block grant funds are insufficient to meet new requirements and to maintain current service levels.

State Plan. Each state must complete a triennial CCDF State Plan, which describes how requirements are met, or the process by which states plan to meet the requirements. Traditionally, the State Plan is due to the federal OCC by June 30 every other year. Given the unique circumstances of this reauthorization year, the federal government has granted all states a nine-month extension to March 1, 2016. A first draft of the 2016-18 State Plan was posted on the California Department of Education's (CDE) Web site in late 2015. In order to gather stakeholder and public input on the 2016-18 CCDF State Plan, a public hearing was held on January 9, 2015. A stakeholder input process was initiated in February 2015, to obtain feedback from the field of child care providers, contractors and advocates as to how they would like the implementation to take shape, and what structures exist to support implementation in an efficient and cost-effective manner. Topical input sessions related to the major areas of implantation (annual licensing inspections, professional development, etc.) were hosted at the California Department of Education to solicit information and feedback. CDE submitted the state plan to the OCC on March 11, 2016. Based on an initial review, the state plan was returned as incomplete. CDE is currently working with their federal liaisons to determine next steps.

Examples of policy changes. Numerous policy changes included in the reauthorization pose significant potential policy shifts and budgetary action, including:

- **Regional Market Rate (RMR) Survey.** All states must conduct a statistically valid and reliable survey of the market rates for child care services every two years that reflects variations in the cost of child care services by geographic area, type of provider, and age of child. States must demonstrate how they will set payment rates for child care services in accordance with the results of the market rate survey. AB 104 (Budget Committee), Chapter 13, Statutes of 2015, beginning October 1, 2015, requires CDE to implement ceilings at the 85th percentile of the 2009 Regional Market Rate Survey, reduced by 10.11 percent, then increased by 4.5 percent. If a calculated ceiling is less than the ceiling provided before January 1, 2015, then the ceiling from the 2005 Regional Market Survey will be used. The licensed-exempt child care provider ceilings will be 65 percent of the Family Child Care Home ceilings, beginning October 1, 2015. Guidance from the Office of Child Care (OCC), dated March 25, 2015, suggests that states must use the most current market rate survey to set rates.
- **Annual Monitoring Inspections.** In California, the Department of Social Services Community Care Licensing (CCL) issues licenses for child care facilities. Many providers are license-exempt, such as neighbors, kith, or kin. The CCDBG reauthorization requires that licensed providers and facilities paid for with CCDF funds must receive at least one pre-licensure inspection for compliance with health, safety, and fire standards, as well as annual unannounced inspections of each child care provider and facility in the state for compliance with all child care licensing standards. License-exempt providers and facilities must have at least one annual inspection (Section 658E(c)(2)(K)(i)). Currently, CCL must visit a facility at least once every three years – a frequency that does not meet the new federal requirement. Currently, there is not a state agency charged with conducting inspections of homes of the approximately 32,000 license-exempt providers in the state.
- **12-Month Eligibility.** The reauthorization of CCDBG includes a new provision, Protection for Working Parents, in which a minimum period of 12-month eligibility will be available for each child that receives assistance. States must also establish a process for initial determination and redetermination of eligibility to take into account irregular fluctuations in earnings; not unduly disrupt parents' employment in order to comply with state requirements for redetermination; and develop policies and procedures to allow for continued assistance for children of parents who are working or attending a job training or education program and whose family income exceeds the state's income limit to initially qualify for assistance if the family income does not exceed 85 percent of the State median income.

Existing state law² allows for 12-month eligibility for child care services. However, Section 18102 of the Title 5 Regulations requires contractors to inform families of the family's responsibility to notify the contractor within five calendar days of any changes in family income, family size, or the need for services. There is some debate as to whether California's current eligibility provisions will meet the new federal requirement.

² California Education Code Section 8263(b)(1)(C)

Many of the changes required to meet federal standards would require legislative action, and CDE is currently working with federal officials on how to proceed with the state plan. At this point, CDE reports the federal government has not yet indicated what sanctions, if any, will be placed on the state in the case of non-compliance. Finally, CCDBG statute allows for states to request waivers if they are unable to comply with federal requirements under specified circumstances. CDE continues to pursue possible waiver options.

Staff Comment. In light of significant federal changes, and absent additional federal funding to implement policies, the Legislature may wish to consider how families' access may be adversely impacted by these requirements; how these requirements align with priorities for child care and early education and the Governor's proposed plans; and how CDE should move forward with responding to requests from the federal government for specific state actions.

Staff Recommendation. This item is informational and included for discussion. No action is required at this time.

Questions

1. LAO/DOF: How much does the state receive in CCDBG funding? How much of this funding, by percentage, represents the state's total child care budget?
2. CDE: Please describe recent conversations with the federal Region IX. Are other states in a similar situation as California?
3. DOF: How does CCDBG impact, or inform, the structure of the Governor's budget proposals?

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 5: Oversight: CalWORKS Child Care**

Panelists: Todd Bland, Deputy Director of the Welfare-to-Work Division, Department of Social Services
Kim Johnson, Branch Chief, Child Care and Refugee Program, DSS
Ryan Woolsey, Legislative Analyst's Office
Tyler Woods, Department of Finance
Frank Mecca, County Welfare Directors Association

Background. AB1542 (Ducheny), Chapter 270, Statutes of 1997, eliminated seven former welfare-related childcare programs and consolidated them into the three-stage CalWORKs child care programs. CalWORKs child care seeks to help a family transition smoothly from the immediate, short-term child care needed as the parent starts work or work activities to stable, long-term child care. CalWORKs Stage 1 is administered by the county welfare departments; Stages 2 and 3 are administered by Alternative Payment Program (APP) agencies under contract with CDE. The three stages of CalWORKs child care are defined as follows:

- Stage 1 begins with a family's entry into the CalWORKs program. Clients leave Stage 1 after six months or when their situation is "stable," and when there is a slot available in Stage 2 or 3.
- Stage 2 begins after six months or after a recipient's work or work activity has stabilized, or when the family is transitioning off of aid. Clients may continue to receive child care in Stage 2 up to two years after they are no longer eligible for aid.
- Stage 3 begins when a funded space is available and when the client has acquired the 24 months of child care after transitioning off of aid (for former CalWORKs recipients).

Historically, caseload projections have generally been funded for Stages 1, 2, and 3 in their entirety – although Stage 3 is not technically an entitlement or caseload-driven program. There had been considerable turmoil in the Stage 3 program since Governor Schwarzenegger first vetoed all of its funding in 2010. In 2011, the program was effectively capped.

Staff Comments. Child care advocates and the Legislature have expressed concern about the consistently low utilization rates for CalWORKs child care. Although CalWORKs Stage 1 and Stage 2 – and effectively, Stage 3 – are funded entitlements, the statewide utilization rate, based on the number of Welfare-to-Work (WTW) participants with an age-eligible child, is at most, only 30 percent.³ Contributing factors to the low rate remain unclear. A typical anecdote that attempts to account for this is: when a family first applies into the CalWORKs program, the client uses kith or kin to care for the child during initial appointments; and, after stable employment is identified and when care is needed, to avoid complicated paperwork, a client may choose to keep his or her pre-existing arrangement with

³ Total number of Stage 1 and Stage 2 families that receive TANF/number of adults participating in a WTW activity with an age-eligible child.

kith or kin and receive care, outside of the CalWORKs child care. As such, previous recommendations from the child care community include offering child care at various points during a client's interaction with the CalWORKs program, including during the initial Online CalWORKs Assessment Tool (OCAT), which is a universal initial assessment provided to clients to identify any possible barriers. DSS notes that a forthcoming RAND study (interim results expected by Spring 2016) will provide more information about child care use.

The chart (below) displays statewide allocations versus expenditures of counties' single allocation for FY 2014-15. In it, child care appears under-expended, despite its current allocation.

FY 2014-15	Allocation	Expenditures*	% of Allocation Spent	2.5% Adjustment**	Adjusted % of Allocation Spent
Eligibility Admin	\$517,836,763	\$619,885,076	119.17%	\$635,382,203	122.70%
Child Care	\$374,241,198	\$311,223,552	83.16%	\$319,004,141	85.24%
Cal Learn	\$25,834,000	\$25,463,619	98.57%	\$26,100,209	101.03%
Employment Services	\$1,025,856,124	\$819,441,381	79.88%	\$839,927,416	81.88%
Total	\$1,943,768,085	\$1,776,013,628	91.37%	\$1,820,413,969	93.65%

* As of the report date, only two quarters of adjustment claims have been submitted by the counties so the amounts reflected here in the expenditures column may increase.

** CDSS assumes an additional 5% in expenditures from the adjustment claims process, so a 2.5% adjustment is made here to reflect the remaining two quarters of claims.

In discussions with DSS, the department states funding amounts are not related to a higher or lower utilization rate. With respect to the above data, DSS cautions from drawing conclusions that a county is not providing child care due to redirecting administrative funding or other areas of costs. In county-by-county data, staff finds that some counties do overspend in administrative costs and underspend in child care, while other counties overspend in child care. To compound the issue, counties can ensure needs are met through mid-year redistributions of the single allocation.

Staff Recommendation. This item is informational and included for discussion. No action is required at this time.

Questions

1. DSS: What action is the department undertaking to improve, and better understand, the causes and effects of a low CalWORKs Stage 1 caseload utilization? Are there common themes the department has observed that can be addressed to improve utilization?
2. CWDA: Last year, the subcommittees discussed a number of other CalWORKs changes that could have contributed to low utilization rates. What practices have been incorporated since last year to improve clients' ability to access child care?

-
3. DSS: If not funding, by what other measures can the state determine whether a county is effectively offering child care (e.g., at the appropriate time) for families, and that families have the information needed to effectively access care?

**6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****Issue 6: Proposals for Investment**

The subcommittees received the following budget requests for consideration. For context, in addition to the following proposals, the Budget Subcommittee No. 3, on April 21, 2016, will consider proposals that assist foster parents and caregivers access subsidized child care.

6A. California Legislative Women's Caucus

Panelist: Senator Hannah Beth Jackson, District 19, Chair, California Legislative Women's Caucus

Budget request. The Legislative Women's Caucus requests funding to improve access and quality of child care and early learning. Specifically, the request includes (1) one-time quality and support investments; (2) increase license-exempt rates from 65 percent to 80 percent; (3) increase RMR to the 85th percentile of the 2014 survey; (4) increase SRR rates in counties where the SRR is below the 85th percentile of the 2014 RMR survey; (5) ensure 12-month eligibility and update income guidelines; and (6) 25,000 slots, with emphasis for zero to three year olds.

6B. 12-month eligibility, SMI, rates, slots

Panelist: Patti Prunhuber, Senior Policy Attorney, Child Care Law Center

Budget request. The Child Care Law Center “supports the full \$800 million in child care and early education requested by the Legislative Women’s Caucus,” including (1) adopting a 12-month eligibility period; (2) updating the state median income (SMI) eligibility guidelines to the more recent SMI and exit ceilings to 85 percent of the SMI; (3) expand infant/toddler slots by 25,000; (4) increase all reimbursement rates and transition to a single rate structure; and (5) increase license-exempt rates from 65 percent to 80 percent.

6C. Early Care and Education Apprenticeship

Panelist: Dion Aroner, SEIU

Budget request. SEIU requests \$1.4 million General Fund, over three years, to fund a three-year pilot to fund training and wage increases for 150 participants (center-based workers, licensed family child care providers, and license-exempt providers) in Los Angeles County. The participants may access free college-level coursework, receive paid job training, and receive higher levels of credentials.

6D. Consumer Education Database

Panelist: Linda Asato, California Child Care Resources & Referral (R&R) Network

Budget request. Children Now, the R&R Network, and Child Care Alliance of Los Angeles request one-time \$15 million General Fund to build a consumer education and child care enrollment system and to fix existing data inconsistencies. Specifically, the funding will be to create a website; include disaster preparedness functions to notify child care providers of emergencies and communications with emergency response teams for parents who are unable to contact providers; and build out county-level centralized eligibility lists.

6E. License Exempt Rates

Panelist: Donna Sneeringer, Director of Government Relations, Child Care Alliance of Los Angeles

Budget request. The Child Care Alliance of Los Angeles proposes to increase the licensed family child care rate and adopt accompanying trailer bill language to require CDE and DSS align all components, including the part-time hourly rate, of license-exempt care with statutory requirements.

6F. Quality Rating Improvement System (QRIS)

Panelist: Erin Gabel, Deputy Director, External & Government Affairs, First 5 California

Budget request. Children Now and First 5 California request increasing the QRIS block grant by \$25 million and to make permanent, and augment from \$25 million to \$35 million, the infant toddler QRIS block grant.

Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, April 21, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultant: Elisa Wynne

<u>Item</u>	<u>Department</u>	<u>Page</u>
6110	Department of Education	
Issue 1	Accountability Overview	2
Issue 2	(Proposed for Discussion/Vote) – Public Comment Local Control and Accountability Plans TBL	6
Issue 3	(Proposed for Discussion/Vote) – Public Comment State Operations for the State Board of Education	7
Issue 4	Academic Content Standards Implementation	9
Issue 5	Statewide Assessments	13
Issue 6	K-12 High Speed Network	19
Issue 7	Broadband Infrastructure Investment Grants and Technology Training	22
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 DEPARTMENT OF EDUCATION

Issue 1: Accountability Overview

Description:

The first panel will cover the ongoing work of the various state administrative bodies involved in building a new statewide system of accountability and continuous support. The second panel will provide local perspectives from two county offices of education on how the Local Control and Accountability Plan (LCAP) process has impacted the way they are providing services directly to students, largely in alternative education settings.

Panel I:

- Edgar Cabral, Legislative Analyst's Office
- David Sapp, State Board of Education
- Debra Brown, Department of Education
- Sujie Shin, Director of Research and Data for the California Collaborative for Educational Excellence

Panel II:

- Nina Boyd, Assistant Superintendent, Orange County Department of Education
- Raquel Rose, Assistant Superintendent, Marin County Office of Education

Background:

Accountability. Prior to 2013-14, Local Educational Agencies (LEAs) were held accountable in different ways for variety of programs. Each individual categorical program had its own accountability requirements, although often this was limited to accountability for the expenditure of funds in accordance with allowable uses, rather than the impact on actual student outcomes. State and federal accountability systems provided an aggregate measure of school and district performance. The state and federal accountability systems relied primarily on student assessment data. The state used the Academic Performance Index (API) constructed data from previous statewide assessments aligned to the former academic standards to create a performance target. School districts, schools, and student subgroups that did not meet the performance target were required to meet growth targets. The federal accountability system used a measure called Adequate Yearly Progress (AYP) that relies on student assessment scores, student participation in assessments, graduation rates and the API. Schools and districts that failed to meet benchmarks and make progress could be subject to interventions.

In 2013-14, the state began to transition to new assessments, aligned to new statewide academic content standards (discussed later in this agenda). Most student assessment scores were not available for assessments given in the spring of 2014, since the state was piloting a new assessment system. Therefore, based on statutory authority, the State Board of Education (SBE) approved a recommendation by the State Superintendent to not calculate the API for the 2013-14 and 2014-15

years. In addition, California applied for and received a waiver of federal law exempting the state from the calculation of the AYP for some schools and districts.

This transition in test scores and, therefore, aggregate accountability scores, aligns with an evolution in what the state expects from LEAs in terms of accountability. The Local Control Funding Formula (LCFF) statute included new requirements for local planning and accountability that focus on improving student outcomes in state educational priorities and ensuring engagement of parents, students, teachers, school employees, and the public in the local process. In addition, the LCFF features a new system of continuous support for underperforming school districts that do not meet their goals for improving student outcomes. Finally, the federal Every Student Succeeds Act (ESSA) was adopted in December of 2015, replacing current federal requirements with a more flexible system. Details are still emerging at this time, and federal guidelines and regulations are anticipated later this year. The state is planning on aligning state and federal accountability and approving a new state plan to meet federal requirements in November of 2016.

Local Control and Accountability Plans (LCAP). To ensure accountability for LCFF funds, the state requires that all school districts, charter schools, and county offices of education annually adopt and update a LCAP. The LCAP must include locally-determined goals, actions, services, and expenditures of LCFF funds for each school year in support of the state educational priorities that are specified in statute, as well as any additional local priorities. In adopting the LCAP, LEAs must consult with parents, students, teachers, and other school employees.

The eight state priorities that must be addressed in the LCAP, for all students and significant student subgroups in a school district and at each school, are:

- *Williams* settlement issues (adequacy of credentialed teachers, instructional materials, and school facilities).
- Implementation of academic content standards.
- Parental involvement.
- Pupil achievement (in part measured by statewide assessments, Academic Performance Index, and progress of English-language learners toward English proficiency).
- Pupil engagement (as measured by attendance, graduation, and dropout data).
- School climate (in part measured by suspension and expulsion rates).
- The extent to which students have access to a broad course of study.
- Pupil outcomes for non-state-assessed courses of study.

County offices of education must also address the following two priorities:

- Coordination of services for foster youth.
- Coordination of education for expelled students.

School district LCAPs are subject to review and approval by county offices of education, while county office of education LCAPs are subject to review and approval by the State Superintendent of Public Instruction (SPI). Statute also established a process for districts to receive technical assistance related to their LCAPs. The SPI is authorized to intervene in a district that is failing to improve outcomes for students after receiving technical assistance.

According to the timeline put forth by SBE and California Department of Education (CDE) staff for the March 2016 SBE meeting, staff are working on revisions to the LCAP template. The SBE is authorized to adopt the LCAP template through their regular open meeting requirements prior to January 31, 2018. This new template is intended to be in place for use in the 2017-18 LCAP cycle. The SBE reports that extensive stakeholder outreach and input will be incorporated into this process.

Evaluation Rubrics. The SBE is required to adopt evaluation rubrics by October of 2016. Rubrics are tools that evaluate performance, based on specified criteria. Specifically, the evaluation rubrics developed by the SBE will: (1) assist LEAs in evaluating their strengths, weaknesses, and areas that require improvement; (2) assist county superintendents of schools in identifying LEAs in need of technical assistance and providing resources for technical assistance; and (3) assist the SPI in identifying LEAs for which technical support and/or intervention is warranted. Statute further requires that the evaluation rubrics provide for a multidimensional assessment of district and school site performance, including adopting standards for performance and improvement in each of the state priority areas. The SBE adoption deadline was extended by one year through the education trailer bill, AB 104 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, as the SBE's process for development and stakeholder vetting of the rubrics revealed that additional time was needed to ensure rubrics are research-based and can be implemented as a key piece of a new accountability system.

Evaluation rubric progress is a part of each SBE meeting as the deadline for approval is moving closer. The most recent SBE meeting in March 2016 provided further information on progress in the creation of a unified accountability system and specific data analysis around one indicator, graduation rates. An April, 2016 information memo from SBE staff summarized feedback from the SBE March meeting as follows: 1) move forward with a model that fits together state and federal accountability in a system of continuous support, 2) explore other methodologies for measuring standards and performance for graduation rates, and 3) move forward with analysis of other key indicators. The SBE timeline shows adoption of the evaluation rubrics at their September 2016 board meeting.

California Collaborative for Educational Excellence (CCEE). The CCEE was created as part of the new LCFF accountability framework with a role to advise and assist school districts, charter schools, and county offices of education to achieve goals in their LCAPs under the LCFF. The CCEE is required to advise and assist school districts, county offices of education, and charter schools in meeting the goals in their LCAPs. Statute allows the SPI to assign the CCEE to LEAs in need of assistance. The CCEE may contract with individuals, LEAs, or organizations with expertise in the LCAP state priority areas, improving the quality of teaching, improving school and district leadership, and addressing the needs of student populations, such as unduplicated students or students with exceptional needs. The 2013-14 budget provided \$10 million in Proposition 98 funding for the CCEE, and the 2014 education budget trailer bill, SB 858 (Committee on Budget and Fiscal Review), Chapter 32, Statutes of 2014, extended the encumbrance date for these funds through the 2014-15 fiscal year. Although all the funds were encumbered in the 2014-15 fiscal year, to date, just \$2 million has been expended. The CCEE was officially established in 2014-15, with the first meeting of the CCEE occurring in February of 2015. Since that time, the CCEE has hired an executive director and key staff.

However, the CCEE has yet to conduct any of the activities assigned under statute, as the accountability system continues to develop.

Related legislation, SB 871 (Liu and De León), introduced January 14, 2016, would require the CCEE to conduct statewide training on the evaluation rubrics and their use to inform the LCAP with a focus on improving student outcomes and closing the achievement gap. The bill would also establish a pilot program to provide technical assistance and support to LEAs that volunteer to participate. This technical assistance will assist LEAs in improving their student outcomes but also inform the CCEE in developing its system of support and assistance for LEAs.

Governor's Budget:

The Governor's budget includes proposals to support workload related to continued development of an accountability system as well as clarifying trailer bill language. Specific proposals include:

- Trailer bill language to provide \$500,000 annually for 2016-17 through 2018-19 for a total of \$1.5 million to the Superintendent of Public Instruction to contract with the San Joaquin County Office of Education for support of the evaluation rubrics and the school accountability report card.
- Trailer bill language that extends the authority of the SPI to suspend the calculation of the API for 2015-16 with the approval of the SBE.

Suggested Questions:

- For SBE: What specific areas of concern are the new LCAP template anticipated to address?
- For CCEE: How will the CCEE's approach to intervention and support of LEAs be different from past attempts under federal or state law to assist struggling LEAs?
- For CDE/SBE: How are the SBE and CDE working together on aligning the Every Student Succeeds Act and evaluation rubrics and LCAP?

Staff Recommendation: Information only. Hold Governor's proposals open pending additional information at the May Revision.

6110 DEPARTMENT OF EDUCATION**Issue 2: Local Control and Accountability Plans – Charter Schools Trailer Bill Language****Panel:**

- Amber Alexander, Department of Finance
- Edgar Cabral, Legislative Analyst's Office

Governor's Budget: The Governor's budget includes trailer bill language to clarify that charter schools must complete an LCAP on an annual basis.

Background: Implementing LCFF statutes included the requirement that all school districts and county offices of education complete LCAPs and an annual update to an LCAP. However, the statutes (Education Code Sections 47604.32, 47604.33, and 47606.5) governing charter school authorizations only referenced the annual update section of the LCAP.

Regulations adopted by the State Board of Education in 2015, included the LCAP template and reflected the requirements that all LEAs (school districts, charter schools, and county offices of education) complete the LCAP each year, including the annual update portion.

Staff Comments: The proposed trailer bill language is a clarifying change that reflects current practice for charter schools.

Staff Recommendation: Approve placeholder trailer bill language to clarify that charter schools must complete the LCAP, including the annual update portion, each year.

Vote:

6110 DEPARTMENT OF EDUCATION**Issue 3: State Board of Education – Workload Funding****Panel:**

- Amber Alexander, Department of Finance
- David Sapp, State Board of Education
- Edgar Cabral, Legislative Analyst's Office

Governor's Budget: The Governor's budget provides \$1.4 million in non-Proposition 98 General Fund over three years (\$548,000 in 2016-17, \$572,000 in 2017-18, and \$304,000 in 2018-19) to the Office of Planning and Research to support the SBE's work on LCAP and state accountability. The funds would support limited-term positions that cover the following.

Position 1 - Local Control Funding Formula:

- Oversee the LCAP, Annual Update, and evaluation rubrics development, maintenance, and outreach; monitor WestEd's research and development of the evaluation rubrics content and San Joaquin County Office of Education's technical infrastructure of the online evaluation rubrics system; support the California Collaborative for Educational Excellence (CCEE); support the work to align with federal requirements.

Position 2 - State Standards, Curriculum Frameworks, Assessment and Accountability:

- Manage the implementation of California's state academic standards (e.g. Common Core, Next Generation Science Standards, and English Language Development), curriculum frameworks, and state assessments, through the California Assessment of Student Performance and Progress (CAASPP), including Smarter Balanced and the Alternate Assessment, in addition to the English Language Proficiency Assessment for California (ELPAC). Facilitate the relationship among the state standards, frameworks, and assessments within the state's new accountability system and support the work to align with federal requirements.

Position 3 - California's State Accountability System:

- Coordinate the state entities (e.g., CDE, CCEE, and CCEs), stakeholders (e.g., parent and community groups), and other state agencies (e.g..State Controller's Office) that are responsible for the implementation of the new accountability system based on the framework and implementation work plan (this plan was presented to the SBE at its 2015 November meeting and will be revised over time); support the work to align with federal requirements.

Background:

The 2013-14 budget appropriated \$2 million to the SBE for workload associated with implementing LCFF to be expended over three fiscal years, 2013-14 through 2015-16. These funds were used to support limited-term staff at the SBE and for a contract with WestEd for assistance in completing statutorily required regulations for expenditure of LCFF funds, completing the LCAP template, and

supporting the evaluation rubric development. While required regulations were adopted by the SBE in 2014, and approved by the Office of Administrative Law in early 2015, the work of the evaluation rubrics is still underway and the SBE is proposing to make additional changes to the LCAP template.

The State Board of Education provided an updated timeline for the proposed transition to a new accountability system in a February information memorandum, clarifying that in September 2016, the final changes to the LCAP template and the final evaluation rubrics will be presented to the SBE for adoption. Based on statute, Education Code Section 52064(f), revisions to the LCAP template or evaluation rubrics shall be approved by the state board by January 31 before the fiscal year during which the template or the evaluation rubrics are to be used by a school district, county superintendent of schools, or charter school. Therefore, the final versions of the revised template and LCFF evaluation rubrics that will be approved September 2016 will go into effect for the 2017-18 fiscal year beginning July 2017.

In addition, the draft ESSA State Plan will be presented to the SBE in November 2016 with the new federal accountability requirements for identification purposes beginning in 2017 and the new interventions being implemented in 2018-19.

Finally, although many pieces of the accountability system should fall into place in 2016-17, initial implementation will extend into 2018-19. Also, additional data that will support and inform LCAPs and the rubric will continue to evolve. For example, the CDE anticipates collecting data on chronic absence for the 2016-17 school year in response to requirements in ESSA, and there are other data points that may be collected as a result of changes to federal law.

Staff Comments: This funding will continue to support limited-term positions for the SBE to continue workload related to the developing accountability system. As a technical matter, this funding is provided in the budget of the Office of Planning and Research (OPR) and Senate Budget and Fiscal Review Subcommittee No. #4 on State Administration and General Government, which covers OPR, will also take action on the augmentation request.

Staff Recommendation: Approve the Governor's budget proposal for \$1.4 million in non-Proposition 98 General Fund over three years (\$548,000 in 2016-17, \$572,000 in 2017-18, and \$304,000 in 2018-19) to the Office of Planning and Research to support the SBE's work on LCAP and state accountability.

Vote:

6100 DEPARTMENT OF EDUCATION**Issue 4: State Academic Content Standards Implementation**

Description: California is in the middle of a phased-in implementation of new academic content standards in core subject areas. This issue will cover the state's role in supporting LEAs as they implement the new standards.

Panel:

- Debra Brown, Department of Education
- Amber Alexander, Department of Finance
- Edgar Cabral, Legislative Analyst's Office

Background:

Although the flow of funding and the new focus on student outcomes has significantly changed K-12 education, the biggest change in the classroom has been a conversion to new academic standards. According to the CDE, “content standards were designed to encourage the highest achievement of every student, by defining the knowledge, concepts, and skills that students should acquire at each grade level.” To incorporate new statewide academic content standards, the Legislature and the Governor approved legislation that requires the SPI to recommend, and the SBE to adopt, the standards. California first adopted academic content standards in the late 1990s for English, mathematics, science, and history-social science, pursuant to requirements in Education Code Section 60605. Additional adoptions of standards for other subject areas followed over the next decade.

In August 2010, California adopted the California Common Core State Standards in English Language Arts (ELA)/Literacy and mathematics, through the passage of SB 1200 (Hancock), Chapter 654, Statutes of 2012. These new standards were developed by a coalition of states under the initiative of the National Governors Association and the Council of Chief State School Officers. The standards are based on the College and Career Readiness anchor standards that define expectations for student preparation for higher education and/or the workforce. The ELA standards include literacy standards that cross other academic content subject areas in addition to ELA.

In 2012, California adopted the California English Language Development (ELD) Standards, through the passage of AB 124 (Fuentes), Chapter 605, Statutes of 2011. These standards are aligned with the California Common Core State Standards in English Language arts and describe the knowledge, skills, and abilities that English Learner students need to participate fully in the appropriate grade-level academic content. This adoption replaced the prior version of the ELD standards, adopted in 1999.

In 2013, California adopted the Next Generation Science Standards (NGSS), through the passage of SB 300 (Hancock), Chapter 624, Statutes of 2011. The NGSS were developed by a coalition of states and experts in science education, led by the National Research Council, the National Science Teachers Association, and the American Association for the Advancement of Science and include the science knowledge that all K-12 students should know based on the most current science research. The CDE has provided an approximate estimate of the costs of NGSS implementation at \$929.3 million based on lab supplies, materials, technology and equipment necessary.

Supporting Local Implementation. Recognizing that the state standards simply set the benchmark for what students should know, the state has also established a role in developing and providing the tools necessary for school district staff to interpret the standards and use them to guide classroom instruction. The SBE adopts curriculum frameworks for grades K-12, which the CDE describes as instruction guidelines for; “providing a firm foundation for curriculum and instruction by describing the scope and sequence of knowledge and the skills that all students are expected to master”. The frameworks are written documents developed through a public process by the Instructional Quality Commission and adopted by the SBE. The adopted frameworks are available on the CDE website. The SBE is also required to adopt an approved list of instructional materials for grades K-8 that meet state criteria, including alignment with academic standards. These instructional materials can be printed or non-printed, including digital materials. Under current law, school districts can choose instructional materials for all grades, regardless of whether or not they are on the state-adopted instructional materials list, as long as they meet state standards. The following table is a snapshot of when the state has adopted standards and related resources in each subject area.

Adoption of State Standards and Related-Resources

Subject Area	Initial Standards Adoption	New Standards Adoption	Curriculum Frameworks	Instructional Materials
English Language Arts*	1997	2010/2013	2014	2015
English Language Development	1999	2012	2014	2015
Mathematics	1997	2010/2013	2013	2014
Science***	1998	2013	2002	2006
History Social Science	1998	N/A	2000	2005
Career Technical Education**	2005	2013	2007	N/A
Visual and Performing Arts	2001	N/A	2004	2006
Physical Education**	2005	N/A	2008	N/A
Health Education***	2008	N/A	2002	2004
Foreign/World Language***	2009	N/A	2001	2003

*Includes Literacy Standards

**Model Standards

*** Curriculum Frameworks not currently aligned with adopted standards

Source: Data from California Department of Education

Funding for State Standards Implementation. Although most categorical funding that would have previously been targeted to standards implementation was collapsed into the LCFF, the state has still provided a variety of fund sources for local implementation of statewide academic content standards:

- \$1.25 billion was provided through education trailer bill, AB 86 (Committee on Budget and Fiscal Review), Chapter 48, Statutes of 2013, to support the implementation of state adopted academic content standards. LEAs could encumber the funds in 2013-14 or 2014-15 and use the funds for (1) professional development, (2) instructional materials and (3) technology. The statute further required CDE to report on the uses of these funds. As a result, CDE released a *“Report to the Governor, the Legislature, and the Department of Finance: Local Educational Agency Expenditures of \$1.25 Billion in Common Core Implementation Funding Allocated for Fiscal Years 2012-13 and 2013-14”* detailing the expenditure categories for which LEAs opted to use the funds for. In general, the category with the highest expenditures was information technology (\$590 million), with funding primarily used for the purchase of devices and network hardware updates.

Remaining funds were essentially split between professional development and instructional materials purchases. Funding by subject area was highest in the area of mathematics, mostly due to purchases of instructional materials, followed by ELA.

- The 2015 Budget Act included \$490 million in educator effectiveness funds. One of the uses prescribed by statute, AB 104, (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, is professional development aligned to recently-adopted statewide academic content standards.
- LEAs continue to receive funds from the state lottery and, based on Proposition 20, the Cardenas Textbook Act of 2000, a portion of these funds must be spent on instructional materials. For 2013-14 (the most recent year data on expenditures is currently available), LEAs received \$190 million in the portion of lottery funds for instructional materials.
- The state has also provided \$3.6 billion (\$400 million in 2014-15, and \$3.2 billion in 2015-16) in discretionary funding to LEAs to pay off the mandates backlog. Although this funding is discretionary, the state has suggested in intent language that the funds be prioritized for implementation of state standards among other activities.
- LEAs may also use Local Control Funding Formula (LCFF) funds for the implementation of state academic content standards.

Governor's Budget:

As discussed in the March 10th hearing of this subcommittee, the Governor proposes to provide \$1.3 billion for school districts, county offices, and charter schools in one-time Proposition 98 funds. These funds would offset any existing mandate claims. Similar to prior years, this funding would be allocated on a per-ADA basis, with school receiving \$214 per ADA. LEAs can use their funds for any purpose, however the Governor includes language suggesting that school districts, COEs, and charter schools dedicate their one-time funds to implementation of Common Core State Standards, technology, professional development, induction programs for beginning teachers, and deferred maintenance.

The Governor also proposes to provide \$3.5 million in ongoing Proposition 98 funding to the San Francisco Unified School District (SFUSD) to contract with the Exploratorium to provide professional development and statewide implementation of the NGSS. These funds are provided through trailer bill language as an add-on to the SFUSD LCFF apportionment.

LAO Analysis:

The LAO notes that under LCFF, LEAs have the ability to direct their resources to purchasing the professional development, instructional materials, and other standards implementation-related services that meet their local needs, from the Exploratorium or any other provider, and recommends the Legislature reject this proposal. The LAO also recommends that if the Legislature does choose to fund this proposal, the Legislature should instead allocate funds through a line item in the budget, ensuring additional transparency over the funding in future years. This would be consistent with past appropriations for the Exploratorium.

Suggested Questions:

- How can the state measure implementation of state standards? Does the state have a definition of “full implementation”?
- Has DOF considered providing additional funding for standards implementation, particularly NGSS?
- How will the proposed work of the Exploratorium be coordinated with the state’s efforts for implementation of the NGSS?

Staff Recommendation: Information only. Hold open Governor’s proposals pending the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 5: Statewide Assessments****Description:**

California's statewide student assessment system is in the process of being updated to reflect the state's adoption of new statewide content standards. Legislation passed over the past few years has eliminated several assessments that were aligned to prior academic content standards, and provided for a transition to assessments that are aligned to the Common Core State Standards (CCSS) in English language arts and mathematics, English language development standards and Next Generation Science Standards. This item reviews existing assessments and those under development, and associated costs.

Panel:

- Amber Alexander, Department of Finance
- Debra Brown, Department of Education
- Edgar Cabral, Legislative Analyst's Office

Background:

Student's grasp of academic content is measured by a statewide student assessment system. The system is in the process of being updated to reflect the state's adoption of new statewide content standards. AB 484 (Bonilla) Chapter 489, Statutes of 2013, eliminated several assessments that were aligned to prior academic content standards, and provided for a transition to assessments that are aligned to the Common Core State Standards in English language arts and mathematics, English language development standards and Next Generation Science Standards. Of the statewide assessments, in 2015-16, only ELA and Mathematics (including California Alternative Assessments) are aligned to the state's most recently adopted standards, as a result of the state's participation in the multi-state Smarter Balanced Assessment Consortium (SBAC) beginning in June, 2011. In the other subject areas, new assessments are under development and until they are operational, local educational agencies will continue to use existing assessments, aligned to previous standards. Once fully implemented, this new suite of statewide assessments will align with new state academic content standards, but also require computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams. The SBAC ELA and mathematics assessments are computer-adaptive assessments and require access to computing devices and the internet for the assessment to be administered.

2014-15 was the first year for which scores from the new assessments were released, and they revealed that California's student performance was low – over 50 percent statewide (55 percent in English Language Arts and 66 percent in mathematics) did not meet grade level standards and the scores revealed striking disparities in performance among different subgroups of students. These low scores were not unanticipated since the assessments were significantly different from prior assessments and scores likely reflect lack of familiarity with a new process as well as actual measurement of academic content. The new assessments are computer-adaptive, are designed to do a better job of measuring student mastery of content, and are aligned to new standards. In addition, they include some constructed response questions as well as multiple choice questions. These scores set a new base from

which the state and LEAs must grow. The second year of scores are anticipated to show growth, likely reflecting continued implementation of state standards, refinement of teaching and learning, and familiarity with a new assessment system. Scores will not be available until the fall of 2016 for assessments given in the spring of 2016.

California Assessment of Student Performance and Progress (CAASPP). In March, 2016, the CDE provided a report to the Governor, Legislature, and LAO, titled: *California Assessment of Student Performance and Progress Annual Implementation Update and Five-Year Cost Projection*, which includes detailed information on the current implementation plan for CAASPP and projected expenditures. More information is available below:

1) English Language Arts and Math Assessments

The 2015-16 school year includes the second state administration of ELA and mathematics assessments aligned to the common core standards. These new assessments are computer-based and include computer-adaptive multiple choice questions, as well as performance tasks. The 2015-16 testing window began April 11, 2016 and at this point, approximately 383,153 students have completed an ELA/literacy assessment and 820,476 students have completed a math assessment. In the 2014-15 administration, just over 2,200 students were assessed using a paper and pencil version and it is anticipated that the number will decrease with this administration.

With the results from the spring administration of Smarter Balanced ELA and mathematics, the state will have two years of individual scores that specify a student's proficiency level. These will be first provided to individual students, schools, and local educational agencies and then available to the public in late 2016. CDE is currently redesigning score reports to incorporate information on student progress over multiple years. Students in grade 11 may choose to release the results of their ELA and mathematics exams to California Community Colleges and California State Universities to provide an early indicator of a student's readiness for college-level coursework in English and mathematics under the Early Assessment Program. Students can use these results to inform the coursework they undertake in grade 12 as they prepare for post-secondary education and placement at the California Community Colleges and California State Universities. In the 2014-15 assessment, almost 400 thousand student released ELA and/or math results to post-secondary education institutions.

2) Science Assessments

The Next Generation Science Standards (NGSS) for grades kindergarten through 12 were adopted by the SBE in September of 2013. Under federal law, students must be assessed in science at least once in each of the following grade spans: 3-5, 6-9, and 10-12. Until an NGSS-aligned assessment is operational, LEAs are required to continue to administer science assessments aligned with the state's old standards in grades 5, 8, and 10. Funds are provided in the CAASPP contract towards the development of an NGSS-aligned assessment; however, CDE anticipates the actual work of developing an assessment will not begin until spring of 2016, with an operational assessment likely in 2018-19, due to the complexity of translating the new standards into test items.

3) Assessments for Students with Disabilities

California includes students with disabilities in statewide assessments, as required by federal law. The current Smarter Balanced ELA and mathematics assessments include options for

assessing students with disabilities using accessibility supports and accommodations and this takes the place of the previously used California Modified Assessment (CMA). The CMA was used to assess students with disabilities who have an individualized education plan that requires modifications.

Federal regulations also require the inclusion of students who cannot participate in the general statewide assessment system. A new version of the California Alternate Assessment (CAA) for ELA and mathematics has been developed and is currently operational. However, the California Alternate Performance Assessment (CAPA) in science continues to be used to meet the assessment needs of this population of students until the alternate CA NGSS assessment is available.

4) Primary Language Assessment

California has also historically provided for a primary language assessment for English learner students to demonstrate mastery of reading/language arts standards. Currently, the state allows LEAs the option of continuing to administer the existing Standards-based Test in Spanish (STS) until a successor assessment is operational. LEAs may also administer the STS to students enrolled in dual-immersion programs at their own expense. Funds were provided in the CAASPP contract for continued development of a primary language assessment(s). CDE anticipates that pilot testing on a Spanish primary language assessment could occur in 2016-17; field testing in 2017-18, and a fully operational exam may be available in 2018-19.

Assessment of Language Development. The state currently administers an annual assessment to determine the progress of English learners in developing English language proficiency. The current assessment for this purpose is the California English Language Development Test (CELDT). SB 201 (Lui) Ch. 478, Statutes of 2013, authorized the development of a new English Language Proficiency Assessment for California (ELPAC). This new assessment will differ from the current annual assessment in that it will include an assessment for initial identification of English learners and an annual assessment to gauge a student's progress towards English proficiency. The new assessment will also be aligned to the CCSS, including the new English language development standards. Work on this new assessment began in 2012-13 under the existing CELDT contract by identifying CELDT test questions that are aligned to the new standards and can be used in a new assessment. (One of the major cost drivers of any assessment is developing an adequate item bank of test questions.)

After several delays in the contracting bid process, CDE was able to award the ELPAC contract and move forward. The 2016-17 proposed funding covers additional activities to keep the ELPAC development on schedule. Although, the ELPAC went out to bid as a pencil and paper-based assessment, the request for proposals specified that the contractor must be able to transition to a computer-based assessment in the future. According to the CDE, an operational ELPAC will be available in the spring of 2018. Until the ELPAC is in place, the state will continue to administer the existing CELDT to meet federal Title III of the Elementary and Secondary Education Act reporting requirements.

California High School Exit Exam (CAHSEE) Savings. Senate Bill 172 (Liu), Chapter 572, Statutes of 2015, suspended the administration of the CAHSEE, and the requirement that students pass this exam as a condition of graduation from high school during the 2016-17 through 2018-19 school years, or when the CAHSEE is no longer available. The current CAHSEE contract expired in October of 2015.

The 2015 Budget Act required that the CDE to develop a plan for the use of any savings from the local assistance funds appropriated for the CAHSEE contracts and, as a condition of expending these funds, submit the plan to the Joint Legislative Budget Committee and the DOF. CDE identified approximately \$9.8 million in available savings as a result of the suspension of the CAHSEE. Of these funds, approximately \$3 million was used to fund the ongoing administration of the CELDT and up to \$1 million was used to lease test items for the CAASPP alternative assessment item bank. Limited activities to inform recommendations on future assessments and the creation of additional CAASPP tools were also funded. Of the total, approximately \$5 million will revert and be used for other Proposition 98 purposes in 2016-17.

Other Assessments. The CDE also maintains a variety of other assessment contracts, such as the California High School Proficiency Exam, the Physical Fitness Test and other outreach and technical reporting contracts.

Assessment Funding. Statewide assessments have historically been split-funded between federal Title VI funds and Proposition 98 General Fund. The 2015-16 budget included funding for the second full administration of the new Smarter Balanced ELA and mathematics assessments in grades 3 through 8 and 11, and the CAA in ELA and math. In addition, funding continues to be provided for development of new science and primary language assessments.

The CAASPP administration and assessment contract has been awarded to the Educational Testing Service (ETS) for activities from July 2015 through December 2018. The ETS contract covers administration of the assessments, including technology, scoring, reporting, and development of new assessments. CDE is also a member of the Smarter Balanced Assessment Consortium (SBAC), which owns the item bank (exam questions) and tools, such as formative assessments and the digital library. The state pays \$9.55 million annually to the SBAC, which currently has contracted with the University of California, Los Angeles to cover the cost of consortium-managed services, such as access to the summative and interim assessments, access to the digital library, continued test development, and validity studies. In addition to contract costs, the state provides LEA's with a per-pupil apportionment amount to cover the costs of administering assessments. Apportionments are paid one year in arrears. In 2016, the SBE approved an increase for CAASPP apportionment costs from \$3 to \$4 per student, driving an approximately \$3 million increase in total apportionments in 2016-17. CDE's estimated costs for statewide assessments in 2016-17 are summarized below:

Proposed 2016-17 Statewide Student Assessment Costs			
Assessment Activity	Prop 98 Funds Projected Costs	Federal Funds Projected Costs	Total Projected Costs
Other Assessment-Related Contracts	\$1,490,008	\$600,000	\$2,090,008
English Language Development Assessment			
Administration of CELDT		\$7,242,000	\$7,242,000
Development of ELPAC	\$13,800,000		\$13,800,000
California Assessment of Student Performance and Progress			
CAASPP 2015-16 through 2017-18 Contract	\$75,784,000	\$7,075,000	\$82,859,000
SBAC Consortium	\$9,550,000		\$9,550,000
Independent Evaluation	\$621,000		\$621,000
Assessment Apportionments	\$23,223,000		\$23,223,000
High School Proficiency Exam	\$1,244,000		\$1,244,000
Reimbursements for High School Proficiency Exam	(\$1,244,000)		(-\$1,244,000)
Totals	\$124,468,008	\$14,917,000	\$139,385,008

Source: Department of Education

Assessment Expansion. As part of the transition to the CAASPP, Education Code Section 60640(c), also required the SPI to submit recommendations for expanding the California Assessment of Student Performance and Progress (CAASPP) to the California State Board of Education, the appropriate policy and fiscal committees of the Legislature and to the Director of Finance. These recommendations, provided in March 2016, include the following:

- Develop and administer three state computer-based summative assessments for history-social science in elementary, middle, and high school.
- Provide state-supported formative assessment resources that are aligned with the California Next Generation Science Standards (CA NGSS) in the Digital Library.
- Vet state-supported resources and tools that support implementation of a comprehensive assessment system and provide those resources for local use.
- Provide regional assessment support to schools and districts on the implementation of the comprehensive assessment tools and resources.

The implementation of these recommendations would depend on additional funding and in some cases, such as development of new assessments, authorizing legislation.

Suggested Questions:

- Under the state's contract with SBAC, California chose to purchase and offer a variety of tools for LEAs, such as formative assessments, diagnostic assessments, and a digital library. Some of these tools were delayed or low usage was reported; in 2015-16 are LEAs taking advantage of these resources?
- What is the state's plan for helping LEAs, teachers, students, parents, and policy makers understand this second round of SBAC results and how they measure student progress over time?
- When does the CDE anticipate the ELPAC to be a computer-based assessment? Are there barriers to making this a computer-based assessment?

Staff Recommendation: Information Only. The budgeted amounts for statewide assessments will be updated at the May Revision, based on final cost estimates.

6100 DEPARTMENT OF EDUCATION

Issue 6: K-12 High Speed Network

Description: The K-12 High Speed Network (HSN) supports LEAs around the state in connecting to the internet. This issue reviews the budget and reserves of the HSN.

Panel:

- Natasha Collins, Legislative Analyst's Office
- Rebecca Hamilton, Department of Finance
- Luis Alejandro Wong, Chief Executive Officer, HSN
- Debra Brown, Department of Education

Most schools connect to their school district office or county office of education which then connects to a high-speed internet backbone (a series of fiber-optic cables that run across large distances) operated by the Corporation for Education Network Initiatives in California (CENIC). The HSN contract pays for Internet connections from the district or county office of education to the CENIC backbone. CENIC is a non-profit organization that provides Internet services to educational agencies in California.

The HSN was established in 2004-05, when the state provided funding for a HSN grant, which was awarded to the Imperial County Office of Education. The HSN assists schools with connecting to the Internet through CENIC and provides other technology-related support services. In addition, the HSN has recently been charged with implementing two new initiatives—the Broadband Infrastructure Improvement Grant program and the Technical Assistance and Professional Development Initiative.

The HSN receives nearly all of its revenue from Proposition 98 General Fund and two Internet subsidy programs. The General Fund provided to the grantee by CDE typically comprises about half of its total revenue. The remaining revenue primarily comes from E-Rate and the California Teleconnect Fund (CTF). E-Rate is a federal telecommunications subsidy that provides reimbursements of up to 90 percent for Internet service. The CTF is a state special fund that provides reimbursements of 50 percent for Internet service, after all E-Rate discounts are applied. Both subsidies are funded by telecommunication user surcharges. The HSN expenditures are primarily for (1) CENIC's services, (2) salaries and benefits for the HSN employees, and (3) equipment purchases.

According to the LAO, the HSN received about \$8 million annually in Proposition 98 General Fund and also receives subsidies for Internet services purchased from commercial providers. In 2015-16, the HSN was not provided an operations appropriation and instead HSN used excess reserves to cover operational expenses. The HSN had a projected reserve of \$14.7 million after 2014-15, which had built up over time as revenues exceeded costs. After 2015-16, the HSN is projected to have a remaining reserve of \$5.5 million. The 2015-16 budget act also required a separate audit of the K-12 HSN, in previous years, the K-12 HSN audit was part of a larger Imperial County Office of Education audit and it was difficult to break out the financial data for the K-12 HSN. The chart below shows historical and projected HSN expenditures:

HSN Grantee Budget Summary

(In Millions)

	2013–14 Actual	2014–15 Actual	2015–16 Estimated	2016–17 Proposed
Expenditures				
CENIC services				
COE connections to backbone	\$5.8	\$7.1	\$7.4 ^a	\$7.8 ^a
Backbone	4.8	4.8	4.8	4.8
Other ^b	0.7	1.0	1.0	0.8
Subtotal	(\$11.3)	(\$12.9)	(\$13.2)	(\$13.4)
Salaries and benefits	\$1.3	\$1.4	\$1.5	\$1.6
Equipment	2.6	0.2 ^c	1.0 ^c	0.5 ^c
Other ^d	1.1	1.7	1.9	1.6
Totals	\$16.2	\$16.1	\$17.6	\$17.1
Revenues				
General Fund (Proposition 98)	\$8.3	\$8.3	— ^e	\$8.0
E–Rate	4.0	4.7	\$5.0	5.2
CTF	3.2	3.4	3.4	3.5
Other	0.1	0.1	8.3 ^f	0.4 ^f
Totals	\$15.6	\$16.5	\$16.7	\$17.1^g
^a HSN assumes COE connection costs increase 5 percent in 2015–16 and 2016–17 (based on historical trends from 2010–11 to 2014–15).				
^b Includes E–Rate management and other services.				
^c Set aside for future expenditures.				
^d Includes travel, indirect costs, administrative expenses, and contracts with entities other than CENIC.				
^e HSN was authorized to use up to \$8.3 million of its reserve in lieu of state General Fund.				
^f Reflects draw down of reserve.				
^g The Governor's budget includes an additional \$2.2 million in expenditure authority for any "unanticipated cost or emergency."				
HSN = High Speed Network; CENIC = Corporation for Education Network Initiatives in California; COE = county office of education; and CTF = California Teleconnect Fund.				

Source: Legislative Analyst's Office

Governor's Budget:

For 2016–17, the Governor's budget proposes to provide \$8 million in Proposition 98 funding for the HSN, of this, \$4.5 million is from 2016–17 funding and \$3.5 million is from one-time funding. In addition, it is assumed that the HSN will receive \$10.9 million in state and federal subsidies in 2016–17. With this funding level, the HSN would be left with a reserve level of approximately \$5.5 million. However, DOF notes that since the January proposal, the HSN has identified estimated costs of \$2.6 million to administer the BIIG 2.0 grants (discussed in Issue 7 of this agenda) and an additional \$1.2

million to replace equipment at seven counties, as result, the estimated reserve would be approximately \$1.7 million.

LAO Analysis and Recommendation:

The LAO's recent report, *The 2016-17 Budget: Proposition 98 Analysis*, raises concerns about the Governor's proposed funding level, noting that the 2016-17 proposed budget would reinstate the historical amount of funding for the HSN without attempting to size the budget more appropriately to HSN activities. They also note that the HSN would continue to be left with a large reserve, at the end of 2016-17, primarily to guard against fluctuations in the timing of receiving internet subsidies.

The LAO further recommends that the Legislature reject the Governor's proposal to provide funds for the HSN and instead require the HSN to continue to fund operations in the 2016-17 year with their reserves.

Suggested Questions:

- What unanticipated costs does the HSN potentially face each year? What does the HSN see as an adequate reserve for operations?
- How does the timing of federal and state subsidy reimbursements for internet services affect the HSN budget?
- How does the HSN see costs for internet connections for schools changing in the future?

Staff Recommendation: Hold open pending additional information at the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 7: Broadband Infrastructure Investment Grants and Technology Training**

Description: California's schools have a greater need to provide Internet access to their students than ever before, with the advent of statewide online testing. To address this need, in the past two years, the state had provided Broadband Infrastructure Investment Grants through the K-12 HSN to address school sites that have no or limited internet connectivity. In addition the state has provided one-time funding to increase local capacity for supporting technology. This issue reviews those continued efforts.

Panel:

- Natasha Collins, Legislative Analyst's Office
- Luis Alejandro Wong, Chief Executive Officer, California K-12 High Speed Network
- Debra Brown, Department of Education
- Rebecca Hamilton, Department of Finance

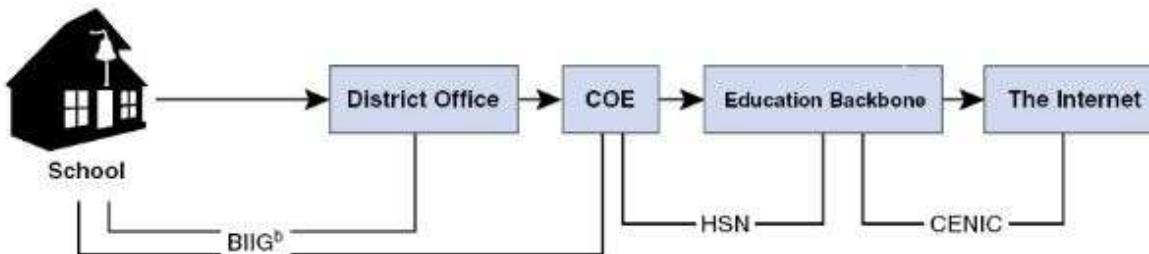
Background:

According to the HSN, the ability of school access to the Internet varies across the state for a variety of reasons; available infrastructure is often the biggest barrier – both remote, rural areas and low-income, urban areas face issues related to lack of infrastructure. Other barriers include limited technical capacity in school staff, limited dedicated state funds in recent years, and geographic isolation. While the HSN has been working to increase Internet access across the state for the past decade, recent state policies have made this access a greater priority than ever before.

The new statewide student assessment system not only aligns with new state academic content standards, but also requires computer-based, and in some cases computer-adaptive, assessments to replace many assessments that were previously paper and pencil exams. LEAs have faced challenges in upgrading their technology needs, not just hardware and software needs, but also Internet connectivity and load capacity (how many students can take the assessment at one time).

Recognizing the critical need for many schools to upgrade their Internet access in the face of new assessment requirements, the 2014-15 budget provided \$26.7 million for the Broadband Infrastructure Improvement Grants (BIIG) program and the 2015-16 budget act provided an additional \$50 million in grants. These grant phases are referred to as BIIG 1.0 and BIIG 2.0. These funds were for improvement of network connectivity infrastructure for schools, specifically infrastructure known as the “last mile” connection. The last mile is typically the connection from the school to the school district office or county office of education. The types of physical connections can vary, the most common being fiber cable, microwave, or satellite connections. Fiber connections, particularly fiber optic connections, generally provide the highest capacity. According to the K-12 HSN, approximately 93 percent of sites use fiber connections (87 percent fiber optic cable). Microwave and satellite connections are generally used in areas where the physical location of the school would make building fiber connections a costly endeavor.

BIIG Intended to Help Some Schools Access the Internet^a



^a Distances not to scale. Distance from school to district office and from district office to backbone or other sites vary significantly across state.

^b Schools use BIIG for their last-mile connections—connecting them either to their district office or COE, depending on existing infrastructure.

BIIG = Broadband Infrastructure Improvement Grants; COE = county office of education; HSN = High Speed Network; and CENIC = Corporation for Education Network Initiatives in California.

Source: Legislative Analyst's Office

BIIG funding is one of many sources of that LEAs can use to meet their technology needs. The state has provided a variety of funds sources that LEAs may use for technology, including: LCFF funding, a one-time allocation of \$1.25 billion of Proposition 98 funding in the 2013-14 year for implementation of state standards, \$3.6 billion in mandates backlog funding in the 2014-15 and 2015-16 budget that may be used for any purpose, although legislation included intent language that it be used for implementing common core standards. Additionally, LEAs are eligible for state and federal Internet subsidies that can pay for up to 95 percent of monthly service costs as determined by the district's poverty (Free and Reduced Lunch Program) rate.

BIIG 1.0

According to the HSN, the first round of BIIG funds is being provided to upgrade connectivity to 184 sites. These grantees were determined through a multi-step process. First priority was given to schools that were unable to administer the CAASPP field test in 2014 due to last mile connectivity, with second priority for those schools that had to limit other Internet use in order to conduct the tests. Sites that ultimately are receiving BIIG funds do not get funds that go directly to schools, instead funds are managed by the HSN and CENIC and pay for one-time costs to upgrade circuits, construction, installation, and equipment. Also, ongoing monthly costs are covered through June 30, 2016. Sites receiving BIIG grants will have dramatically improved network speeds, access to a statewide research and education network, access to higher connectivity at lower costs, and most will have scalable connections to ensure room for future growth, as well as ensuring the sites can provide the new online assessments.

There were some eligible sites that did not initially receive a solution under BIIG 1.0 for a variety of reasons; these sites may not have received bids or may have received prohibitively expensive bids due to geographical isolation of sites, and potential lack of business opportunities for vendors. In some cases, potential solutions may be limited to wireless solutions, which have limitations for reliability and scalability, however have a shelf life of 7-10 years. However, the K-12 HSN reports that a solution is now underway for almost all eligible sites that applied for BIIG 1.0.

BIIG 2.0

In 2015-16, the state provided \$50 million for an additional round of BIIG. Similar to BIIG 1.0, these funds are to be used first for schools that are unable to administer computer-based assessments at the schoolsite. Second priority for critical need grants shall go to the local educational agencies that have to shut down essential operations to administer computer-based assessments at the schoolsite, including, but not limited to, business services, email, and access to other critical online activities. The HSN may fund projects that will result in per-pupil costs of more than \$1,000 per test-taking student only upon approval of the DOF, and no sooner than 30 days after notification in writing is provided to the Joint Legislative Budget Committee. If funds remain after grants have been distributed to all identified schoolsites for priorities one and two for which the HSN is able to identify solutions, the HSN may provide grants to under-connected schools that do not have adequate broadband infrastructure to increase connectivity rates in a cost effective manner pursuant to a plan approved by the DOF no sooner than 30 days after notification in writing is provided to the Joint Legislative Budget Committee if the cost per testing student exceeds \$1,000. As a condition of receiving grant funding, all local educational agencies shall commit to supporting the ongoing costs associated with improved Internet infrastructure.

In March 2016, HSN identified costs for 221 schools of which DOF notified the JLBC and the JLBC concurred, of its intent to approve the HSN proposal to implement 47 internet infrastructure grants that were above \$1,000 per student. Thirteen, or possibly fourteen of these sites declined services for various reasons, 33 or 34 will move forward along with the other 174 sites that cost less than \$1,000 per testing student.

Technical Assistance and Professional Development Initiative.

The HSN released “*Connecting California’s Children 2015, Supplemental Report: Findings and Observations*” in April of 2015 based on a requirement in last year’s budget for the HSN to provide information on network connectivity in California’s K-12 system. The report included a variety of findings, including that technical support of LEAs varies widely. As part of the Educator Effectiveness Grant provided in the 2015-16 budget act, \$10 million was allocated to the HSN to address this ongoing issue of lack of technical expertise at district and school sites. Specifically, the budgeted funds were for the purpose of providing professional development and technical expertise to local educational agencies related to network management. Trailer bill language specified that professional development shall include training of local educational agency staff and development and distribution of best practices, guidance, and other elements of technical support to implement network infrastructure within schools and to provide school districts with utilization information for optimal decisions. Language also specified that the HSN could partner with county offices of education or other LEAs to ensure statewide access to training and resources. In February 2016, the HSN conducted a survey to gather information on the technology knowledge gaps of LEAs. Using the survey data to inform their approach, the HSN has a preliminary plan that will focus on the following:

- Security
- Network Management
- Diagnostic Tools
- Purchasing

The HSN plans to use a combination of methods for the distribution of training and resources, including statewide conferences, online resources, traveling roadshows, wireless boot camps, opportunities for IT personnel to earn additional certifications in their field, call centers and on-demand support.

Suggested Questions:

- What types of eligible school sites remain for BIIG 2.0?
- When does the HSN anticipate training and resources from the Technical Assistance and Professional Development Initiative will be available for LEAs?

Staff Recommendation: Information Only

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



Thursday, April 21, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191
Vote Outcomes

Consultant: Elisa Wynne

<u>Item</u>	<u>Department</u>	<u>Page</u>
6110 Issue 1	Department of Education Accountability Overview	2
Issue 2	(Proposed for Discussion/Vote) – Public Comment Local Control and Accountability Plans TBL <u>Vote - Staff Recommendation Approved (3-0)</u>	6
Issue 3	(Proposed for Discussion/Vote) – Public Comment State Operations for the State Board of Education <u>Vote - Staff Recommendation Approved (3-0)</u>	7
Issue 4	Academic Content Standards Implementation	9
Issue 5	Statewide Assessments	13
Issue 6	K-12 High Speed Network	19
Issue 7	Broadband Infrastructure Investment Grants and Technology Training	22
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Thursday, April 28, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191**

Consultant: Anita Lee

Items Proposed for Vote-Only

<u>Item</u>	<u>Department</u>	<u>Page</u>
6980	California Student Aid Commission	
Issue 1	Spring Finance Letter (Vote Only)	2

Public Comment

Items Proposed for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
6980	California Student Aid Commission	
Issue 1	Student Financial Aid Programs	3

Public Comment

6440	University of California	
6610	California State University	
Issue 1	Outside Professional Activities	9

6440	University of California	
Issue 1	Budget Overview and Enrollment	13
Issue 2	Non-Resident Enrollment	18

6610	California State University	
Issue 1	Budget Overview and Enrollment	24
Issue 2	Graduation Rates	28

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

VOTE ONLY ITEM**6980 CALIFORNIA STUDENT AID COMMISSION****Issue 1: Spring Finance Letter**

The Governor submitted a spring finance letter requesting a technical adjustment of a decrease of \$511,000 to reflect a removal of one-time funds appropriated in the 2015 Budget Act for informational technology consulting.

Staff Recommendation: Approve spring finance letter to remove one-time funds appropriated in the 2015 Budget Act for informational technology consulting.

6980 CALIFORNIA STUDENT AID COMMISSION

Since its creation by the Legislature in 1955, the California Student Aid Commission (CSAC) has continued to operate as the principal state agency responsible for administering financial aid programs for students attending public and private universities, colleges, and vocational schools in California. The mission of CSAC is to make education beyond high school financially accessible to all Californians by administering state-authorized financial aid programs.

CSAC is composed of 15 members: 11 members are appointed by the Governor and confirmed by the Senate, two members are appointed by the Senate Rules Committee and two members are appointed by the Speaker of the Assembly. Members serve four-year terms except the two student members, who are appointed by the Governor, and serve two-year terms.

3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2014-15	2015-16	2016-17	2014-15*	2015-16*	2016-17*
5755 Financial Aid Grants Program	74.1	64.5	64.5	\$1,951,715	\$2,101,637	\$2,270,574
9900100 Administration	28.5	32.5	32.5	3,464	3,849	3,856
9900200 Administration - Distributed	-	-	-	-3,464	-3,849	-3,856
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	102.6	97.0	97.0	\$1,951,715	\$2,101,637	\$2,270,574
FUNDING				2014-15*	2015-16*	2016-17*
0001 General Fund				\$1,538,996	\$1,563,871	\$1,428,162
0890 Federal Trust Fund				14,747	-	-
0954 Student Loan Authority Fund				5,781	-	-
0995 Reimbursements				392,191	535,848	840,494
3263 College Access Tax Credit Fund				-	1,918	1,918
TOTALS, EXPENDITURES, ALL FUNDS				\$1,951,715	\$2,101,637	\$2,270,574

Issue 1: Student Financial Aid Programs

Panel I:

- Senator Fran Pavley, 27th Senate District

Panel:

- Lupita Alcalá, Executive Director, California Student Aid Commission
- Paul Golazewski, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
- Jack Zwald, Budget Analyst, Department of Finance

The Cal Grant program is the primary financial aid program run directly by the state. Modified in 2000 to become an entitlement award, Cal Grants are guaranteed to students who graduated from high school in 2000-01 or beyond, and meet financial, academic, and general program eligibility requirements. Administered by CSAC, the LAO figure on the following page displays the various Cal Grant programs.

Award Amounts**Cal Grant A**

Tuition awards for up to four years.

Full systemwide tuition and fees (\$12,240) at UC.

Full systemwide tuition and fees (\$5,472) at CSU.

Fixed amount (\$9,084) at nonprofit or WASC-accredited for-profit colleges.

Fixed amount (\$4,000) at other for-profit colleges.

Cal Grant B

Up to \$1,656 toward books and living expenses for up to four years.

Tuition coverage comparable to A award for second through fourth years.

Cal Grant C

Up to \$2,462 for tuition and fees for up to two years.

Up to \$547 for other costs for up to two years.

Eligibility Criteria***High School Entitlement (A and B)**

- High school senior or graduated from high school within the last year.
- Minimum high school GPA of 3.0 (for A award) or 2.0 (for B award).

Transfer Entitlement (A and B)

- CCC student under age 28 transferring to a four-year school.
- Minimum college GPA of 2.4.

Competitive (A and B)

- Cannot be eligible for entitlement.
- Minimum high school GPA of 3.0 (for A award) and 2.0 (for B award).
- State law authorizes 25,750 new awards per year.

Competitive (C)

- Must be enrolled in career technical education program at least four months long.
- No GPA minimum.
- State law authorizes 7,761 new awards per year.

*To be eligible for any award, family assets (excluding primary residences and retirement plans) are capped at \$67,500. A and C awards have an income ceiling of \$87,200 and the B award has an income ceiling of \$45,800. (Income ceiling varies by family size and dependency status. Amounts listed are for dependent students from a family of four entering program in 2015–16.)

WASC = Western Association of Schools and Colleges and GPA = grade point average.

Recent state budgets have increased funding for the Cal Grant program. The Budget Act of 2014 increased the stipend received by Cal Grant B students from \$1,473 to \$1,648, annually. Subsequent legislation increased the amount to \$1,656 per year. The stipend helps students cover book expenses and other living costs. The Budget Act of 2015 increased the number of competitive Cal Grants from 22,500 to 25,750, annually. Competitive Cal Grants are awarded to students who apply for a Cal Grant but are not eligible for the entitlement award, typically because they graduated from high school more than one year after applying for the award.

The 2012 Budget Act put in place reductions to the Cal Grant award amounts for independent non-profit and accredited for-profit institutions. The 2015-16 budget delayed, by two years, the reduction of 11 percent in the maximum Cal Grant award level for students attending private non-profit colleges and universities and accredited for-profit institutions. Each award will remain at \$9,084 for the 2015-16 and 2016-17 academic years, and will decrease to \$8,056 beginning in the 2017-18 academic year. About 28,000 Cal Grant recipients attend these schools. The chart below indicates the reduced amount of the Cal Grant for these schools.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Cal Grant Amount Per Student	\$9,708	\$9,223	\$9,084	\$9,084	\$9,084	\$9,084

A 2011 budget trailer put into place state requirements for an institution's participation in the Cal Grant program. Currently, all participating institutions where more than 40 percent of students borrow federal loans must have a cohort default rate of no more than 15.5 percent and a graduation rate of at least 20 percent. The LAO chart below displays Cal Grant awards by segments, programs, and types.

	2014–15 Actual	2015–16 Estimated	2016–17 Projected	Change From 2015–16	
				Amount	Percent
Total Spending	\$1,809	\$1,966	\$2,103	\$137	7%
By Segment:					
University of California	\$824	\$887	\$943	\$56	6%
California State University	594	669	734	65	10
Private nonprofit institutions	241	253	261	9	3
California Community Colleges	122	137	146	9	7
Private for-profit institutions	27	21	19	-2	-11
By Program:					
High School Entitlement	\$1,457	\$1,595	\$1,711	\$116	7%
CCC Transfer Entitlement	221	209	204	-5	-2
Competitive	123	157	184	27	17
Cal Grant C	8	5	4	-1	-18
By Award Type:					
Cal Grant A	\$1,037	\$1,115	\$1,178	\$63	6%
Cal Grant B	764	846	921	75	9
Cal Grant C	8	5	4	-1	-18
By Renewal or New:					
Renewal	\$1,247	\$1,365	\$1,480	\$115	8%
New	562	601	624	22	4
By Funding Source:					
General Fund	\$1,425	\$1,443	\$1,276	-\$167	-12%
Federal TANF	377	521	826	305	58
Student Loan Authority Fund	6	—	—	—	—
College Access Tax Credit Fund	—	2	2	—	—

TANF = Temporary Assistance for Needy Families.

Other Awards and Programs. In addition to Cal Grants, CSAC administers various other financial aid programs, including:

- **The Assumption Program of Loans for Education (APLE).** Allows the state to issue agreements for loan assumptions annually to students and district interns who are pursuing careers in teaching and credentialed teachers at schools ranked in the lowest 20 percentile of the Academic Performance Index (API). Through APLE, a participant who teaches a total of four years can receive up to \$11,000 toward outstanding student loans. Beginning in 2012-13, no new APLE warrants have been issued; only renewals will continue to be funded. There are similar programs for graduate and nursing studies, which also only currently fund renewal awards. Currently, SB 62 (Pavley) is pending the Legislature, which makes various programmatic changes to the APLE.
- **The Child Development Teacher and Supervisor Grant Program.** Provides grants to recipients who intend to teach or supervise in the field of child care and development in a licensed children's center. Recipients attending a California community college may receive up to \$1,000 annually and recipients attending a four-year college may receive up to \$2,000 annually, for a total of \$6,000. This program is funded from federal funds through an agreement with the State Department of Education.
- **The California Chafee Grant Program.** Provides grants of up to \$5,000 to eligible foster youth who are enrolled in college or vocational school at least half-time. New and renewal awards are assigned based on available funding. This program is funded from federal funds and the General Fund through an agreement with the State Department of Social Services.
- **The California National Guard Education Assistance Award Program.** Provides funding for active members of the California National Guard, the State Military Reserve, or the Naval Militia who seek a certificate, degree, or diploma. Recipients attending the UC or CSU may receive up to the amount of a Cal Grant A award. Recipients attending a community college may receive up to the amount of a Cal Grant B award. Recipients attending a private institution may receive up to the amount of a Cal Grant A award for a student attending the University of California. An award used for graduate studies may not exceed the maximum amount of a Cal Grant A award plus \$500 for books and supplies. This program is funded from the General Fund through an agreement with the California Military Department.
- **The Law Enforcement Personnel Dependents Scholarship Program.** Provides college grants equivalent to Cal Grant amounts to dependents of: California law enforcement officers, officers and employees of the Department of Corrections and Rehabilitation, and firefighters killed or permanently disabled in the line of duty. This program is funded from the General Fund.
- **The John R. Justice Program.** Provides loan repayments to eligible recipients currently employed as California prosecutors or public defenders who commit to continued employment in that capacity for at least three years. Recipients may receive up to \$5,000 of loan repayment; disbursed annually to their lending institutions. This program is federally funded through an agreement with the Office of Emergency Services.

- **The Middle Class Scholarship Program.** Provides a scholarship to UC and CSU students with family incomes of up to \$150,000. The scholarship amount is limited to no more than 40 percent of the UC or CSU mandatory system-wide tuition and fees. The individual award amount is determined after any other publicly-funded financial aid is received. The program will be phased in over four years, with full implementation in 2017-18. The program is funded from the General Fund. Through statute, the state has budgeted \$82 million General Fund for the program in the current year, \$116 million General Fund for the budget year and \$159 million General Fund for 2017-18 and each year after that.

The 2015-16 budget approved trailer bill language that excludes students with family assets over \$150,000; sets a four- or five-year participation time-limit for the program similar to limits imposed in the Cal Grant program; and allows income and asset limits to increase with the Consumer Price Index. The language reduces statutory appropriations for the program in the 2015-16, 2016-17, and 2018-19 fiscal years, and states legislative intent that those savings will be redirected to other higher education programs. The budget includes savings of \$70 million associated with these reforms.

CSAC provided the following information regard Middle Class Scholarship participation at its April commission hearing.

Middle Class Scholarship Offered Awardees and Paid Recipients
2015-16 Academic Year (current)
Data as of February 23, 2016

Segment	Offered Awardees	Offered Awardees Amount	Paid Recipients	Paid Recipient Amount	Paid % of Awardee Amount
UC	9,046	\$12,091,896	6,569	\$6,216,959	51.41%
CSU	44,425	\$36,769,672	37,401	\$22,815,283	62.05%
TOTAL	53,471	\$48,861,568	43,970	\$29,032,242	59.42%

Overall, the maximum Middle Class Scholarship award in 2015-16 is \$2,448 for UC and \$768 for CSU. Based on current projections for 2015-16, it appears that some of the allocated amount for the program may go unspent. The Institute for College Access and Success (TICAS) estimates that for 2016-17, \$41 million will go unused. Combined with the 2016-17 budget savings from last year's eligibility changes, TICAS estimates \$153 million will be unspent in 2016-17.

- **California Dream Act.** The Dream Act was implemented in 2013-14, and allows undocumented and nonresident documented students who meet AB 540 (Firebaugh), Chapter 814, Statutes of 2001 requirements to apply for and receive private scholarships funded through public universities, state-administered financial aid, university grants, community college fee waivers, and Cal Grants. The Dream Act application is similar to the process of filing a Free Application for Federal Student Aid (FAFSA) and grade point average (GPA) verification. Applicants who meet the Cal Grant eligibility requirements (as mentioned above) are offered a Cal Grant award. As of March 4, 2016, approximately 33,000 California Dream Act applications were received and over 6,100 Cal Grant award offers were processed. CSAC expects the number of applicants and awards to exceed last year's numbers.

Dream Act Offered Awards and Paid Recipients by Segment
Data as of March 4, 2016

	2014-15			2015-16*			2016-17*
	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees
Community College	3,905	2,121	54%	4,086	1,745	43%	2,581
UC	1,142	1,042	91%	1,146	880	77%	774
CSU	2,638	1,970	75%	2,757	1,675	61%	2,481
Priv. 2-Yr Non-Profit	1	-	0%	1	-	0%	-
Priv. 4-Yr/Priv. Grad	201	126	63%	219	109	50%	283
Vocational/Hospital Ed.	40	13	33%	34	12	35%	34
Total	7,927	5,272	67%	8,243	4,418	54%	6,153

As application numbers continue to increase each year, the overall paid rate continues to remain low for these students. This low paid rate amongst awardees, particularly at the community colleges is a concern. Students are given 15 months to take action on their Cal Grant awards before being withdrawn. To understand the reasons why the awards were not utilized, CSAC sent out a questionnaire to unpaid Dream Act students. The survey revealed that the primary reason students did not utilize their awards were because they were not aware they had been awarded a Cal Grant. CSAC notes it will continue to increase communication with students who have been offered an award in the 2015-16 cycle. Additionally, CSAC notes it will work with the California Community College Chancellors Office (CCCCO) to address the low paid rates for Dream Act applicants at community college campuses.

**6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY****Issue 1: Outside Professional Activities (Informational Only)****Panel**

- Dennis Larsen, Executive Director, Compensation Programs, University of California
- Carrie Hemphill Rieth, University Counsel, Office of the Chancellor, California State University

Background

Outside professional activities by university leaders can be beneficial to the individual and the university. Activities such as serving as the editor of an academic journal, reviewing other educational programs, or delivering keynote addresses at academic conferences are generally considered to benefit the individual's professional standing and the university's reputation. However, recent events regarding outside professional activities have raised questions of conflicts of interest and conflicts of commitment among University of California and California State University leaders.

UC Policies and Practices

According to the UC, outside professional activities for senior management, such as president, chancellors, vice chancellors, or chief financial officers, and others positions that report to the regents, are activities within the persons area of professional expertise for which they are employed by the UC. These activities include service on state or national commissions, government agencies and boards, committees or advisory groups to other universities, organizations established to further interests of higher education, not-for-profit organizations, and service on corporate boards of directors.

Media reports in November 2005 revealed the UC Office of the President (UCOP) had paid executives in its central office and at the campus level far more than publicly reported. As a result, the UC Regents created a task force on UC compensation, accountability and transparency. This task force was comprised of representatives from government, education, business, and the media who conducted an independent review of UC's policies and practices on executive compensation.

The task force released a report on April 13, 2006, and recommended the UC adopt specific limits on externally-compensated activities to preclude conflicts of commitment on the part of senior executives, and to limit UC senior executives to serving on no more than three externally-compensated boards. The task force also recommended revising policies governing outside professional activities and board service for senior managers who also hold faculty appointments so that they are subject to the senior management group policy, and not the academic personnel manual. The UC Regents adopted the two task force recommendations.

The current Regents Policy 7707 on Outside Professional Activities covers employees who are UC senior management group (SMG) members and includes the following elements:

- Approval Process: Employees must complete a pre-approval request providing the name of any organization for which service is proposed and for which approval is requested, whether the service is compensated or not, at the beginning of each calendar year. Their request must

include description of the service, anticipated number of hours, the amount of cash compensation and deferred or other non-cash compensation (including equity shares) and the grant details for approximating the value of such shares. Employees certify that the information contained in the pre-approval request is complete and accurate; and they must seek approval from the person to whom they report. For instance, for chancellors, the approving authority is the president; and for the president, the approving authority is the chair of the Board of Regents. Employees are not permitted to accept or move forward with their proposed outside service until approval is received.

- **Review Criteria:** Approving authorities are supposed to consider whether the proposed activity will create, or appear to create a conflict of interest or commitment and compromise the ability to perform university duties, or create a conflict of interest, which, consistent with the California Political Reform Act, Regents Policy 7707 defines as participating in the making of, or influencing a governmental decision in which he or she has a financial interest. Any conflict of interest/commitment, or appearance of such conflict, would be an appropriate basis for denying approval of a request. Regents Policy 7707 requires approving authorities to “seek written guidance from the appropriate university office (e.g., Human Resources; Office of Ethics, Compliance and Audit Services; or legal counsel)” if there is even an appearance of a conflict.
- **Limits:** Employees “may serve simultaneously on up to three for-profit boards that are not entities of the University of California for which s/he receives compensation and for which s/he has governance responsibilities. Service as a member of the Board of Directors would constitute governance responsibility. Service on an advisory committee likely would not constitute governance responsibility.” There is no limit on the total compensation that may be earned from outside activities. There is no limit on uncompensated service as long as there is no conflict.
- **Reporting:** Employees must file a year-end report that records actual, as opposed to anticipated compensation received in connection with outside activities. Reports are filed and sent to the president, who forwards the report to the regents and posts the report online: <http://compensation.universityofcalifornia.edu/reports.html>. Attached is the latest report.

According to regents Policy, the vice president—human resources will review the policy annually for update purposes and will conduct a full review at least every three years.

Recent media reports of UC executive activities once again have brought into question whether UC is providing proper oversight and safeguarding the public interest, even after the policy changes from a decade ago. For instance, UC Davis Chancellor Linda Katehi served on the board of college textbook publisher John Wiley & Sons and reported to UC receiving \$335,000 in compensation for this board service between 2012 and 2014. Chancellor Katehi earns \$424,360 a year as chancellor of UC Davis. Chancellor Katehi violated Regents Policy 7707 when she accepted a paid position on the board of DeVry Education Group in February 2016 without prior approval. Chancellor Katehi has since stepped down from the DeVry board and issued an apology. No known sanctions have been issued by the university.

CSU Policies and Practices

In 2013, the CSU Board of Trustees voted to adopt its current conflict of commitment policy (Section 42740 of Title 5, California Code of Regulations), which requires the disclosure of outside employment for all full-time management and executive employees in order to identify and avoid conflicts of commitment. This action was taken in response to a recommendation in a 2007 California Bureau of State Audits report on CSU compensation practices. The Board of Trustees deferred action for five years until requirements were first put in place for faculty through the collective bargaining process.

The regulation states simply: “Management Personnel Plan and executive employees shall be required to report outside employment for the identification of and to preclude any conflict of commitment. The Chancellor is responsible for implementing this section.” Management Personnel Plan (MPP) covers employees designated as “management” or “supervisory” – a much broader/larger group than UC’s SMG.

The administrative policy covers Management Personnel Plan and executive employees and any employment not compensated through the CSU payroll, including CSU foundation and CSU auxiliary employment. It includes the following provisions:

- Approval Process: The policy does not specify that approval is required prior to commencement of outside employment.
- Limits: The policy does not specify limits on the number of outside activities or on the anticipated time commitment, although the written disclosure statement form does ask for the approximate distribution of time to be devoted to the outside employment. The policy does state that “Outside employment of a Management Personnel Plan (MPP) or Executive employee shall not conflict with normal work assignments or satisfactory performance.” However, it does not specify any standards by which the approving authority should evaluate whether such a conflict exists.
- Reporting: Employees must report any and all outside work for which the employees are receiving compensation. Employees are required to disclose their outside employment upon hire annually, within 30 days of commencement and within 10 days of a request by supervisor. Campuses are required to designate an employee responsible for document review and filing, and are also required to maintain these records in accordance with CSU’s Records Retention Policy. Currently, CSU does not compile these records into a report nor does it publicly post this information.

In addition, according to information provided by the CSU Chancellor's Office, all appointment letters issued by Chancellor White to CSU presidents and vice chancellors contain the following statement: “You may serve on up to two corporate boards provided that you discuss such appointments with me in advance, and that they do not create a conflict of commitment or interest.” According to the information provided by the CSU Chancellor's Office, only two campus presidents currently receive compensation for serving on corporate boards. CSU East Bay President Leroy Morishita earned \$16,000 as a board member of the JA Health Benefits Trust, and donated it all to his campus. CSU San Bernardino Tomás Morales earned \$12,000 as a board member of the United Health Group of New

York. CSU does not produce a report for MPP or executive employees. Attached is information CSU provided regarding CSU presidents and outside employment activity.

Conflict of Interest Codes. The Political Reform Act requires all public officials, including public university officials, to refrain from participating in decisions in which they have a financial interest and requires designated public officials to file financial disclosure statements. As required by the Political Reform Act, the UC and CSU have each adopted their own conflict of interest (COI) Code that designates which employees must disclose their private financial interests by filing a Statement of Economic Interests (Form 700), and which interests must be disclosed. These codes are updated regularly and submitted to the Fair Political Practices Commission for approval. An approved COI code has the force of law, and any violation of the code by a designated employee is deemed a violation of the Political Reform Act.

6440 UNIVERSITY OF CALIFORNIA

Issue 1: Governor's Budget Overview

Panel

- Maritza Urquiza, Budget Analyst, Department of Finance
- Jason Constantouros, Fiscal and Policy Analyst, Legislative Analyst Office
- Kieran Flaherty, Executive Director for Budget, University of California

Background

The 2015 Budget Act provided \$119.5 million General Fund in new ongoing funding over the 2014–15 year and budget bill language to provide an additional \$25 million General Fund if UC increases California resident enrollment by 5,000 undergraduate students during academic years 2015–16 and 2016–17. Other proposals adopted and incorporated in the budget include:

- Legislative intent that, pursuant to the framework for long-term funding agreed upon by the Regents of the University of California and the Governor, tuition will not increase in the 2015–16 and 2016–17 academic years and the university will implement reforms to reduce the cost structure of the university and improve access, quality, and outcomes.
- Legislative intent that the revenues from increases in nonresident enrollment and tuition levels be used to support increased enrollment of California students. Additionally, the budget states that financial aid previously awarded to nonresident students is available to support increased enrollment of California students.
- \$96 million in Proposition 2 funds if UC reforms its pension system to limit pensionable compensation consistent with the limits in the Public Employees' Pension Reform Act of 2013. The budget also required the UC to report on whether its use of this funding is consistent with Proposition 2, and declares that this funding is not an ongoing state obligation to pay for UC's pension fund.
- \$25 million one-time General Fund for deferred maintenance projects.
- \$6 million to support UC Labor Centers. The UC Berkeley and UCLA Labor Centers, and the Institutes for Research and Labor Employment in which they are housed, are the only statewide programs within the UC that specifically address the labor and employment issues affecting the state's diverse and changing workforce.
- Up to \$1 million General Fund to continue planning for a medical school at UC Merced.
- Language stating that UC's appropriation includes funding to support the California Dream Loan Program.

Governor's Proposal

The Governor's proposed budget includes a \$125.4 million General Fund increase for the UC to support the Administration's fourth installment of their four-year investment plan in higher education that started in 2013-14. This funding comes with budget bill language requiring the UC to file a three-year sustainability plan by November 30, 2016, but there is no other budget language directing UC on how to spend this additional funding.

The budget assumes no systemwide tuition and fee increases for resident undergraduate students, except for a \$54 (five percent) increase in the Student Services Fee. The budget assumes UC will enroll 5,000 more resident undergraduates in 2016-17 and receive an associated \$25 million ongoing augmentation in 2015-16, pursuant to the 2015 Budget Act. Additionally, in May 2015, the Governor announced his intention to propose a four percent General Fund increase for UC in 2017-18 and 2018-19. The Governor also proposed for UC to begin increasing tuition around the rate of inflation in 2017-18.

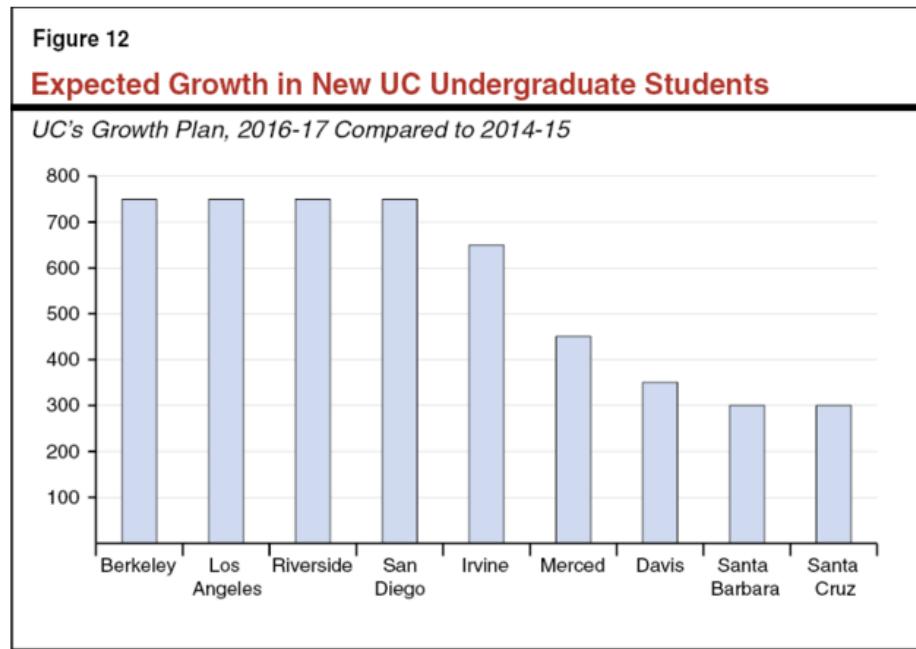
The budget proposes \$35 million one-time General Fund for deferred maintenance. UC recently compiled a list of deferred maintenance from its campuses, totaling \$1.2 billion. UC asserts this list is not exhaustive and understates its total backlog. This item will be discussed as a part of the overall Senate package on deferred maintenance in Control Section 6.10. The budget also proposes \$25 million one-time cap-and-trade funds for energy projects for UC. This will be discussed as a part of the overall Senate package on cap-and-trade.

The budget provides \$171 million one-time Proposition 2 funds to pay down the unfunded liability of the UC Retirement Plan. This is the second of three proposed payments from Proposition 2 to UC for this purpose. The 2015-16 budget provided UC with \$96 million for its pension liabilities. As a condition of receiving this funding, the UC Regents were expected to establish a retirement program that limits pensionable compensation consistent with the Public Employees' Pension Reform Act of 2014, no later than June 30, 2016.

At the March 2016 UC Regents board meeting, the UC Regents adopted changes to its retirement plan for new employees hired on or after July 1, 2016. New hires would have two options for a retirement plan. For the first option, an employee can elect to have the existing defined benefit plan but with the California Public Employees' Pension Reform Act (PEPRA) pensionable salary limit. All employees would contribute 7 percent of eligible pay up to the IRS limit plus a supplemental defined contribution plan. In this plan, UC would make an employer contribution of 8 percent up to the PEPRA limit and also make contributions related to the supplemental defined contribution plan. For eligible faculty, UC would contribute five percent to the supplemental defined contribution plan on all pay up to the IRS limit in order to address faculty compensation. For staff and other academic appointees, UC would contribute three percent to the supplemental defined contribution plan on pay above the PEPRA cap up to the IRS limit. The second option allows an employee to only participate in the defined contribution plan. For this defined contribution only option, UC will contribute eight percent of faculty or staff salary up to the IRS limit, and for faculty and staff to contribute seven percent.

Enrollment Growth. UC anticipates enrolling 1,300 fewer resident full-time equivalent (FTE) students in 2015-16 compared to 2014-15. UC reports that, throughout spring 2015, it instructed campuses to keep resident enrollment flat in 2015-16 due to uncertainty over the amount of state funding it would receive. UC indicates that campuses responded by enrolling fewer new students in fall 2015. UC reports that it intends to meet the 2015-16 budget's enrollment growth expectations for

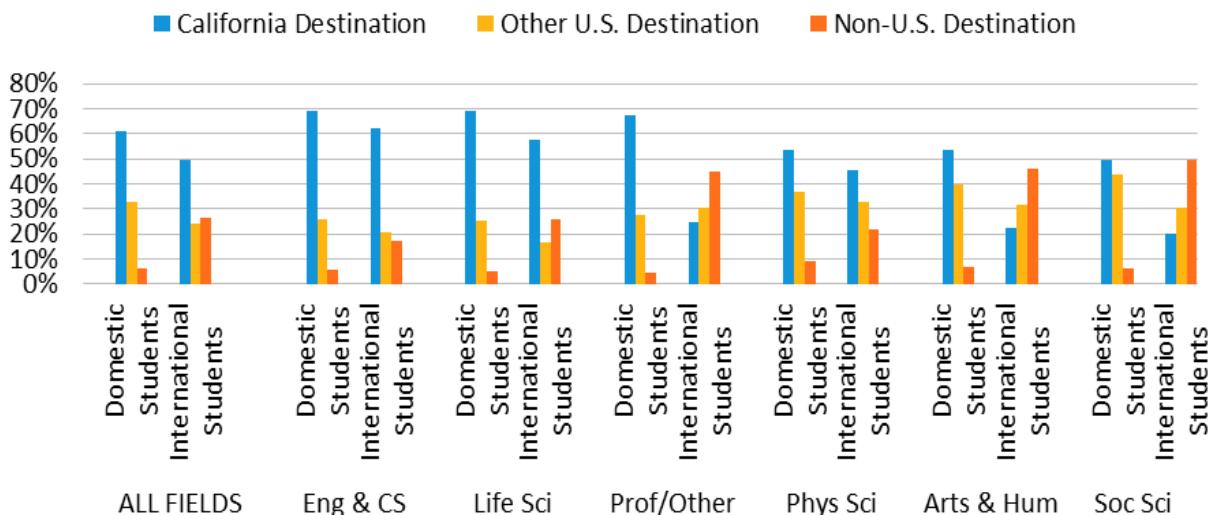
2016-17 by enrolling 5,050 more new freshman and transfer students in fall 2016, as compared to fall 2014. Currently, there are various legislative proposals that seek to address enrollment issues at UC. For example, SB 1050 (De León) seeks to establish a stronger pipeline from K-12 high schools, particularly those that enroll 75% or more low-income, English learner, and foster youth, to the University of California and other postsecondary educational institutions. The LAO chart below displays UC's expected enrollment growth of new undergraduate students.



As of its November 2015 meeting, the UC Board of Regents approved a budget proposal for the 2016-17 year. The board is seeking the following increased expenditures above the current year levels.

- **Graduate Student Enrollment** - \$6 million General Fund to enroll 600 more graduate students. As UC increases enrollment for undergraduates, it states that additional graduate students are needed to support faculty in the research mission of the university and to help with the teaching load associated with additional undergraduates.

According to information provided by the UC in the most recent UC Doctoral Placement Survey data (2012-2013 degree recipients), 46 percent of systemwide Ph.D. graduates are working in California. Sixty-one percent of domestic doctorate recipients intend to stay in California, of which 41 percent received their bachelor's degrees in California and 38 percent attended high school in California. Even among international alumni, about 49 percent plan to stay in California. This proportion is higher in science, technology, engineering and math (STEM) fields (64 percent of domestic students and 55 percent of international students), indicating that UC graduates are contributing to California's robust economy in these areas. Additionally, over 50 percent of domestic humanities, arts and social science students remain in the state. The figure on the following page displays post-graduation enrollment plans for the 2008-12 exit cohorts..



- Cap-and-Trade** - \$69.1 million in one-time cap-and-trade funds in 2016-17, which UC would match with \$81 million of university funds, to reduce greenhouse gas emissions and reduce energy use in existing buildings to help support the UC's commitment to become carbon neutral by 2025. UC proposes using this funding for energy efficiency improvements, solar installations, and biogas development, which seeks to convert agricultural waste into energy.
- Transportation Research** - \$9 million over three years from the Public Transportation Account to augment the state contribution to the Institute for Transportation Studies. The Institute conducts research in five areas that the state has identified as critical, including climate change and infrastructure development. The institute currently receives less than \$1 million from the state's Public Transportation Account.

Legislative Analyst's Office Recommendations

The LAO expresses concerns with the Governor's approach to UC funding, noting it allows UC to set its own spending priorities without broader state involvement. In general, the LAO states this proposal makes it difficult to assess whether the augmentations are needed and whether any monies provided would be spent on the highest state priorities. According to the LAO, the Administration's discretionary funding approach diminishes the Legislature's role in key policy decisions and allows the universities to pursue their own interests rather than the broader public interest. The continued unallocated base increases at the UC dilute the role and authority of the Legislature in the budget process and, as a result, the Legislature will have difficulty assessing whether augmentations are needed and ultimately whether any monies provided would be spent on the highest state priorities.

The LAO recommends the Legislature set an enrollment target for 2017-18 as a part of the 2016-17 budget. LAO states that this will ensure that funds are appropriated for the year which the associated enrollment growth occurs. To ensure UC complies with the enrollment expectation, LAO recommends the Legislature specify in trailer legislation that the funding would revert to the state if UC falls below the target by a certain margin.

Regarding deferred maintenance, the LAO states that the Legislature could consider working with UC to develop a reasonable estimate of the amount required to be spent annually to keep UC's

maintenance backlog from growing. This estimate would represent the ongoing amount required to adequately maintain facilities. The LAO believes this would create greater transparency to the budgeting of major maintenance, helping the state to track and monitor maintenance funding over time. In tandem with determining an annual earmark, the state could work with UC to develop a plan for eliminating the existing backlog. Once a reasonable plan has been developed, the Legislature could consider codifying it in trailer legislation.

Staff Recommendation: Hold Open

Issue 2: Non-Resident Enrollment

Panel

- John Baier, Audit Principal, California State Auditor
- Kathleen Fullerton, Audit Supervisor, California State Auditor
- Stephen Handel, Associate Vice President, Undergraduate Admissions, University of California

Background

During the recent recession, state funding to UC declined and, as a result, UC sought other revenue sources, including philanthropy. Tuition, however, has been the biggest source of increased revenue. Tuition grew by 84 percent between 2007-08 and 2011-12. Many campuses, most notably UCLA, UC Berkeley and UC San Diego, also dramatically increased the number of nonresident students it enrolled. According to the LAO, out-of-state students pay approximately \$27,000 more in non-resident supplemental tuition, more than double the amount California students pay. Currently, nonresidents make up 17 percent of all students at UC. According to the LAO, the share of nonresident undergraduates has grown from 2007 to 2015 at every UC campus. Concerns were raised regarding these trends, and as a result, the Joint Legislative Audit Committee requested the State Auditor to conduct an audit on the impact nonresident enrollment has at UC.

California State Auditor

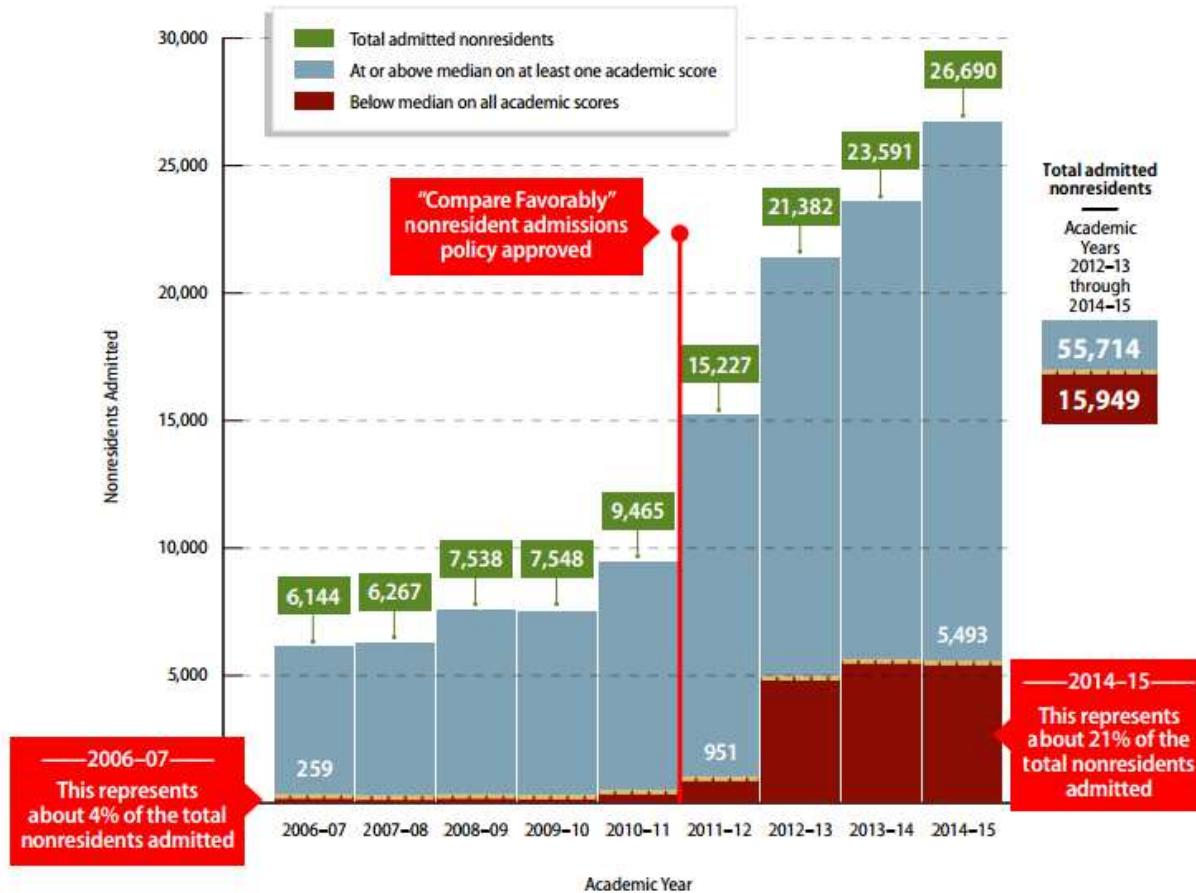
The California State Auditor's report, *The University of California: Its Admissions and Financial Decisions Have Disadvantaged California Resident Students*, found that over the past 10 years, the UC has admitted thousands of nonresidents who were less qualified than the upper half of residents it admitted, and significantly increased nonresidents admissions. The descriptions below highlight various findings of the report.

Nonresident Admissions Policy. The State Auditor reports that while UC only admitted 2,600 more resident students in 2014–15 than it did in academic year 2010–11, a four percent increase, UC increased the number of nonresidents it admitted by more than 17,200 students, or 182 percent. The State Auditor asserts that this trend is in part caused by policy changes UC made regarding its admission standard for nonresidents, which had the effect of making it easier for nonresidents to gain admission.

In 2009, the Board of Admissions and Relations with Schools (BOARS)—an entity within the university's academic senate charged with developing admission criteria—developed the university's policy related to nonresident undergraduate admission. The policy reflected the Master Plan's recommendation that nonresidents should demonstrate stronger admission credentials than residents by generally requiring that nonresidents possess academic qualifications in the upper half of residents who were eligible for admission. However, BOARS made changes in 2011 that lowered the standard necessary for nonresident admission so that admitted nonresidents should “compare favorably to California residents admitted.”

The State Auditor notes that as a result of the BOARS' policy change, the university admitted nearly 16,000 nonresidents from academic years 2012–13 through 2014–15 who were less academically qualified on every academic indicator they evaluated—grade point averages (GPA), SAT, and ACT scores—than the upper half of residents whom it admitted at the same campus. The report states that if

the university followed the Master Plan, it would not have admitted these nonresidents and could have instead admitted additional residents, and as a result UC's admission decisions have favored nonresidents. The figure below displays UC admissions trends for nonresident students.



Sources: California State Auditor's analysis of data obtained from the University of California (university) Office of the President's Undergraduate Admissions System and other operational data.

Financial Incentives Led Campuses to Admit More Nonresidents. The reports states that many of the university's admission decisions in recent years appear to have been significantly influenced by its desire to increase nonresident revenue. In fiscal year 2014–15, the total revenue the university generated from nonresident supplemental tuition amounted to \$728 million. To maximize this revenue source, UC allowed campuses to retain the nonresident revenue they generated, beginning with fiscal year 2007–08. In 2008, UCOP began to set systemwide enrollment targets for residents and nonresidents that each campus should strive to enroll, and allowed each campus to establish its own separate enrollment targets. The State Auditor notes that as a result, nonresident revenue began an unprecedented increase that continued into fiscal year 2014–15.

Impacts of Nonresident Students. The State Auditor notes that UC admitted fewer residents to the campuses of their choice. Specifically, the percentage of residents to whom the university denied admission to their campuses of choice increased from 23 percent in academic year 2005–06 to 38 percent in academic year 2014–15. If residents are eligible for admission to the university and the campuses of their choice do not offer them admission, the university offers them a spot at an

alternative campus through what it calls a “referral process.” Under this process, eligible residents not admitted to any of the campuses to which they applied are placed into a referral pool and can then accept admittance to an alternate campus, which is currently limited to the Merced campus. From academic years 2005–06 through 2014–15, the number of residents offered admission through referral to alternate campuses increased by 79 percent—from about 6,000 to 10,700 applicants. The report notes that average number of residents enrolling at the UC Merced campus through the referral pool is about two percent, or an average of 155 enrollees per year.

In addition to denying admission to the campuses of their choice to increasing numbers of residents, the State Auditor notes that the university has also allowed increasing numbers of nonresidents to enroll in the most popular majors. From academic year 2010–11 through 2014–15, the five most popular majors that the university offers saw significant increases in nonresident growth at Berkeley, Irvine, Los Angeles, and San Diego—between about 1,100 to 2,100 students coupled with generally declining resident enrollment—about 800 to 1,200 students in three of the four campuses.

The State Auditor asserts that the UC’s emphasis on enrolling increasing numbers of nonresidents has hampered its efforts to enroll more underrepresented minorities because only 11 percent of enrolled nonresident domestic undergraduate students were from underrepresented minorities. As of academic year 2014–15, roughly 86 percent of undergraduate domestic nonresident students identified their ethnicity as Asian or white. The UC has more than tripled its population of undergraduate nonresidents since academic year 2005–06, resulting in underrepresented minorities comprising less than 30 percent of the university’s total undergraduate population. Although nonresidents bring geographic diversity to the university’s overall student population, the State Auditor argues that increasing the number of nonresidents has slowed its progress in aligning the university’s percentages of underrepresented minorities with those of the state’s percentages.

Nonresident Tuition Revenue Did Not Increase in Resident Enrollment. In 2015–16, UC asserted that increased revenue from nonresident tuition provides funds to improve the education for all students and enabled campuses to maintain and increase its enrollment of California residents. Contrary to the university’s public statements, the State Auditor argues the revenues from the increased enrollment of nonresidents from academic years 2010–11 through 2014–15 did not result in increased resident enrollment.

Specifically, the report notes that from fiscal years 2010–11 through 2014–15 nonresident enrollment increased by 82 percent, more than 18,000 students, and resulting revenue increase of \$403 million—or 124 percent. However, the number of residents enrolled at the university actually decreased by more than 2,200—or one percent over the same period. In particular, the report notes that resident enrollment at the Berkeley, Los Angeles, and San Diego campuses decreased by between two and nine percent from academic years 2010–11 through 2014–15, even though these three campuses received the greatest amount of nonresident revenue in fiscal year 2014–15. Therefore, even though these three campuses received significantly more revenue from nonresident tuition than the other campuses, they did not enroll more residents; rather they each enrolled fewer.

University of California's Response

The UC recently released a report, *Straight Talk on Hot-Button Issues: UC Admissions, Finances, and Transparency*, to highlight its commitment to California students. The UC notes that enrollment of California students depends on two factors: UC's commitment to the Master Plan for Higher Education and the availability of state dollars to fund resident enrollment growth. UC notes that its state funding has not rebounded since the recent recession and it is unlikely that the state will be positioned to replace nonresident tuition revenue. Absent additional state funding, the UC asserts that reduced revenues would lead to decreases in the quality of academic programs and services for all UC students or increases in tuition.

Enrollment Funding. Until recently, the state had not allocated funds for enrollment growth since 2010-11. During the recent economic recession, the state was not able to provide sufficient funding for UC or other state agencies for many years and as a result even before taking inflation into the account, the state provides UC with less funding today than it did in 2007-08, even though UC enrolled nearly 9,000 more California undergraduates in fall 2015 compared to fall 2007.

The Budget Act of 2015 provided \$25 million to UC to enroll 5,000 more resident students in the 2016-17 academic year than it did in 2014-15. UC notes that 43 percent of these new California resident students will attend the three campuses that currently educate the most nonresidents: Berkeley, UCLA, and San Diego. UC asserts this demonstrates that when state funding for enrollment growth is available, the number of resident students will increase independently of the number of nonresident students. UC states that nonresident students do not displace California students, and that it continues to admit all applicants from the top one-eighth of students who graduate from California high schools. Additionally, UC has plans to increase California enrollment by another 5,000 California undergraduate students by 2018-19, subject to the availability of additional enrollment funding from the state.

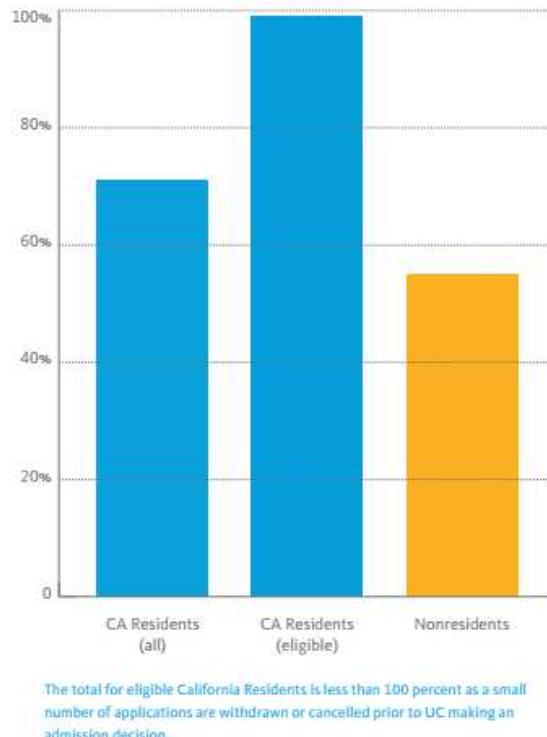
Growing Demand Exceeds State Funding for Enrollment Growth. The Master Plan addresses overall admissions to the system, not admissions at the campus level. UC notes that declining admission rates for California residents do not indicate that it has reduced its commitment to the Master Plan. Instead, its obligation under the Master Plan is to admit all eligible applicants. UC notes that in recent years, admissions rates have been affected by two trends: a continuing increase in the number of California high school graduates seeking a UC education, combined with reduced state funding to enroll them. During many years when the state funding for enrollment was cut, UC held state resident enrollment flat. Because applications continued to increase and state enrollment did not, admissions rate went down, and it became difficult for an individual California student to be admitted at specific UC campuses.

Qualified California Residents are Guaranteed Admissions. UC policy guarantees admission to residents through two paths—a statewide path and a local path—that recognize and reward the academic accomplishment of the state's top high school graduates. The statewide path includes students with grade point averages and test scores in the top nine percent of all California high school graduates. The local path, known as “eligibility in the local context,” includes students who have earned at least a 3.0 grade point average and are in the top nine percent of their participating California high school, regardless of their test scores.

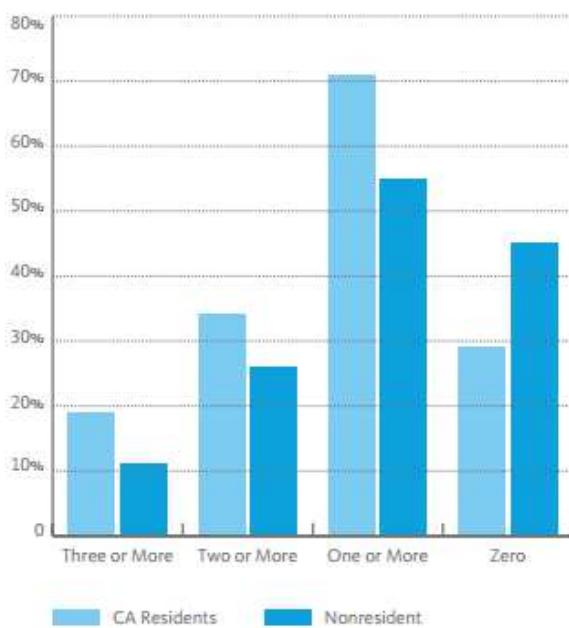
Every resident applicant who is guaranteed admission to UC, but who is not admitted to any of the campuses to which the student had originally applied, is given the opportunity to enroll at a different

UC campus through a process called “referral”. In contrast, nonresident applicants who are not competitive for admission at the campuses they apply to are denied admission. They are not guaranteed enrollment at another UC campus.

UC also argues that policies and programs favor residents in significant ways, as more than two-thirds of applicants (and all those who meet the UC eligibility requirements) are admitted. Admission rates of nonresidents are lower.



Additionally, as shown below, California residents are more likely to be admitted to multiple UC campuses compared to nonresidents.



UC Nonresident Admission Policy. The original 1960 Master Plan stated that to be eligible for admission, nonresident students should “meet higher entrance requirements than are required of residents of California [such that] they stand in the upper half of those ordinarily eligible”. UC implements this requirement—which applies at the systemwide level only—by requiring admitted nonresidents to have a minimum GPA of 3.4, compared to a minimum GPA of 3.0 for Californians.

The 1987 revision of the Master Plan dropped the “upper half of those ordinarily eligible” language and instead stated that “graduates of ... out-of-state secondary schools [should be] held to at least equivalent levels” of preparation to those of Californians. UC claims this 1987 change has been widely acknowledged in higher education policy. Consistent with the 1987 update of the Master Plan, UC policy holds that nonresidents should “compare favorably” to resident students admitted to the campus where they have applied. The State Auditor suggested that the qualitative, non-numeric language of the “compare favorably” policy reflects a “watering down” of UC standards. UC argues that this is not the case, and rather the policy reflects the evolution of UC admissions away from reliance solely on grades and test scores toward comprehensive and holistic review.

Access to High Demand Majors Not Affected by Residency. The UC notes that major choice has little or no bearing on freshman admission selection except for a handful of university programs. In fact, one in four freshmen enters the university with no declared major. Moreover, UC notes that an applicants’ initial selection of a major has little bearing on the degree they ultimately earn, since nearly half change their major before they graduate. As the population of nonresidents has increased at UC, the number of nonresidents pursuing specific majors has increased, while California students have maintained the same share of enrollments in various majors as they did before the nonresident increases of the past five years.

6610 CALIFORNIA STATE UNIVERSITY

Issue 1: Governor's Budget Overview and Enrollment

Panel

- Martiza Urquiza, Budget Analyst, Department of Finance
- Jason Constantouros, Fiscal and Policy Analyst, Legislative Analyst Office
- Ryan Storm, Assistant Vice Chancellor for Budget, Office of the Chancellor
- Nathan Evans, Chief of Staff for Academic and Student Affairs, Office of the Chancellor

Background. The Budget Act of 2015 provided CSU with its full budget request, or about \$217.4 million ongoing General Fund above the previous year's support. CSU reports this additional funding, combined with other funds, supported the following changes:

- \$103.2 million to allow for a three percent enrollment growth, or about 10,400 full-time equivalent students.
- \$38 million for support student success and completion initiatives at each campus.
- \$14 million for technology infrastructure upgrades and renewal.
- \$23.1 million for mandatory costs, such as health benefit, retirement benefits, and maintenance on new facilities.
- \$25 million for infrastructure needs.
- \$65.5 million for a two percent salary increase for many CSU employees.
- \$200,000 to increase awareness of federal financial aid programs for teachers.
- \$500,000 was included to increase staff and fellowship stipends for the Center for California Studies.
- \$250,000 to support the Mervyn M. Dymally African America Political and Economic Institute.

Budget bill language also directed CSU funding in the following ways:

- At least \$11 million of the General Fund appropriation be spent to increase tenure track faculty.
- Up to \$500,000 was to plan for an engineering program at the Channel Islands campus.
- \$ 25 million for deferred maintenance.

The Governor's 2016-17 Budget

The Governor's proposed budget includes a \$148.3 million General Fund increase for CSU to support the Administration's fourth installment of their four-year investment plan in higher education.

The budget proposes: (1) a \$125.4 million unallocated augmentation identical to UC's base increase, (2) an additional unallocated \$15 million associated with savings from changes to the Middle Class Scholarship program made in 2015-16, and (3) \$7.9 million for lease-revenue bond debt service. The Governor does not propose enrollment targets or enrollment growth funding and assumes no increase in tuition. Budget bill language requires the CSU to submit a three-year sustainability plan by November 30, 2016 to the Department of Finance and the Legislature. The first sustainability plan was required as a part of the 2014-15 budget. The sustainability plan requires CSU to project available resources, expenditures and enrollment, and set performance goals over three academic years.

In addition, the budget proposes \$35 million one-time General Fund for deferred maintenance and \$35 million one-time cap-and-trade funds for energy projects for CSU. Last year, the budget provided \$25 million for this purpose, which CSU distributed to campuses for projects ranging from roof repair to fire alarm replacements. CSU has reported that it has roughly \$2.6 billion in deferred maintenance needs, half of which is concentrated in seven campuses, with nearly \$2 billion for facilities and the remainder for campus infrastructure.

At its November 2015 meeting, the CSU Board of Trustees approved a budget proposal for the 2016-17 year. The board is seeking \$101.3 million General Fund above the Governor's proposal. The chart below reflects the board's adopted budget, which reflects the board's proposal for increased expenditures above the current level.

Expenditure Increase	Cost
Three percent enrollment growth	\$110 million
Student Success and Completion Initiatives	\$50 million
Two percent Compensation Pool	\$69.6 million
Academic Facilities and Infrastructure Needs	\$25 million
Mandatory Cost (health, retirement, maintenance of new facilities)	\$43 million
Total Increase over 2015-16	\$297.6 million

Enrollment. As noted previously, the 2015 Budget Act stated a legislative goal for CSU to enroll at least 10,400 more full-time equivalent students by fall 2016, when compared to the 2014-15 school year. Based on preliminary fall 2015 enrollment numbers, CSU will hit that mark during the 2015-16 school year. The chart below indicates fall 2015 enrollment by campus, and the 2015-16 enrollment targets set for each campus. The chart lists campuses in order of overall undergraduate California student population.

CSU Campus	CA Undergrad Enrollment FTE, Fall 2015	FTE Growth in 2015-16	CSU Campus	CA Undergrad Enrollment FTE, Fall 2015	FTE Growth in 2015-16
Northridge	28,356.5	544.0	Chico	14,511.8	437.0
Fullerton	26,381.3	579.0	East Bay	10,782.2	353.0
Long Beach	26,259.1	579.0	San Marcos	9,889.5	580.0
San Diego	23,889.7	548.0	Dominguez Hills	9,858.0	462.0
Sacramento	22,697.9	460.0	Sonoma	7,840.8	250.0
San Jose	21,031.9	453.0	Bakersfield	7,633.1	310.0
San Francisco	20,883.4	485.0	Humboldt	7,226.7	232.0
Los Angeles	19,559.5	650.0	Stanislaus	6,811.3	329.0
Pomona	18,934.2	538.0	Monterey Bay	6,084.7	502.0
Fresno	18,173.7	651.0	Channel Islands	5,232.6	500.0
San Luis Obispo	16,587.6	344.0	Maritime Academy	1,118.7	90.0
San Bernardino	14,987.5	438.0	Systemwide	344,731.8	10,314.0

Preliminary numbers show that CSU received about 185,932 freshman applications for fall 2015, a six percent increase from fall 2013. According to data from the California Department of Education, 42 percent of public high school graduates in 2013-14 completed A-G coursework, which is a minimum

requirement for CSU admittance. The LAO suggests that CSU may be admitting more students than the Master Plan calls for, however a freshman eligibility study is currently being conducted, and results are expected by December 1, 2016. This study will provide more information on whether or not the segments are following the Master Plan's admissions guidelines.

Moreover, impaction is a factor in CSU admissions and enrollment. When a CSU campus receives more applications than it can accommodate, the campus can declare "impaction", which allows for increased GPA and/or test scores to be set as minimum qualifications. AB 2402 (Block), Chapter 262, Statutes of 2010, codified an impaction process to provide notice to the public and ensure transparency of decisions affecting admissions criteria for all CSU campuses. In addition to campus impaction, campuses may have a number of individual majors that are impacted. When a specific major is impacted, a student applying for admissions into a major must meet the GPA or test score requirement, or have completed the required transfer courses, determined by the department overseeing that major. The chart below displays impaction by campus and major.

No Campus Impaction	Campus Impaction	Impacted by Major
Bakersfield	Chico	Fresno
Channel Islands	Humboldt	Fullerton
Dominguez Hills	Los Angeles	Long Beach
East Bay	Monterey Bay	San Diego
Maritime Academy	Northridge	San Jose
Stanislaus	Pomona	San Luis Obispo
	Sacramento	
	San Bernardino	
	San Francisco	
	San Marcos	
	Sonoma	

Legislative Analyst's Office Comments.

Similar to UC, the LAO expresses major concerns with the Governor's approach to CSU funding, noting it allows CSU to set its own spending priorities without broader state involvement. According to the LAO, the Administration's discretionary funding approach diminishes the Legislature's role in key policy decisions and allows the universities to pursue their own interests rather than the broader public interest. The continued unallocated base increases at the CSU dilute the role and authority of the Legislature in the budget process and, as a result, the Legislature will have difficulty assessing whether augmentations are needed and ultimately whether any monies provided would be spent on the highest state priorities.

As with UC, the LAO recommends the Legislature set an enrollment target for 2017-18 as a part of the 2016-17 budget. LAO states that this will ensure that funds are appropriated for the year which the associated enrollment growth occurs. To ensure CSU complies with the enrollment expectation, LAO recommends the Legislature specify in trailer legislation that the funding would revert to the state if CSU falls below the target by a certain margin.

Regarding deferred maintenance, the LAO states that the Legislature could consider working with CSU to develop a reasonable estimate of the amount required to be spent annually to keep CSU's maintenance backlog from growing. This estimate would represent the ongoing amount required to

adequately maintain facilities. The LAO believes this would create greater transparency to the budgeting of major maintenance, helping the state to track and monitor maintenance funding over time. In tandem with determining an annual earmark, the state could work with CSU to develop a plan for eliminating the existing backlog. Once a reasonable plan has been developed, the Legislature could consider codifying it in trailer legislation.

Staff Recommendation: Hold Open

Issue 2: Graduation Rates

Panel

- Loren J. Blanchard, Executive Vice Chancellor for Academic and Student Affairs, Office of the Chancellor
- Nathan Evans, Chief of Staff for Academic and Student Affairs, Office of the Chancellor
- Ryan Storm, Assistant Vice Chancellor for Budget, Office of the Chancellor

Background

Coming out of the recession, California's universities face numerous critical issues that impact the state's ability to meet educational and workforce demands. In particular, the Public Policy Institute of California (PPIC) released a report, *Will California Run Out of College Graduates*, which found that, if current trends in the labor market persist, 38 percent of all jobs will depend on workers with at least a bachelor's degree, but only about 33 percent of workers will have one in 2030. By 2030, California will have a shortage of 1.1 million workers holding a bachelor's degree. Without more students entering and completing a college degree, California will not meet workforce demands in the future.

In response to growing concerns regarding performance outcomes of the UC and CSU, the state recently adopted broad goals for higher education. Specifically, SB 195 (Liu), Chapter 367, Statutes of 2013, establishes three goals for higher education: 1) improve student access and success, such as increasing college participation and graduation, 2) aligning degrees and credentials with the state's economic, workforce and civic needs, and 3) ensure the effective and efficient use of resources to improve outcomes and maintain affordability.

Moreover, provisional language in the 2015-16 budget act required the UC and CSU to adopt three-year sustainability plans by November 30, 2015. The two segments were required to report on targets for various performance measures, as well as resident and nonresident enrollment projections based on revenue projects from the Department of Finance. The LAO chart below displays the CSU adopted sustainability plan.

CSU's Current Performance and Performance Targets

State Performance Measure	Current Performance	Target
CCC Transfers Enrolled. Number and as a percent of undergraduate population.	143,322 (36%)	145,480 (35%)
Low-Income Students Enrolled. Number and as a percent of total student population.	207,528 (50%)	213,614 (50%) (Fall 2017)
Graduation rates. Various graduation rates:	2011 cohort	2014 cohort
(1) 4-year rate--freshman entrants.	19%	20%
(2) 4-year rate--low-income freshman entrants.	12%	14%
	2009 cohort	2012 cohort
(3) 6-year rate--freshman entrants (CSU only).	57%	59%
(4) 6-year rate--low-income freshman entrants (CSU only).	52%	56%
	2013 cohort	2016 cohort

(5) 2-year rate--CCC transfers.	30%	32%
(6) 2-year rate--low-income CCC transfers.	29%	31%
	2012 cohort	2015 cohort
(7) 3-year rate--CCC transfers (CSU only).	62%	66%
(8) 3-year rate--low-income CCC transfers (CSU only).	62%	65%
Degree completions. Number of degrees awarded annually for:		
(1) Freshman entrants.	36,704	45,238
(2) CCC transfers.	42,771	45,443
(3) Graduate students.	18,831	19,513
(4) Low-income students.	45,660	50,030
(5) All students.	105,693	117,146
First-year students on track to graduate on time. Percentage of first-year undergraduates earning enough credits to graduate within four years.(CSU excludes students not enrolled at the beginning of the second year)	51%	55%
Funding per degree. State General Fund and tuition revenue divided by number of degrees for:		
(1) All programs.	\$38,548 (2013-14)	\$42,322
(2) Undergraduate programs only.	Not reported	\$51,830
Units per degree. Average course units earned at graduation for:		Semester Units
(1) Freshman entrants.	138	138
(2) Transfers.	141	140
Degree completions in STEM fields. Number of STEM degrees awarded annually to:		
(1) Undergraduate students.	18,519	24,531
(2) Graduate students.	4,278	4,766
(3) Low-income students.	8,802	10,628

The 2015-16 budget act also included budget bill language directing CSU to report by April 1, 2016, factors that impact graduation rates for all students, and for low-income and underrepresented student populations in particular. The description below is a brief summary of some of the findings of the report for first time freshman.

CSU reports that graduation rates are improving, but achievement gaps are apparent. During the past few years CSU notes that graduation rates have steadily increased.

Cohort	4- year graduation rate	5- year graduation rate	6-year graduation rate
2004	17.25 percent	41.4 percent	52.4 percent
2009	17.8 percent	44.7 percent	57 percent
2011	19 percent	N/A	N/A

CSU also reports significant achievement differences by race/ ethnicity, and socioeconomic status. The chart below displays graduation rates by race/ethnicity for the fall 2009 cohort.

Race/ Ethnicity	4- year Graduation Rate	5-year Graduation Rate	6-year Graduation Rate
White	27.1 percent	55.6 percent	64.1 percent
Asian/ Pacific Islander	14.1 percent	43.3 percent	60 percent
Black or African American	8.2 percent	29.6 percent	41.8 percent
Hispanic or Latino	11.7 percent	37 percent	51.5 percent

Moreover, the report found that a student's economic background influences graduation rates. Previous information from CSU also indicates a double digit difference between students who receive the Pell Grant versus those who do not. The chart below displays graduate rates by Pell Grant status for the fall 2009 cohort.

	4- year Graduation Rate	5-year Graduation Rate	6-year Graduation Rate
Pell Grant	11.2 percent	36.4 percent	51.7 percent
Non Pell Grant	21.9 percent	49.7 percent	60.3 percent

Many studies indicate that student completion is significantly tied to a student's college proficiency upon arrival on campus. CSU reports that the percentage of students who are ready for college-level English and math has increased from 44.9 percent in the fall of 2004 to 58.7 percent in fall 2014. However, there is a readiness gap, with 63 percent of white students who are proficient in both English and math, compared to 27.8 percent of Hispanic or Latino students, and 17.1 percent of Black or African American students.

The report also suggests that full-time students graduate faster. Students enrolled in less than 15 units, but carrying the necessary 12 units to be considered full-time for federal reporting and financial aid eligibility, are more likely to persist to year two than their full-time, full-load counterparts. However, they are less likely to complete a bachelor's degree in four years, but no less likely to complete the degree in six years, than their counterparts who first enrolled in a full-load of at least 15 units. Enrolling in more units in the first and second year of study is associated with higher four-year and six-year degree completion.

The report includes more than 60 recommendations for improving student outcomes, divided into six categories. These categories are:

1. Improving student preparation for college;
2. Expanding and improving academic support services on campuses;
3. Efforts to mediate the influence of socioeconomic differences;
4. Ensuring students understand degree pathways and career choices;
5. Improving usage of data to ensure students stay on track
6. Eliminating administrative hurdles, such as registration and enrollment practices.

Graduation Initiative. In 2009, the CSU launched the systemwide Graduation Initiative to increase graduation rates for all students. The goal of the initiative was to raise CSU's six-year graduation rates

for freshman by eight percentage points by 2015, from 46 percent to 54 percent. Results published in 2015 indicate six-year graduation rates rose by 11 percentage points for the 2009 student cohort. However, the achievement gap was not significantly reduced systemwide, and CSU attributes this to rising graduation rates for all students. CSU recently launched its new initiative, Graduation Initiative 2025. The new goals are to:

- Increase six-year graduation rate for first time freshman to 60 percent
- Increase four-year graduation rate for first time freshman to 24 percent
- Increase the four-year graduation rate for transfer students to 76 percent
- Increase the two-year graduation rate for transfer students to 35 percent
- Close the achievement gap for underrepresented students to seven percent
- Close the achievement gap for low-income students to five percent

Part of the state funding provided to CSU in 2015-16 was used to support student success and completion initiatives at each CSU campus. CSU is spending \$38 million, including \$20 million General Fund on these initiatives. In particular, the Chancellor's Office reports spending on the following items:

1. Tenure Track Faculty Hiring (55 percent of funds). CSU reports that it will hire 849 tenure track faculty in 2015-16.
2. Enhanced Advising (17 percent of funds). CSU reports it will hire 100 new campus advisors, as well as, investing in technology to help students better plan a graduation pathway and allow campuses to offer courses based on student need.
3. Student Retention Efforts (10 percent of funds). This includes programs such as the Educational Opportunity Program, and other programs that increase student connections to their campus.
4. Address Bottleneck Courses (seven percent of funds). This effort seeks to expand courses that are difficult for students to get into, or improve courses that have a high failure rate.
5. Student Preparation (six percent of funds). The Early Assessment Program, and Early Start Program seek to help high school and incoming college students prepare for college-level work.
6. Data-Driven Decision Making (five percent of funds). Technological advances to help students and campuses make more strategic and informed decisions.

ANNUAL REPORT ON COMPENSATED OUTSIDE PROFESSIONAL ACTIVITIES FOR CALENDAR YEAR 2014 INCUMBENTS IN SENIOR MANAGEMENT POSITIONS

Attached is the 2014 annual report of compensated Outside Professional Activities (OPA) for members of the Senior Management Group (SMG).

As stated in the Senior Management Group Outside Professional Activities policy (Regents Policy 7707), approved by the Regents in January 2010:

“...Considerable benefit accrues to the University from Senior Management Group (SMG) members’ association with external educational and research institutions, not-for-profit professional associations, federal, state and local government offices and private sector organizations. Such associations foster a greater understanding of the University of California and its value as a preeminent provider of education, research, public service, and health care. Such associations also may provide a stimulus for economic development and enhanced economic competitiveness.”

Section III.B.3.a. of the policy on Senior Management Group Outside Professional Activities states the limits on compensated OPA:

- i. An SMG member may serve simultaneously on up to three for-profit boards that are not entities of the University of California for which s/he receives compensation and for which s/he has governance responsibilities.
- ii. An SMG member will be required to use his/her personal time to engage in compensated OPA, by either performing such activities outside his/her usual work hours or debiting accrued vacation time consistent with applicable leave policy.
- iii. An SMG member who is appointed at 100 percent time shall not receive additional compensation for any work or services from an entity managed exclusively by the University, regardless of source or type of payment, with the exception of University Extension.

The attached report reflects the individually certified declarations of every member of the SMG regarding their compensated OPA that occurred in calendar year 2014. SMG members who left the University before January 1, 2015 and those who served in SMG positions in an acting capacity are not included in this report. Compensated OPA that occurred before 2014 or before the SMG member’s appointment to their SMG position are not included in the report.

Following the individual certification by SMG members, the chancellors, the Lawrence Berkeley National Laboratory Director and the division and department heads of the Office of the President certified their divisional reports as to the inclusion of all SMG members meeting the aforementioned criteria.

In summary, 49 SMG members reported a total of 114 compensated outside activities in 2014. These activities represented 3,727 total hours and \$1.77 million in total compensation. In 2013, 52 SMG members reported a total of 113 compensated outside activities, which represented 4,200 total hours and \$2.12 million in total compensation.

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
ADLER,JOSHUA S			UCSF	Chief Medical Officer, Medical Center												
Hill Physicians Board	P	Board Member	16	7	9	7	\$3,200									
ALIVISATOS,A PAUL			LBNL	Laboratory Director												
American Chemical Society	N	Journal Editor	108	12	96	12	\$50,000									
Nanosys	P	Consultant	72	72	0	72	\$50,000						Stock			No new stock shares granted this year, but retains common shares from previous years.
Science Magazine	N	Senior Editorial Board Member	14	14	0	14	\$5,000									
Samsung Electronics Co., Ltd.	P	Advisor	112	56	56	56	\$30,000									
Exxon Mobil	P	Invited Speaker	12	12	0	12	\$5,000									
ARVIN,MARTHA			UCLA	Chief Compliance Officer, UCLA Health Sciences												
Loyola University - Chicago	N	Adjunct Professor	62	8	54	8	\$10,000									
CA Association for Health Care Quality	N	Speaker	12	4	8	4	\$1,000									
LRN	P	Consultant	10	0	10	0	\$1,875									
St. Judes Children's Research Hospital	N	Speaker	6	3	3	3	\$1,000									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title										
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
HCPro	P	Consultant	5	0	5	0	\$1,050								
BABAKANIAN,EDWARD			UCSD												
Cognolink Inc.	P	Advisor	3	0	3	0	\$1,500								
BAGGETT,MARGARITA M			UCSD												
Nurse.com	N	Advisory Board Member	4	0	4	0	\$250								Time served occured on weekend
American Nurses Credentialing Center	N	Consultant	56	56	0	56	\$12,191								
BECKWITH,STEVEN VAN WALTER			UCOP												
Canadian Institute for Advance Research	N	Research Council Member	56	32	24	32	\$1,500								
BELMONT,TERRY A			UCI												
Cellular Biomedicine Group	P	Board Member	56	16	40	16	\$30,000								Stock 7,000 Strike price not available
BLUESTONE,JEFFREY A			UCSF												
Flexus Biosci, Inc.	P	Consultant	132	16	116	16	\$30,000								
Genentech	P	Consultant	16	8	8	8	\$5,000								
Kadmon Scientific Advisory Board	P	Consultant	16	0	16	0	\$10,000								Stock Options 20,000 .12
Pfizer 7th Frontiers	P	Participant	16	16	0	16	\$2,000								
Pfizer Therapeutic Area Scientific Advisory Panel	P	Scientific Advisory Board Member	16	16	0	16	\$50,000								
Stanford University	N	Speaker	8	8	0	8	\$200								

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title												
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During		Time Outside		Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
				Bus Hours (Hrs)	Bus Hours (Hrs)	Vacation Debited (Hrs)	Deferred Comp (\$)										
University of Pennsylvania	N	Speaker	8	8	0	8	\$200										
Yale University	P	Speaker	8	8	0	8	\$200										
BRANDT,SCOTT A			UCSC		Vice Chancellor - Research											Three of the hours of time served during normal business hours occurred during a day that university business was also conducted.	
Symantec	P	Expert Witness	55	27	28	24	\$35,750										
BRENNER,DAVID ALLEN			UCSD		Vice Chancellor - Health Sciences and Dean, School of Medicine												
Washington Univ Digestive Diseases Rsrch Core Ctr	N	Advisory Board Member	16	16	0	16	\$1,000										
University of Pennsylvania	N	Penn Center Symposium and Retreat Advisor	24	24	0	24	\$1,000										
American Assoc for the Study of Liver Disease	N	Conference Speaker	14	14	0	16	\$1,000										
Merck Research Laboratories	P	Speaker	24	24	0	24	\$3,575										
CLAYMAN,RALPH V			UCI		Former Dean - School of Medicine												
Journal of Endourology	N	Co-Editor & Founder	100	0	100	0	\$30,000										
Chicago Urological	N	Visiting	16	16	0	0	\$1,500										

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title												
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments		
Association		Professor															
Korean Endourology Society	N	Visiting Speaker	44	28	16	0	\$3,000										
American Urological Association	N	Visiting Speaker	4	4	0	0	\$550										
D'ANIERI,PAUL			UCR		Provost and Executive Vice Chancellor												
United States Government via Scitor, Inc.	N	Advisor	0	0	0	0	\$5,000										
DIRKS,NICHOLAS			UCB		Chancellor												
Tanner Foundation Board / Lectures on Human Values	N	Board Member	14	6	8	6	\$4,000									Chancellor's participation garners the campus \$54,000	
ECONOMOU,JAMES S			UCLA		VICE CHANCELLOR FOR RESEARCH												
Kite Pharma	P	Co-Founder & Medical Advisory Board Member	150	8	142	8			Stock			Multiple Grant Types	210,000		200,000 of stocks and 10,000 of options		
FEINBERG,DAVID T			UCLA		President, UCLA Health System/Chief Executive Officer, UCLA Hospital System/Associate Vice Cha												
OSI Systems, Inc.	P	Board Member	40	32	8	32	\$89,000					Restricted Stock Units	2,700				
Douglas Emmett, Inc.	P	Board Member	20	16	4	16	\$12,500					Restricted Stock Units	2,961		(face value of \$85,000)		
Steward & Lynda Resnick Revocable Trust	P	Consultant	20	0	20	0	\$100,000										

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During	Time Outside	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
FLEMING,GRAHAM R			UCB	Vice Chancellor - Research												
Institute of Molecular Science Advisory Board	N	Senior Scientific Advisor	32	20	12	20	\$1,600									
FORD,JOHN B			UCSF	Vice Chancellor-University Development/Alumni Relations												
Bill and Susan Oberndorf Foundation	N	Consultant	40	17	23	17	\$100,000									
FREISCHLAG,JULIE ANN			UCD	VC AND DEAN SOM											There were no hours to report as Dr. Freischlag took vacation from Baltimore VA from February to July and was paid out \$48,000.	
Baltimore Veterans Administration	N	Physician	0	0	0	0	\$48,000									
Sacramento Veterans Administration	N	Physician	51	0	51	0	\$26,000									
JAMA Surgery	N	Editor	15	15	0	16	\$38,000									
GOLDBERG,CAROLE EUDICE			UCLA	Vice Chancellor - Academic Personnel												
Morongo Gaming Commission	N	Arbitrator	24	0	24	0	\$6,000									
Hualapai Court of Appeals	N	Justice	72	24	48	24	\$1,800									
LexisNexis - Law School Advisory Board	P	Consultant	40	0	40	0	\$10,000									
Banff Centre	N	Lecturer	32	0	32	0	\$1,750									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title												
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments		
HEXTER,RALPH J			UCD	Provost and Executive Vice Chancellor													
New York University	N	Review Board Member	24	16	8	16	\$1,500										
JONES,KENNETH M			UCSF	Chief Operating Officer, Medical Center													
TDIC Insurance Solutions	P	Board Member	32	32	0	32	\$4,000										
JUAREZ,STEVE			UCOP	Associate Vice President & Director, State Government Relations													
Natl Assn of Counties Financial Services Corp	N	Board Member	32	16	16	16	\$15,000										
KATEHI-TSEREGOUNIS,LINDA			UCD	Chancellor													
EMAG Technologies, Inc.	P	Board Member and Owner	80	0	80	0											
John Wiley & Sons, Inc.	P	Board Member	28	16	12	16	\$35,000	\$30,000	Deferred compensation represents stocks								
NSF Division of Electrical, Communications, and Cy	N	Chair	32	16	16	8	\$1,520									Full name of committee: NSF Division of Electrical, Communications, and Cyber Systems, Committee of Visitors for 2011-2013	
KEASLING,JAY D			LBNL	Associate Laboratory Director													
Radiant Genomics	P	Scientific Advisory Board Member	3	0	3	0								Stock Options	5,000	.01	Non qualified stock options. Immediately received 500

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
Malaysia Life Sciences	P	Scientific Advisory Board Member	4	0	4	0	\$25,000									shares. After year one, will receive 2000 shares. Remaining shares will vest at the rate of 208.3 shares per month on the last day of each month over 12 consecutive months.
National University of Singapore	N	Distinguished Academic Visitor	16	16	0	16	\$3,067									
Lygos	P	Sci. Advisory Board & Board of Directors Member	12	0	12	0							Stock			No new shares granted, but retains stock from prior years.
Novo Nordisk (CFB)	N	Consultant	40	16	24	16	\$20,000									
Columbia University	N	Speaker	8	8	0	8	\$1,000									
Cold Spring Harbor Lab	N	Speaker	16	16	0	16	\$450									
Total	P	Speaker	8	8	0	8	\$2,500									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title												
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During		Time Outside		Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
				Bus Hours	(Hrs)	Bus Hours	(Hrs)										
Ohio State University	N	Speaker	16	16	0	16	\$500										
Kalion, Inc.	P	Scientific Advisory Board Member	1	0	1	0									Stock Options	20,750	Non statuary stock option. Price per share = Fair Market Value. 4 years Vesting Schedule
University of Virginia	N	Speaker	8	8	0	8	\$500										
KEISTER,SHAUN B.			UCD		Vice Chancellor - Development and Alumni Relations												
Loyola University	N	Staff Trainer	32	8	24	8	\$6,950										
Campbell & Co.	P	Data Analysis	64	16	48	16	\$26,445										
KHOSLA,PRADEEP K			UCSD		Chancellor												
Infosys Foundation Jury of Engineering	N	Chair	8	8	0	8	\$12,000										
Quantapoint	P	Board Member	8	8	0	0									Stock	69,276	1.03
Thar Energy	P	Advisor	3	3	0	0									Stock	5,000	Strike price is \$.001
HCL Infosystems	P	Board Member	16	16	0	16	\$12,000										
Engage Click	P	Advisor	4	4	0	0									Restricted Stock Units	50,000	Strike price is .00001
Propel IT	P	Advisor	2	2	0	0									Stock Options	60,000	.59
Biometricore LLC	P	Co-Founder	4	4	0	0									Stock	33	.01 Stock is

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title										
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
															33.33% (data field wouldn't allow % sign). Founding member of LLC, and receives pro-rata share of the year-end distribution. No compensation received for board service.
KIRK,JAMES D			UCD			CMO MED CTR									
Society of Cardiovascular Patient Care	N	Board Member	28	8	20	8	\$13,333								
David Spicer, Attorney at Law	P	Malpractice Case Reviewer	4	0	4	0	\$2,750								
KRAUS,DAVID V.			UCSD			Chief Contracting Officer - Medical Center									
Marin Medical Practice Concepts	P	Board Member	8	0	8	0	\$1,600								
LARET,MARK R			UCSF			Chief Executive Officer, Medical Center									
Nuance	P	Board Member	52	46	6	46	\$68,750			\$226,485	15,000 deferred stock units paid out at \$22.00 price per share.	Restricted Stock Units	15,000	15.09	Total compensation= \$295,235
Varian	P	Board Member	63	55	8	55	\$134,501			\$160,034	1,912 deferred stock units	Stock	1,912	83.70	Total compensation= \$294,585

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title												
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During	Time Outside	Bus Hours	Bus Hours	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
Gulf of Mexico Research Initiative	N	Vice Chair, Research Board	40	8	32	8		\$30,000					will vest in 2017				
LEINEN,MARGARET S			UCSD														
University of British Columbia Library Review	N	Committee Member (3-person committee)	UCB	29	21	8	21	\$3,204									To date, University Librarian Leonard has not been compensated for his service to UBC (4,000 CAD).
LEWIN,HARRIS A			UCD														
Annual Reviews of Animal and Veterinary Bioscience	N	Founding Co-Editor	UCD	16	0	16	0	\$2,000									
Encyclopedia of Agriculture and Food Systems	P	Section Editor	UCD	2	0	2	0	\$2,000									
MAURICE,TIMOTHY R			UCD														
Guidepoint Global, LLC	P	Telephone consultations	UCD	16	3	13	8	\$6,433									
MedQuery	P	Telephone consultations	UCD	1	1	0	8	\$350									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During	Time Outside	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
MINEAR,MICHAEL N			UCD	Chief Information Officer - UC Davis Health System												
Johns Hopkins University - School of Bloomberg Hlt	N	Adjunct Faculty	100	0	100	0	\$10,400									
College of Healthcare Information Management Exec.	N	Member	16	0	16	0	\$500									
PARHAM,THOMAS A.			UCI	Vice Chancellor - Student Affairs												
New Center for Psychoanalysis	N	Invited Speaker	2	0	2	0	\$500									
Cal Poly San Luis Obispo	N	Diversity Trainer	6	0	6	0	\$7,500									
Multiethnic Advocates for Cultural Competence	N	Trainer	8	0	8	0	\$2,500									Cash compensation received includes travel expenses and honorarium. Honorarium estimated to be \$1500.
Chaffey College	N	Trainer	3	0	3	0	\$2,000									
PAZZANI,MICHAEL J.			UCR	Vice Chancellor for Research and Economic Development												
SNR Denton	P	Expert Witness	142	72	70	72	\$62,950									
Powell Gilbert	P	Expert Witness	82	0	82	0	\$42,300									
PETERSON,THOMAS WILLIAM			UCM	Provost and Executive Vice Chancellor												
Research Council for State University of	N	Council Member	28	4	24	8	\$1,000									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title													
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During	Time Outside	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments			
New York																		
ROBINSON,CHARLES F			UCOP		Vice President, General Counsel - Legal Affairs													
PJM Interconnection	P	Board Member	186	96	90	96	\$132,700											
ROSENTHAL,J THOMAS			UCLA		Chief Medical Officer, UCLA Health System													
One Legacy	N	Board Member	30	0	30	0	\$25,000											
SCHOTTLAENDER,BRIAN E.			UCSD		University Librarian													
Online Computer Library Center	N	Board Member	132	56	76	56	\$31,500											
Harvard Library	N	Consultant	32	28	4	24	\$2,500											
SIMON,HORST D			LBNL		Deputy Laboratory Director													
The Optical Society	N	Lecturer	3	0	3	0	\$1,500											
CRC Press	P	Consultant	48	0	48	0	\$3,000											
STEELE,CLAUDE			UCB		Executive Vice Chancellor & Provost													
MacArthur Foundation	N	Board Member	78	48	30	0	\$6,000										Where compensated activity was performed during normal business hours, EVCP Steele served an equal number of hours on University business during the evening and/or weekend.	

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
Russell Sage Foundation	N	Board Member	37	19	18	0	\$3,000									Where compensated activity was performed during normal business hours, EVCP Steele served an equal number of hours on University business during the evening and/or weekend.
Association of Independent Schools	N	Speaker	3	3	0	0	\$7,500									Where compensated activity was performed during normal business hours, EVCP Steele served an equal number of hours on University business during the evening and/or weekend.
Smith College / Amherst College	N	Speaker	24	0	24	0	\$1,500									
SUBRAMANI,SURESH			UCSD	Executive Vice Chancellor - Academic Affairs												
Texas A&M Medical School	N	Seminar Speaker	8	8	0	8	\$1,000									

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title											
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments	
TRAINA,SAMUEL JUSTIN			UCM	Vice Chancellor - Research and Economic Development												
California Almond Board Science Advisory Panel	N	Panel Member	16	16	0	16	\$1,000									
TUCKER,WILLIAM TINSLEY			UCOP	EXECUTIVE DIRECTOR-INNOVATION ALLIANCES & SERVICES												
Idaho State Board of Education	N	Consultant	24	8	16	8	\$7,500									
VACCA,SHERYL JEANNE			UCOP	Senior Vice President - Chief Compliance and Audit Officer												
Health Care Compliance Association	N	Academy Teacher	72	72	0	72	\$43,000									
VIVIANO,PAUL			UCSD	Associate Vice Chancellor - Health Sciences and Chief Executive Officer												
Alliance HealthCare Services	P	Board Member	58	48	10	48	\$35,011			\$60,614	Stock	Restricted Stock Units	2,300	26.36	Board dinners are held outside of normal working hours	
WALSHOK,MARY LINDENSTEIN			UCSD	Assoc Vice Chan. Extended Studies and Public Service, Dean-University Extension												
Girard Foundation	N	Board Member	25	0	25	0	\$5,000								Meetings held outside of normal business hours	
Int'l Adv. Board to Tech Review Council of Sultan	N	Advisor	48	48	0	48	\$2,500								Complete org name: International Advisory Board to Technical Review Council of the Sultan of Oman	
WILTON,JOHN			UCB	Vice Chancellor - Administration & Finance												
Leblon Equities	P	Asset	29	27	2	24	\$20,000								Only 24	

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name			Location		Working Title										
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During Bus Hours (Hrs)	Time Outside Bus Hours (Hrs)	Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Description Deferred Comp	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
		Management													vacation hours were debited because VC Wilton served an equal number of hours on UC business during nights and weekends to offset some of the time spent on OPA during business hours.
Globalization of Higher Education	N	Conference Speaker	24	16	8	0	\$50,000								Vacation hours were not debited because VC Wilton served an equal number of hours on UC business during nights and weekends to offset the time spent on OPA during business hours.
YELICK,KATHERINE A			LBNL	Associate Laboratory Director											
Institute for Defense Analyses	N	Advisory Board Member and Consultant	32	32	0	32	\$7,200								

Outside Professional Activity Final Report
Senior Management Group (SMG) Compensated Activities
Reporting Year: January 1, 2014 to December 31, 2014
Location: ALL

Employee Name		Location		Working Title														
Name of Org (Prof'l Svc Provided For)	Non- Profit=N Profit=P	Role	Total Time Served (Hrs)*	Time During		Time Outside		Vacation Debited (Hrs)	Cash Comp (\$)	Deferred Comp (\$)	Deferred Comp	Description	Other Comp (\$)	Description Of Other Comp	Grant Type	# Granted	Strike Price Per Share(\$)	Comments
				Bus Hours	Bus Hours	Bus Hours	Cash Comp (\$)											

* Total Time Served equals the combined hours of Time During Business Hours and Time Outside Business Hours.

CSU PRESIDENTS AND OUTSIDE EMPLOYMENT

NAME	CAMPUS	NATURE OF OUTSIDE EMPLOYMENT	ANNUAL INCOME	TIME COMMITMENT	EXPECTED DURATION
Horace Mitchell	Bakersfield	None	None	None	Not Applicable
Richard Rush	Channel Islands	None	None	None	Not Applicable
Paul Zingg	Chico	None	None	None	Not Applicable
Willie Hagan	Dominguez Hills	None	None	None	Not Applicable
Leroy Morishita	East Bay	JA Health Benefits Trust: Board Chair and Member	\$14,000-\$16,000, all of which is donated. (\$1,000/mo, and \$1,000 per meeting)	Three hour quarterly meetings occur outside of work (either Friday at 6pm or on weekends). No university time is used.	5 years
Joseph Castro	Fresno	None	None	None	Not Applicable
Mildred Garcia	Fullerton	None	None	None	Not Applicable
Lisa Rossbacher	Humboldt	None	None	None	Not Applicable
Jane Conoley	Long Beach	None	None	None	Not Applicable
William Covino	Los Angeles	None	None	None	Not Applicable

NAME	CAMPUS	NATURE OF OUTSIDE EMPLOYMENT	ANNUAL INCOME	TIME COMMITMENT	EXPECTED DURATION
Thomas Cropper	Maritime	None	None	None	Not Applicable
Eduardo Ochoa	Monterey Bay	None	None	None	Not Applicable
Dianne Harrison	Northridge	None	None	None	Not Applicable
Soraya Coley	Pomona	None	None	None	Not Applicable
Robert Nelsen	Sacramento	None	None	None	Not Applicable
Tomás Morales	San Bernardino	United Health Group of New York, Board Member	\$12,000	4 telephonic meetings per year	Open Appointment
Elliot Hirshman	San Diego	None	None	None	Not Applicable
Leslie Wong	San Francisco	None	None	None	Not Applicable
Susan Martin	San Jose	None	None	None	Not Applicable
Jeffrey Armstrong	San Luis Obispo	None	None	None	Not Applicable
Karen Haynes	San Marcos	None	None	None	Not Applicable
Ruben Arminana	Sonoma	None	None	None	Not Applicable
Joseph Sheley	Stanislaus	None	None	None	Not Applicable

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



Thursday, May 5, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191
Consultants: Elisa Wynne and Anita Lee

<u>Issue</u>	<u>Department</u>	<u>Page</u>
	<u>Vote Only Issues</u>	
6870	California Community Colleges	
Issue 1	Spring Finance Letters – Capital Outlay	2
Issue 2	Spring Finance Letters – Facilities Planning Unit Support	3
6100	Department of Education	
Issue 3	Spring Finance Letters	4
Public Comment		
	<u>Issues for Discussion</u>	
6600	Hastings College of Law	
Issue 4	Spring Finance Letter- Capital Outlay (Public Comment)	10
6100	Department of Education	
Issue 5	State Operations (Public Comment and Vote)	12
Issue 6	After School Education and Safety Program	16
Issue 7	California Association of Student Councils	18
Issue 8	Proposition 47 – Education Funding	19
Issue 9	Charter School Start-up Funding	21
Issue 10	Student Friendly Services	24
Issue 11	Multi-Tiered Systems of Support	26
Issue 12	State Special Schools	29
Issue 13	Student Mental Health Services Audit	35
Public Comment		

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6870 CALIFORNIA COMMUNITY COLLEGES (VOTE ONLY)

Issue 1: Spring Finance Letter – Capital Outlay

The Governor submitted a spring finance letter requesting to reappropriate funds from the 2015-16 fiscal year (FY) to 2016-17 FY due to various delays for the following projects:

- **El Camino Community College District, El Camino College Compton Center: Instructional Building Replacement:** This project consists of demolishing one permanent building and parts of two other permanent buildings; removing two portable instructional buildings; and constructing a new, two-story instructional building on the site of the demolished structures. The new building will replace 32,117 assignable square feet (ASF) in the current structures with 17,180 ASF (26,500 gross square feet). Assignable square feet is the space in a building that is usable for programmatic purposes. The new building will consist of 9,575 ASF classroom space, 4,175 ASF laboratory space, 3,180 ASF office space, and 250 other ASF. Construction for this project was delayed because the California Environmental Quality Act review process took longer than anticipated resulting in a several month delay in the project schedule. This project is now estimated to be completed in July 2019. The reappropriation of \$13.4 million in construction funds will allow this project to continue without further delay.

Last year, the Legislature approved a spring finance letter which requested to reappropriate funds for the project's working drawings from the 2014-15 FY to the 2015-16 FY. The preliminary plans were delayed due to legal concerns with the original procurement document for an architect. This delay in the development of the preliminary plans resulted in the entire project schedule being revised including delaying the construction phase.

- **Redwoods Community College District, College of the Redwoods: Utility Infrastructure Replacement:** This project will replace or rebuild utility infrastructure at the College of the Redwoods Eureka campus to mitigate seismic risks. The scope for the entire project includes (a) seismic mitigation for campus utility infrastructure and (b) ensuring environmentally sensitive areas are protected from the consequences of a seismic event. The project will not change existing ASF. The working drawings phase of the project was delayed because of necessary geotechnical studies requiring geotechnical borings and a ground motion study, which took longer than planned to complete. The ground borings and ground motion study were finalized on February 2, 2016. The project is now estimated to be completed by July 2018. The reappropriation of \$33.15 million in construction funds will allow this project to continue without further delay.

Staff Recommendation: Approve spring finance letter to reappropriate construction funds for El Camino College Compton Center instructional building, and College of the Redwoods utility infrastructure replacement.

6870 CALIFORNIA COMMUNITY COLLEGES (VOTE ONLY)

Issue 2: Spring Finance Letter – Facilities Planning Unit Support

The Governor's spring finance letter requests to shift facilities planning unit support between bond funds to reflect available bond fund authority. The proposed changes are summarized in the table below.

Support for CCC Facilities Planning Unit from Capital Outlay Bond Funds

Bond Fund	January Budget	April Finance Letter	
	Amount	Proposed Amount	Change
0574 (Chapter 407, 1998)	577,000	374,000	(203,000)
0785 (Proposition 78, 1988)	549,000	-	(549,000)
6028 (Proposition 47, 2002)	492,000	-	(492,000)
0705 (Proposition 153, 1992)	436,000	-	(436,000)
6049 (Proposition 1D, 2006)	137,000	137,000	-
0658 (Proposition 203, 1996)	-	1,336,000	1,336,000
6041 (Chapter 33, 2002)	-	344,000	344,000
Totals	2,191,000	2,191,000	-

Background:

The Facilities Planning Unit (FPU) provides assistance and support to the California Community Colleges' 72 districts encompassing 113 colleges, 72 approved off-campus centers, and 23 separately reported district offices. The Facilities Planning Unit reviews and approves the districts' Five-Year Capital Outlay Plans as part of the annual Capital Outlay Grant Application Process. Assistance and support is provided for the construction and remodeling of new buildings and centers.

Staff Recommendation: Approve spring finance letter to shift authority between bond funds to support the facilities planning unit.

6100 DEPARTMENT OF EDUCATION (VOTE ONLY)**Issue 3: Spring Finance Letters****Description:**

The Administration proposes the following technical adjustments to various K-12 state operations (support) and local assistance items in the 2016-17 budget. These revisions are proposed in an April 1 finance Letter. These issues are considered technical adjustments, mostly to update federal budget appropriation levels so they match the latest estimates and utilize funds consistent with current programs and policies.

Federal Funds Adjustments

1. **Enhanced Assessment Grant (6100-001-0890)**—It is requested that Schedule (1) of this item be increased by \$1,574,000 for the federal Enhanced Assessment Grant (EAG). The EAG is a three-year grant for states to enhance their assessment instruments and accountability systems used to measure academic achievement. Specifically, this funding supports the development of new test items, digital resources, tools and methodologies to assess how results on the Smarter Balanced high school assessments can be used to make inferences about college and career readiness. The total amount of EAG funds awarded to California is \$2,691,000 for fiscal years 2015-16 through 2017-18.

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

24. Of the amount appropriated in this item, \$1,574,000 is for the development of enhanced career and college readiness indices for the Smarter Balanced high school assessments.
2. **Special Education Dispute Resolution Services (6100-001-0890)**—It is requested that Schedule (1) of this item be increased by \$2,653,000 federal Individuals with Disabilities Education Act funds to support increased costs associated with special education dispute resolution services, which are required by state and federal law. The California Department of Education (CDE) contracts with the Office of Administrative Hearings to provide these services, which include hearings, mediations, and related due process activities. The number of claims filed and the cost per case have increased over the past few years. The 2015 Budget Act included \$1,890,000 in additional one-time funding to support these costs. The additional federal funds will support the CDE's higher contract costs.

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

“5. Of the funds appropriated in this item, ~~\$10,861,000~~ \$13,514,000 is for dispute resolution services, including mediation and fair hearing services, provided through contract for the special education programs. The State Department of Education shall ensure the quarterly reports that the contractor submits on the results of its dispute resolution services include the same information as required by Provision 9 of Item 6110-001-0890 of the Budget Act of 2006 (Chs. 47 and 48, Stats. 2006) and Section 56504.5 of the Education Code and reflect year-to-date data and final year-end data.”

3. Support and Local Assistance, Transfer of the Commodity Supplemental Food Program (6100-001-0890 and 6100-201-0890)—It is requested that Schedule (2) of Item 6100-001-0890 be decreased by \$108,000 Federal Trust Fund and that one position be eliminated, and that Schedule (1) of Item 6100-201-0890 be decreased by \$4,541,000 Federal Trust Fund to reflect the permanent transfer of the Commodity Supplemental Food Program from the CDE to the Department of Social Services (DSS). This program originally served low-income women, children, and seniors. Given that federal law was changed to limit eligibility to low-income seniors, the DSS is better suited to administer the program. Conforming augmentations will be proposed for the DSS budget to allow for the administration of the program.

4. Local Assistance, Project Advancing Wellness and Resilience in Education (AWARE) Grant (6100-104-0890)—It is requested that Schedule (1) of this item be increased by \$975,000 Federal Trust Fund to reflect the availability of one-time carryover funds. Project AWARE is a five-year grant program that provides funding for the CDE and local educational agencies (LEAs) to increase awareness of mental health issues among school-aged youth, provide Mental Health First Aid training to teachers and other school personnel, and ensure students with signs of mental illness are referred to appropriate services.

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

1. Of the funds appropriated in this item, \$975,000 is provided in one-time federal carryover funds to support the existing program.

5. Local Assistance, Neglected and Delinquent Children Program (6100-119-0890)—It is requested that Schedule (1) of this item be decreased by \$353,000 federal Title I funds to align to the federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.

6. Local Assistance, Migrant Education Program, Migrant Education State-Level Activities, and English Language Acquisition Program (6100-125-0890)—It is requested that Schedule (1) of this item be increased by \$14,301,000 federal Title I, Part C funds, to reflect a \$7,301,000 increase to the federal grant award and \$7 million in one-time carryover. This program provides educational support services to meet the needs of highly-mobile children.

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

2. Of the funds appropriated in Schedule (1), \$7,000,000 is provided in one-time federal Title I, Part C carryover funds, to support the existing program.

It is also requested that Schedule (2) of this item be decreased by \$7,020,000 federal Title I, Part C funds, to align to the federal grant award. The state-administered Migrant Education programs include the Binational Migrant Education Program, Minicorps Program, and the Migrant Student Information Network.

It is also requested that Schedule (3) of this item be increased by \$5,112,000 federal Title III funds to reflect a \$2,612,000 increase to the federal grant award and \$2.5 million in one-time carryover

funds. This program provides services to help students attain English proficiency and meet grade level academic standards.

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

3. Of the funds appropriated in Schedule (3), \$2,500,000 is provided in one-time federal Title III carryover funds to support the existing program.

7. **Local Assistance, Basic Elementary and Secondary Education Act Program, School Improvement Grant Program, and Federal Title I Set Aside for the Local Educational Agency Corrective Action Program (6100-134-0890)**—It is requested that Schedule (2) of this item be decreased by \$28 million federal Title I funds to reflect a decrease in the amount that must be set aside for purposes of corrective action. The LEA Corrective Action Program provides funding for technical assistance to LEAs entering federal corrective action, and the grant allows the CDE to set aside up to four percent for this purpose.

It is also requested that Schedule (3) of this item be increased by \$1,630,000 federal Title I funds to reflect the availability of \$1,480,000 in one-time carryover funds and a \$150,000 increase to the available federal grant award. The CDE awards school improvement grants to LEAs with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.

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

7. Of the funds appropriated in Schedule (3), \$1,480,000 is provided in one-time carryover funds to support the existing program.

It is also requested that Schedule (4) of this item be increased by \$138,855,000 federal Title I funds to reflect a \$109,755,000 increase to the federal grant award and \$29.1 million in one-time carryover funds. LEAs use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.

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

8. Of the funds appropriated in Schedule (4), \$29,100,000 is provided in one-time carryover funds to support the existing program.

8. **Local Assistance, McKinney-Vento Homeless Children Education Program (6100-136-0890)**—It is requested that Schedule (1) of this item be increased by \$810,000 federal Title X, Part C funds, to reflect a \$617,000 increase to the federal grant award and \$193,000 in one-time carryover funds. This program provides a liaison to ensure homeless students have access to education, support services, and transportation.

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

1. Of the funds appropriated in this item, \$193,000 is provided in one-time federal Title X, Part C carryover funds, to support the existing program.

9. Local Assistance, Rural and Low-Income Schools Program (6100-137-0890)—It is requested that Schedule (1) of this item be increased by \$131,000 federal Title VI funds to align to the federal grant award. This program provides financial assistance to rural districts to help them meet federal accountability requirements and to conduct activities of the federal Elementary and Secondary Education Act program.

10. Local Assistance, Adult Education Program (6100-156-0890)—It is requested that this item be increased by \$8,790,000 federal Title II funds to reflect \$6.5 million in one-time carryover funds and a \$2,290,000 increase to the federal grant award. The Adult Education Program supports the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.

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

6. Of the funds appropriated in this item, \$6,500,000 is provided in one-time carryover funds to support the existing program.

11. Local Assistance, Special Education (6100-161-0890)—It is requested that Schedule (1) of this item be increased by \$41,368,000 federal Individuals with Disabilities Education Act (IDEA) funds to reflect a \$36,368,000 increase to the federal grant award and \$5 million in one-time carryover funds. LEAs receive these entitlements to provide special education services for students with disabilities.

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

11. Of the funds appropriated in Schedule (1), \$5,000,000 is provided in one-time federal Individuals with Disabilities Education Act carryover funds to support the existing program.

It is also requested that Schedule (3) of this item be increased by \$1,832,000 federal IDEA funds to reflect an increase to the federal grant award. This program provides special education and related services for children aged three, four, and five, who are not in kindergarten.

It is also requested that Schedule (4) of this item be increased by \$415,000 federal IDEA funds to reflect the availability of one-time carryover funds. This program, also known as Project Read, funds efforts to increase reading and English Learning Arts outcomes for students with disabilities at a selected group of low-performing California middle schools.

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

“7. Of the funds appropriated in Schedule (4), \$2,190,000 \$2,605,000 is provided for scientifically based professional development as part of the State Personnel Development grant. Of this amount, \$415,000 is one-time carryover funds.”

It is also requested that Schedule (6) of this item be increased by \$25,000 federal Public Health Services Act funds to reflect the availability of one-time carryover funds. The CDE uses these funds to provide outreach to families about newborn screening counseling, testing, follow-up, treatment, and educational services that are available to families of newborns with hearing disabilities.

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

12. Of the funds appropriated in Schedule (6) for the Newborn Hearing Screening Program, \$25,000 is provided in one-time federal Public Health Services Act carryover funds to support the existing program.

12. Local Assistance, Vocational Education Program (6100-166-0890)—It is requested that this item be increased by \$10,977,000 federal Title I funds to reflect the availability of \$14,535,000 in one-time carryover funds and a \$3,558,000 decrease to the federal grant award. The Vocational Education Program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs. It is further requested that provisional language be added as follows to conform to this action:

4. Of the funds appropriated in this item, \$14,535,000 is provided in one-time carryover funds to support the existing program.

13. Local Assistance, Mathematics and Science Partnership Program (6100-193-0890)—It is requested that this item be increased by \$3 million federal Title II, Part B funds, to reflect the availability of one-time carryover. The Mathematics and Science Partnership Program provides competitive grants to three-year partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers. It is further requested that provisional language be added as follows to conform to this action:

1. Of the funds appropriated in this item, \$3,000,000 is provided in one-time carryover funds to support the existing program.

14. Local Assistance, Federal 21st Century Community Learning Centers (6100-197-0890)—It is requested that this item be decreased by \$20,115,000 federal Title IV, Part B funds, to reflect a decrease of \$28,491,000 in one-time carryover funds and an increase of \$8,376,000 to the federal grant award to support existing activities. It is further requested that provisional language be amended as follows to conform to this action:

“2. Of the funds appropriated in this item, ~~\$31,241,000~~ \$2,750,000 is available on a one-time basis from federal 21st Century Community Learning Center funds appropriated prior to the 2016–17 federal fiscal year to support the existing program.”

15. Local Assistance, Advanced Placement (AP) Fee Waiver Program (6100-240-0890)—It is requested that Schedule (1) of this item be increased by \$1,563,000 Federal Trust Fund to align to the federal grant award. The AP Fee Waiver program reimburses school districts for specified costs of AP and International Baccalaureate test fees paid on behalf of eligible students. These programs allow students to pursue college-level course work while still in secondary school.

16. Local Assistance, Remove Early Head Start—Child Care Partnership Grant Provisional Reporting Language (6100-294-0890)—It is requested that Provision (3) of this item, which requires an annual report to the Legislature on the federal Early Head Start—Child Care Partnership program, be eliminated. While California was awarded a federal grant for this program in January 2015, the CDE has indicated that there will be limited information to report in fiscal year 2016-17 because the program is currently in its start-up phase.

General Fund

17. Support, State Department of Education, Transfer Educator Effectiveness Support Between Schedules (6100-001-0001)—It is requested that \$54,000 General Fund be transferred from Schedule (3), Special Program Support, to Schedule (2), Curriculum Services, to accurately reflect support funding for Educator Effectiveness. This request is a technical issue that has no funding impact and will allow accurate recording of CDE expenditures.

Staff Comments:

Staff notes that Spring letter issues 1-17 are technical adjustments and are unaware of any opposition.

Staff Recommendation:

Approve Spring letter issues 1-17 with conforming placeholder budget bill language as listed in this item.

6600 HASTINGS COLLEGE OF LAW**Issue 4: Spring Finance Letter – Capital Outlay****Panel:**

- Sally Lukenbill, Principal Program Budget Analyst, Department of Finance
- Paul Golaszewski, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- David Seward, Chief Financial Officer, Hastings College of Law

The Governor submitted a spring finance letter requesting an additional \$18.75 million in lease-revenue bond financing for the academic building replacement project. This brings the total project cost to \$55.6 million lease-revenue bond financing. Starting in 2018-19, overall debt service will increase by \$1 million annually, for a total of \$3.7 million General Fund annually. The Department of Finance (DOF) notes that the additional funds are needed to incorporate necessary design elements identified during initial programming, additional site work not previously identified, and to reflect the increase in current market rate conditions.

Background:

The 2015-16 budget approved the academic building replacement project at a total project cost of \$36.8 million lease-revenue bond financing (\$2 million for the performance criteria phase, \$34.8 million for the design-build phase). The facility would replace Hastings' primary academic building, which was constructed in 1953, and has several outdated systems including electrical and heating ventilation and air conditioning (HVAC), and elevators are non-compliant with the Americans with Disabilities Act. The new facility will be a 57,000 square foot building (25 percent smaller than the 1953 structure) on a vacant lot owned by Hastings. The project, as approved in the 2015-16 budget, estimated debt service cost of \$2.7 million annually, beginning 2018-19.

The 2015-16 budget also included provisional language to (1) allow Hastings to accept private donations and institutional funds for building enhancements; (2) provide the Legislature with a project update and 30-day review period prior to the commencement of construction activities; and (3) establish appropriation availability until June 30, 2018.

In 2014, Hastings conducted a preliminary pre-design study and initial cost analysis for the Academic Building Replacement project. The initial estimate was based upon high level space program data and market conditions in place in San Francisco. In December 2015, the Department of General Services completed a final analysis of program documents and market research, which revealed that the initial estimate of \$36.8 million was insufficient to deliver the required program. The review revealed that in order to construct the building to meet programmatic requirements for tiered classrooms as well as align the structure to two distinct and varying grades, the building needs to include subterranean levels. DOF notes that additional costs related to excavation, shoring, foundation, and underpinning totaled \$2.75 million.

Additionally, the program data further defined other specific facility requirements, such as the need for increased ceiling heights in large classrooms, required infrastructure for building operational systems/technical support, the need for more robust communication systems and a clear span structural system to avoid sightline impairments in classrooms. Hastings also argues that construction market rate

conditions have significantly increased. Hastings notes that their original estimate was around five percent in 2015 and four percent in 2016. However new information from Hastings indicates that the market increased by 12 percent to 15 percent in 2014, and nine percent to 10 percent in 2015. Hastings notes that construction costs are also projected to escalate by an additional five to six percent in 2016. DOF reports that since the original estimates, hard construction costs for the project have increased by over \$200 per square foot. Additionally, the tenants improved related to communications infrastructure, ceiling heights, building glazing, and heating, ventilating, and air conditioning (HVAC) have increased by approximately \$50 per square foot, resulting in increased construction costs of over \$15 million. As a result of the increased costs noted above, there are corresponding increases of about \$1 million in design, testing, and construction management costs.

Staff Recommendation: Hold Open

6110 DEPARTMENT OF EDUCATION**Issue 5: State Operations****Description:**

The Governor's budget proposed a number of adjustments for the CDE headquarters staff and expenses that have not already been heard by the subcommittee. These proposed adjustments include staffing increases in 2016-17 to implement several statutes enacted in 2015.

Panel:

- Melissa Ng, Department of Finance
- Debra Brown, Department of Education
- Natasha Collins, Legislative Analyst's Office

Background:

Funding and authorized positions for the CDE are summarized by the table below:

California Department of Education			
Authorized Positions and State Operations Funding			
	2014–15	2015–16	Proposed 2016–17
Authorized Positions			
Headquarters	1,505.80	1,507.80	1,501.30
State Special Schools	948.10	947.10	947.10
Total	2,453.90	2,454.90	2,448.40
Funding			
<i>CDE Headquarters</i>			
General Fund	55,813,000	59,079,000	54,259,000
Federal Funds	170,340,000	168,866,000	160,463,000
Other Funds (Restricted)	32,840,000	32,144,000	28,067,000
Total	258,993,000	260,089,000	242,789,000
Percent General Fund	22%	23%	22%
Percent Federal Funds	66%	65%	66%
<i>CDE State Special Schools</i>			
Proposition 98 GF	52,530,000	54,162,000	54,307,000
Non-Proposition 98 GF	45,462,000	48,608,000	50,280,000
Federal Funds	0	0	0
Other Funds	10,495,000	10,550,000	10,554,000
Total	108,487,000	113,320,000	115,141,000
<i>CDE Headquarters & State Special Schools</i>			

General Fund	153,805,000	161,849,000	158,846,000
Federal Funds	170,340,000	168,866,000	160,463,000
Other Funds	43,335,000	42,694,000	38,621,000
Total	367,480,000	373,409,000	357,930,000

Source: Department of Education. Except for 2016-17, data are current-year estimates (middle column) from the Governor's budget.

Governor's Budget Proposals:

Additional Workload and Funding for the California Department of Education			
<i>2016-17 Governor's Budget (In Thousands)</i>			
			LAO Recommendation and Rationale
1	Ensure schools understand the importance of providing appropriate services to all English Learners, pursuant to <i>DJ v. California</i> settlement. Limited-term (2 years) state General Fund.	318	Recommend Approval. This appropriation helps CDE comply with a 2015 court settlement. Recommend re-evaluating funding in future years, as further developments to the state's accountability system may render these efforts redundant.
2	Establish an advisory committee to help CDE select language development assessments for deaf and hard of hearing children aged birth to 5. Provide ongoing technical assistance to local education agencies (LEAs) in implementing these assessments. Pursuant to Chapter 652 of 2015 (SB 210, Galgiani). State General Fund, \$194,000 one time and \$60,000 ongoing.	254	Recommend Approval. This appropriation helps CDE to implement recent legislation.
3	Develop program guidelines to assist teachers and parents in supporting students with dyslexia. Provide ongoing technical assistance to LEAs in implementing these guidelines. Pursuant to AB 1369, (Frazier) Chapter 647, Statutes of 2015. State General Fund, \$140,000 ongoing and \$67,000 one time.	207	Recommend Approval. This appropriation helps CDE to implement recent legislation.
4	Undertake additional technical assistance and monitoring, as more agencies are participating in the at-risk afterschool meals component of Child and Adult Care Food Program. Ongoing federal funding.	194	Recommend Approval. Department indicates that participation in program is 23 percent higher in 2015-16 compared to 2014-15. It anticipates further growth of 20 percent between 2015-16 and 2016-17.

5	Provide training and assistance to agencies that are operating Child and Adult Care Food Programs and still implementing changes required by the federal Healthy and Hunger Free Kids Act (2010). Provides limited-term federal funding of \$100,000 in 2016-17 and \$100,000 in 2017-18.	100	<i>Recommend Approval.</i> Some agencies still are undertaking required program changes and likely would benefit from additional CDE support during transition.
6	Collect educator effectiveness block grant expenditure data from local education agencies by July 1, 2018 and submit a report to the Legislature by January 1, 2019. Pursuant to AB 104 (Weber) Chapter 13, Statutes of 2015. Provide limited-term state General Fund of \$54,000 in 2016-17 and \$81,000 in 2017-18.	54	<i>Recommend Approval.</i> This appropriation helps CDE to implement recent legislation.
7	Establish best practices for preventing child abuse and post related resources online. Pursuant to AB 1058, (Baker) Chapter 748, Statutes of 2015. One-time state General Fund.	30	<i>Recommend Approval.</i> This appropriation helps CDE to implement recent legislation.
8	Administer fee waiver program for homeless youth who take high school equivalency exams. Pursuant to SB 252 (Leno), Chapter 384, Statutes of 2015. State General Fund, \$21,000 ongoing and \$4,000 one time.	25	<i>Recommend Approval.</i> This appropriation helps CDE to implement recent legislation.
Total		\$1,182	

Other State Operations:

The subcommittee may wish to consider the following state operations request not included in the Governor's budget proposal:

- \$133,000 in non-Proposition 98 General Fund for the CDE workload to support district re-organization. Currently, the CDE has one position dedicated to providing support, analysis, and recommendations to the State Board of Education related to approval of district re-organizations.

The subcommittee may also wish to ask the CDE for an update on additional state operations requests that are pending for the May Revision.

Staff Comments:

The Governor's budget provides \$318,000 in ongoing funding provided to meet the terms of the *DJ v. California* settlement agreement, a lawsuit filed against the state for 1) violating state and federal law regarding the collection, interpretation and use of English learner data, and 2) for English Learner program monitoring implementation. The court found CDE negligent in their monitoring of local educational agencies (LEAs) that submitted data that services were not being provided to English learners. The settlement agreement reached among the parties required that the CDE ensure that data is collected accurately and increase monitoring and technical assistance for those LEAs that report that no services are being provided to English learners.

The CDE requested additional funds for three consultant positions to train LEA personnel on data entry and program requirements, conduct monitoring, expand the current collections system and provide these LEAs with technical assistance in order to resolve issues raised by the lawsuit. However, the Governor's proposal instead funds three associate governmental program analyst positions at a lower cost. Restoring the positions to the original request would cost an additional \$105,000. The CDE notes that education program consultants are needed to ensure workload related to the settlement is completed.

Staff Recommendations:

- 1) Approve items 2-8 as budgeted.
- 2) Amend and approve item 1, with the addition of \$105,000, for a total of \$423,000 for three education program consultants for workload related to the *DJ v. California* settlement for the 2016-17 and 2017-18.
- 3) Approve an additional \$133,000 in non-Proposition 98 General Fund and one position for district re-organization workload.

6100 DEPARTMENT OF EDUCATION**Issue 6: After School Education and Safety Program****Panel:**

- Virginia Early, Legislative Analyst's Office
- Sandra McBrayer, CEO, The Children's Initiative
- Debra Brown, Department of Education
- Jessica Holmes, Department of Finance

Background:

The After School Education and Safety (ASES) Program is the result of the 2002 voter-approved initiative, Proposition 49. This proposition amended California Education Code (EC) 8482 to expand and rename the former Before and After School Learning and Safe Neighborhood Partnerships Program. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and the local community to provide resources to support literacy, academic enrichment and activities for students in kindergarten through ninth grade. Funding is designed to: (1) maintain existing before and after school program funding; and (2) provide eligibility to all elementary and middle schools that submit quality applications throughout California.

ASES programs must include:

- An educational and literacy element: tutoring and/or homework assistance designed to help students meet state standards in one or more of the following core academic subjects: reading/language arts, mathematics, history and social studies, or science.
- An educational enrichment element: may include but is not limited to, positive youth development strategies, recreation and prevention activities. Such activities might involve the visual and performing arts, music, physical activity, health/nutrition promotion, and general recreation; career awareness and work preparation activities; community service-learning; and other youth development activities based on student needs and interests.

Operationally, the programs must maintain a student to staff ratio of 20:1 and staff members who directly supervise pupils must meet the minimum qualifications, hiring requirements, and procedures for an instructional aide in the school district. Programs must operate at least 15 hours per week and from the end of the regular school day until at least 6 p.m. and every school day during the regular school year. A nutritional snack is also provided.

The ASES program supports over 4,000 elementary and middle schools offering after-school and summer programs to more than 400,000 students daily. These programs operate at the highest poverty schools—those with an average of over 80 percent of students participating in the free and reduced-price meals program.

Funding. As outlined in Proposition 49, the ASES program has a guaranteed funding level of \$550 million annually. The ASES program has not received a COLA or other funding increase since the program was established, however, the ASES program also did not share in cuts made to K-12 education programs during years of recession.

The ASES program requires a local match (cash or in-kind services) of one-third of the state grant amount. This match can come from the school district or other community partners and can include facilities for up to 25 percent of the required match.

Governor's Budget Proposal:

The Governor's budget does not include any increases for the ASES program and continues ongoing funding for ASES of \$550 million (state operations and local assistance) in 2016-17.

Other Proposals:

Related legislation, AB 2663 (Cooper), currently in the Assembly Appropriations Committee, would provide \$73.3 million in ongoing Proposition 98 funding, beginning in the 2016-17 fiscal year. The bill would also apply a COLA in each year that the COLA would result in a funding increase.

The California After School Coalition (CASC) and the California Afterschool Advocacy Alliance (CAAA) support AB 2663 and an augmentation of \$73.3 million in ongoing Proposition 98 General Fund for the ASES program. They note that this increase would cover the cost of implementing the new statutory minimum wage obligations (\$1 increase effective July 1, 2014 and the second \$1 increase effective January 1, 2016). The augmentation reflects an increase in the ASES ADA rate from \$7.50 to \$8.50, a 13.33 percent increase. The advocates argue that this funding increase will enable the ASES program to continue to provide high quality after school programs, which primarily serve low-income students and families.

Suggested Questions:

1. How do changes in state laws regarding the minimum wage, sick leave, and other employment-related requirements impact the ASES program?
2. What types of partnerships are typical of school districts and the local community in supporting after school programs?
3. Are LEAs utilizing LCFF funds to provide for after school activities?

Staff Recommendation: Hold issue open pending the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 7: California Association of Student Councils****Panel:**

Edgar Cabral, Legislative Analyst's Office
Shawn Ahdout, California Association of Student Councils
Debra Brown, Department of Education

Background:

The California Associated Student Councils (CASC) is a student-led, non-profit organization that supports leadership development of elementary, middle, and high school students through a variety of programs. The CASC provides statewide and regional leadership-related conferences, student and advisor training, leadership experience through a 12 -region structure throughout the state, and opportunities for student to serve on advisory boards that present to the State Board of Education and the Legislature.

The CASC does not currently receive state funding, however in the past, funding has been provided from both Proposition 98 and non-Proposition 98 General Fund, in amounts ranging from \$26,000 to \$90,000.

Budget Request:

The CASC requests \$150,000 in ongoing Proposition 98 funding to support outreach efforts for low-income youth. Specifically, the proposal would provide funding for students on the free and reduced lunch program to attend two summer leadership conferences, the Staff Development Program to become trainers, the Student Advisory Board on Education and Student Advisory Board on Legislation in Education, the Youth Action Summit of California and the one-day elementary and middle school workshops. Additional funds would be used for outreach to schools, parents, and students.

Suggested Questions:

1. What percentage of students participating in CASC currently are eligible for free and reduced price lunch?
2. What efforts has CASC made to ensure participation is representative of students throughout the state?
3. What fund sources does CASC rely on currently?

Staff Recommendation: Hold issue open pending the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 8: Proposition 47 – Education Funding****Panel:**

Natasha Collins, Legislative Analyst's Office
Rebecca Hamilton, Department of Finance
Debra Brown, Department of Education

Background:

Proposition 47, passed by voters in November 2014, made changes to the state's criminal justice system. Specifically, it reduces some non-serious and non-violent property and drug offences from felonies or crimes that may be charged as a felony to misdemeanors. This results in state savings in three areas:

- The California Department of Corrections and Rehabilitation (CDCR) has savings resulting from a reduction in inmate population as less offenders are sentenced to state prisons, and some existing state prisoners are eligible for resentencing. In the short term, there is an increase in parole costs as resentenced inmates generally are on state parole for one year.
- State courts have savings from the conversion of felonies to misdemeanors as the latter generally take less court time. In the short term, there is increased workload for the court due to resentencing and reclassifying of convictions for existing offenders.
- The Department of State Hospitals (DSH) has savings related to reducing the number of offenders charged with felonies who previously may have been committed to state hospitals.

The proposition specified that the DOF annually estimate the savings due to Proposition 47 from the prior fiscal year and the State Controller deposit this amount into a newly created Safe Neighborhoods and Schools Fund (SNSF). These funds are continuously appropriated with 65 percent going to the Board of State and Community Corrections to support recidivism reduction, 25 percent going to the California Department of Education to support truancy and dropout prevention programs, and 10 percent for the Victim Compensation and Government Claims Board for grants to trauma recovery centers. Of these amounts, up to five percent may be used for administration.

Governor's Budget Proposal:

The Governor's budget includes the DOF estimate that \$29.3 million from the General fund would be deposited into the SNSF on July 31, 2016. The Governor's budget includes proposed trailer bill language specifying legislative intent that the use of the portion available to the CDE (\$7.3 million as of the current estimate) would be governed by legislation supporting programs aimed at improving outcomes for K-12 students by reducing truancy and supporting students who are at risk of dropping out or are victims of crime.

Impact on the Proposition 98 Guarantee. Proposition 47 does not generate additional state revenue, instead it reduces ongoing costs for the state related to criminal justice and redirects the savings for specific purposes. As a result, the level of Proposition 98 funding for schools is not impacted by Proposition 47. The expenditures from the SNSF for K-12 schools are considered Proposition 98 expenditures under the Governor's proposal.

LAO Analysis and Recommendations:

In their recent report, *The 2016-17 Budget: Fiscal Impacts of Proposition 47*, the LAO notes concern with the estimate for funding the SNSF for the 2016-17 year. They believe the DOF has underestimated savings and overestimated costs resulting from Proposition 47. Specifically the LAO believes the SNSF deposit for expenditure in 2016-17 could be as much as \$100 million more than the Governor's initial estimate, resulting in significantly more funds for schools from the SNSF than currently proposed.

Specifically on the K-12 education funds, the LAO recommends the Legislature allocate the SNSF amount to schools with the highest concentration of at-risk students and then give the schools flexibility in deciding how best to address their dropout and truancy issues. The LAO also notes that the state's new statewide accountability system, currently under development, should be used to monitor student outcomes based on strategies supported with this funding.

Staff Comments

Legislative staff, the CDE, the DOF, the LAO and other education and Proposition 47 stakeholders are engaged in continuing discussions about the use of the Proposition 47 K-12 education funds. Potential, related legislation includes SB 527 (Liu) and AB 1014 (Thurmond). While details of how the funds are to be spent may ultimately rely on guiding legislation, the design and effectiveness of any program will be impacted by how much in funding is available. The Senate Budget and Fiscal Review Subcommittee No. #5 on Corrections, Public Safety, and the Judiciary reviewed the methodology used by the Department of Finance to determine the initial estimate for deposit in the SNSF at their April 7th hearing. The subcommittee held the item open and directed the LAO to work with DOF and the Judicial Council to provide updated costs and savings estimates taking into account the LAO's findings.

Suggested Questions:

1. Does the DOF anticipate releasing new funding estimates at the May Revision?
2. What recommendations do the LAO, DOF, or CDE have for the use of these funds?

Staff Recommendation: Hold open pending updated estimates of the SNSF at the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 9: Charter School Start-up Funding****Panel:**

Cheryl Ide, Department of Finance

Debra Brown, Department of Education

Kenneth Kappahn, Legislative Analyst's Office

Background:

As of 2014-15, there were 1,179 charter schools in California that serve approximately 545,000 students. When a new charter school opens, it receives, similar to school districts, an advance apportionment before the start of the school year, based on, among other things, anticipated school attendance. This is a portion of the funds the charter school will receive during the school year which may be adjusted to reflect actual attendance and updated calculations. However, new charter schools, like any new school, face up-front costs including, staffing, facilities, supplies, and establishing an instructional program. And unlike a new district school, many charter schools do not have organizational support to help bear these costs. According to the LAO, the following are ways that new charter schools cover their startup costs:

- Federal Startup Grants. The state has participated in this federal grant program for the past 20 years and provided funding to approximately half of all new charter schools in recent years.
- Revolving Loan Fund. This fund is administered by the state, and provides new charter schools with low-interest loans of up to \$250,000 to be repaid over five years. Approximately \$10 million in loans are provided each year. In 2013-14, one-third of charter schools received these loans.
- Charter Management Organizations (CMOs) operate multiple charter schools and may provide grants or loans to their new schools. About one-third of charter schools belong to a CMO.
- Private Funding. Additional funding may be available from private foundations or other organizations for certain types of charters, although these grants are usually small. Charter schools may also obtain loans from private lenders, using their future state apportionments as collateral, however borrowing costs may be high.

Of these sources, the federal startup grants have provided the large source of support. While California has participated in the program and received grants as they were available since 1995, the state last five-year grant allocation was for \$232.4 million in 2010. Under the state's program charter schools may receive both planning and implementation grants that total \$575,000 or less. The state has been spending down existing carryover from the 2010 grant. In 2015-16, the state identified \$45 million in carryover and has allocated a portion of it in the current year. The CDE is currently calculating the amount carryover remaining. In order to spend down any remaining portion, the CDE would need to seek an extension of the grant term from the federal government and ensure that the state is able to

continue to administer the grant within any administrative allowance (capped at five percent of the award). An independent evaluation is underway and anticipated to be completed this summer.

The state again applied for a grant in 2015 but was not selected based on federal concerns over charter school data and state oversight. In addition, the grant criterion was focused on states that had not received funding previously.

Governor's Budget:

The Governor proposes trailer bill language that appropriates \$20 million in one-time Proposition 98 funding to the Superintendent of Public Instruction to provide charter school start-up grants of up to \$575,000. Priority for grants would be given to charter schools in low-income areas and areas with few charter schools. Funds could be used for any one-time start-up costs and would be available up to six months before the school opens through the second year of operations.

LAO Analysis and Recommendations:

The LAO notes that without federal funds, there will be limited fund sources available for new charter schools to tap into for start-up costs, particularly for those schools that do not belong to a CMO or have other private support. However, the state has not collected information or completed an assessment of the two state-administered programs, the federal startup grant and the revolving loan fund) and therefore does not know how cost effective they are comparatively. The state has the added difficulty of not knowing whether or not it will receive additional federal funding in the future.

The LAO recommends that the Legislature ask for additional information on the Administration's proposal with regards to how grant award amounts would be determined, how cash flow over the term of the grant would be determined, the allowable uses of the grant, and how the costs of administration would be covered (the CDE has submitted a BCP for state operations costs). The LAO also notes that additional information is needed from the CDE related to plans for spending down any remaining grant funds and timing of the independent evaluation. The LAO recommends the Legislature take this additional information into account before making a decision. Finally, the LAO notes that the Governor's proposal would potentially provide a short-term solution; however; in the long-term, the state may need to assess the likelihood of additional federal funding and how it would support charter schools in future years.

Suggested Questions:

- How many charter schools typically need start-up funding in a given year?
- Can the CDE provide information on the most recent allocation of federal grant funds, estimated remaining federal grant funding and the plans for expenditure? Why has there been so much federal carryover
- When is the next federal grant award cycle, what can the state do to ensure it is competitive in seeking this funding?
- Does the Administration have a long-term plan for supporting new charter schools?

- What is the need for state operations for the CDE to administer the proposed grants?
- Does the LAO have concerns/recommendations related to the flexibility provided in the Governor's proposal for the use of the funds?

Staff Recommendation: Hold open pending updates at the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 10: Student Friendly Services****Panel:**

Brianna Bruns, Department of Finance
Natasha Collins, Legislative Analyst's Office
Debra Brown, Department of Education

Background:

The Student Friendly Services funding provides for a college planning website, californiacolleges.edu, that is managed by a nonprofit, California College Guidance Initiative (CCGI). The website offers a variety of free services to students including personal accounts to track their academic plans and progress, as well as manage their financial aid and college admissions applications. Additional services are also available for school districts on an annual fee subscription basis. These services include individual accounts for all the district's students that help to house and share transcript information with specific universities, and student level reports that help counselors in advising students on courses and college admissions.

Prior to 2015-16, the funding was provided to the California Community College Chancellor's Office who provided administrative services. In the 2015-16 Governor's budget, the \$500,000 Proposition 98 appropriation was transferred to the Riverside County Office of Education who took over administration of the program. The final 2015-16 Budget package included both the originally proposed \$500,000 in ongoing support for the program and an additional \$500,000 in one-time funding to support the program.

In 2015-16, fifteen school districts paid a combined total of \$250,000 for the enhanced subscription-based service access to the website and tools. In 2016-17, an additional nine school districts have applied for services.

California College Guidance Initiative Funding		
	2015-16	2016-17
State Funds*	1,000,000	1,500,000
California State University Funds	100,000	250,000
K-12 District Fees	250,000	750,000
Philanthropic Funds	1,600,000	1,500,000
Totals	2,950,000	4,000,000

*2016-17 State Fund includes the Governor's Budget Proposal

Source: CCGI

Governor's Budget Proposal:

The Governor's Budget proposes \$1 million in additional one-time Proposition 98 funding for Student Friendly Services in the 2016-17 year. These funds are in addition to the ongoing \$500,000 provided for this program, making total state support for the program \$1.5 million in 2016-17.

The proposed one-time funds are not directed to any specific purposes, however, the CCGI reports that the additional funding would be used for upgrading and expanding both the free services offered and the subscription-based services for districts.

LAO's Analysis and Recommendation:

The LAO notes that the CCGI website serves a statewide purpose through the free services it provides to schools and students. The LAO notes that subscription services are also valuable for districts and as a model for how high schools, colleges, and state financial aid institutions can better coordinate information to allow students to smoothly transition to post-secondary education. However, the LAO notes that details on the use of the funds are lacking, there is no information in a long-term plan for funding these services, or a discussion of what other similar services are available and recommends the Legislature ask for follow-up information in these areas.

The LAO specifically recommends the Legislature require the administration to specifically determine how much funding would be used for the free and the subscription portion of the website, and what enhancements will be provided with the funds.

Suggested Questions:

1. How does the Administration envision the long-term plan for this program? What services should the state support and which should be purchased by school districts?
2. In the 2015-16 budget, additional one-time funds were provided for student friendly services to support the program and help prevent a structural deficit. Is the program still operating with a budget deficit?

Staff Recommendation: Hold item open pending the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 11: Multi-Tiered Systems of Support****Panel:**

Mollie Quasebarth, Department of Finance
Ryan Anderson, Legislative Analyst's Office
Debra Brown, Department of Education
Christine Olmstead, Associate Superintendent, Orange County Department of Education

Background:

According to the CDE, the Multi-Tiered Systems of Support (MTSS) is an integrated, comprehensive framework that focuses on common core state standards, core instruction, differentiated learning, student-centered learning, individualized student needs, and the alignment of systems necessary for all students' academic, behavioral, and social success.

The CDE goes on to describe key aspects of MTSS frameworks as:

1. High-quality, differentiated classroom instruction. All students receive high-quality, standards-based (with a focus on common core state standards), culturally-and linguistically-relevant instruction in their general education classroom settings by highly qualified teachers, who have high academic and behavioral expectations.
2. Systemic and sustainable change. MTSS principles promote continuous improvement processes at all levels of the system (district, school site, and grade/course levels).
3. Integrated data system. District and site staff collaborate to create an integrated data collection system that includes assessments such as state tests, universal screening, diagnostics, progress monitoring, and teacher observations at the site to inform decisions about tiered support placement, as well as data collection methods such as parent surveys for continuous systemic improvement.
4. Positive behavioral support. District and school staff collaboratively select and implement schoolwide, classroom, and research-based positive behavioral supports for achieving important social and learning outcomes.

In the 2015-16 Budget Act, \$10 million in one-time Proposition 98 funding was provided to the Superintendent of Public Instruction to contract with one or two county offices of education, applying jointly, to provide technical assistance and to develop and disseminate statewide resources to encourage and assist LEA's establishing data-driven systems of learning and behavioral supports to meet the needs of all students. Pursuant to direction in statute, the SPI put out a request for applications for a grant for Developing, Aligning, and Improving Systems of Academic and Behavioral Supports for statewide development and scaling up of a MTSS framework. In April, 2016, the SPI, with the concurrence of the executive director of the State Board of Education, awarded the grant to the Orange County Department of Education (OCDE).

Under the OCDE, the project has been named the California Scale Up MTSS Statewide Initiative (SUMS). OCDE is also partnering with the Schoolwide Integrated Framework for Transformation Center (SWIFT Center), a technical assistance consortium based at the University of Kansas, and Butte County Office of Education (COE) to develop a scalable model that integrates evidence-based support within a MTSS framework, focusing on student's academic, behavioral, and social-emotional needs. The SWIFT center has experience establishing MTSS in five states and their program will provide the basis for the SUMS initiative professional learning work. Butte COE will support the design, management, and editing of the SUMS initiative website and provide insight on the unique needs of small, and rural LEAs.

Under the SUMS initiative, the OCDE will provide a tiered, trainer-of-trainers infrastructure, based on the SWIFT framework that includes:

- A state leadership team of experts from the CDE, OCDE, Butte COE, and the SWIFT Center.
- Eleven regional transformation teams based on the California County Superintendents Educational Services Association (CCSESA) regions. Each team will contain a regional lead supported by a team of regional trainers who will complete the professional learning series and bring expertise back to their region.
- Within each of the 57 counties, will be a county transformation team led by a COE trainer and LEA leads (from subgrantees).
- LEA implementation teams that include LEA leadership and stakeholders.

Support of the teams will be provided by OCDE and the SWIFT center. OCDE will provide \$2.5 million (of the \$10 million grant) in subgrants to LEAs to develop, align, or enhance evidence-based supports within an MTSS framework

On an annual basis, until all grant funds are expended, the grantee, OCDE, is required to submit a report by September 30, detailing the use of the funds in each year.

Governor's Budget Proposal:

The Governor proposes to provide \$30 million in one-time Proposition 98 funding to support MTSS, in addition to the funding provided last year.

Suggested Questions:

- 1) How will the additional funding be integrated with the 2015-16 funds provided? Does the state have sufficient information from the 2015-16 activities funded to justify the provision of additional resources?
- 2) How will the work of LEAs under the MTSS framework align with the strategies LEAs are implementing under their LCAPs, related to the eight state priorities? How does the work of OCDE support LCAPs?

Staff Recommendation: Hold issue open pending updated information at the May Revision.

6100 DEPARTMENT OF EDUCATION

Issue 12: State Special Schools

Description:

Although most students with disabilities receive special education services from their school district or county office of education, the state also operates three residential schools for deaf and blind students:

- The California Schools for the Deaf (CSDs) in Riverside and Fremont together serve about six percent of the state's deaf and hard-of-hearing students (approximately 763 students), between the ages of three and 22 years. These schools provide intensive, specialized services to students, with or without additional disabilities, whose primary educational needs are related to a hearing loss. Services provided at the CSDs include: instruction in American Sign Language (ASL), written English, and spoken English when appropriate; audiological services; assessment and intervention services; school-based counseling services; social work services; adapted physical education; occupational therapy; and family sign language classes.
- The California School for the Blind in Fremont serves about two percent of the state's visually impaired students (approximately 75 students), between the ages of five and 22. The school provides intensive, disability-specific educational services to students who have primary learning needs related to their visual impairment and serves as a statewide resource to provide expertise to LEAs.

The state special schools in Fremont and Riverside offer both day and residential programs. Student attendance is determined by parents and individual education program (IEP) teams. The state special schools are funded through a direct appropriation from the state. Additionally, the state operates three diagnostic centers (located in Fremont, Fresno, and Los Angeles) that identify students' disabilities and offer trainings to families and school districts, and these are included when the term "state special schools" is used in this agenda. According to the LAO, the state special schools have had a support budget of about \$90 million annually (generally about half from Proposition 98 funds and half from non-Proposition 98 General Fund).

The Governor's budget includes two facilities-related proposals for state special schools, as discussed in the issues below:

Item 1: Deferred Maintenance**Panel:**

- Mollie Quasebarth, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, Department of Education

Background:

The state special schools are administered by the CDE, which is responsible for determining how much to set aside for maintenance projects from the operating funding provided for the schools. Historically,

maintenance projects have been underfunded and a deferred maintenance backlog has grown. In 2002, the CDE took action to begin reducing this backlog and since then has budgeted around \$2.4 million annually, with larger appropriations in recent years (\$4.7 million in 2012-13 and \$2.8 million in 2013-14). According to the CDE, in 2014-15, the state special schools used \$1.8 million for deferred maintenance.

In the 2015-16, \$3 million in non-Proposition 98 funding was provided to the state special schools to address a maintenance backlog and five projects were identified as the priorities for use of these funds. Language was also included in the budget to specify that the state special schools spend \$1.8 million for deferred maintenance projects in 2015-16 from their operations funds, in addition to the \$3 million provided. After the investments made in 2015-16, the CDE has identified a remaining list of projects that have a total cost of \$17 million.

Maintanence Backlog at State Special Schools^a		
<i>In Thousands</i>		
Project Title	Campus	Estimated Cost
Funded Under Governor's 2016-17 Proposal		
Theater roof replacement	CSDF	\$294
School master clock	CSDF	150
Existing data lines evaluation	CSDF	190
Middle school roof replacement	CSDF	600
Interior painting	CSB	265
Electrical maintenance	CSDF	40
Carpet replacement	CSDR	90
Flooring replacement	CSDF	620
HVAC controls replacement	CSDF	66
Emergency communication system	CSDF	1,010
Modular building repair	CSDR	50
Exterior painting	DCSC	50
Door and lock replacement	CSDR	150
Digital controls replacement	CSDR	20
Vehicle charging stations	CSDR	30
Boiler and asbestos abatement	DCCC	100
HVAC duct replacement	DCCC	250
Subtotal		(\$3,975)
Remaining Backlog		
Recirculation system for pipes	CSDF	\$600
Track resurfacing	CSDR	200
Sidewalk repairs	CSDR	300
Replace social hall flooring	CSDR	700
Sidewalk repairs	CSDF	200
Dormitory kitchenettes/restrooms	CSDF	8,000
Cedar siding replacement	CSDF	3,000
Vehicle charging stations	DCSC	10
Vehicle charging stations	DCCC	10
Vehicle charging stations	CSDF	10
Vehicle charging stations	CSB	10
Subtotal		(\$13,040)
Total		\$17,015

^a As of March 2016. Projects listed in priority order. List and prioritization may change, for instance to respond to emergency repair needs.

CSB = California School for the Blind; CSDF = California School for the Deaf, Fremont; CSDR = California School for the Deaf, Riverside; DCCC = Diagnostic Center, Central California and DCSC = Diagnostic Center, Southern California.

Source: Legislative Analyst's Office

Governor's Budget Proposal:

The Governor proposes to provide \$4 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor's recently released

2016 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$800 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded and provide them to the Joint Legislative Budget Committee.

Legislative Analyst's Office Analysis and Recommendations:

The LAO agrees that the state should continue to address deferred maintenance projects to protect the states investment in infrastructure and agrees that this is a good use of available one-time funding. Also they note that it is fiscally responsible to make these investments now because of the potential for revenue downturns in future years. The state special schools have a number of important deferred maintenance projects.

The LAO recommends that the Legislature adopt the proposal to address the identified projects at the state special schools. The LAO also recommends that the Legislature adopt language that requires that funds provided under this item, whether Proposition 98 or other state General Fund, be in addition to a specified level of ongoing funding dedicated to state special schools for maintenance in the existing budget to ensure that these additional funds have an impact on reducing the maintenance backlog. The LAO estimates this current ongoing level of support to be \$1.8 million.

Suggested Questions:

1. What amount of funding is being dedicated for deferred maintenance projects for the state special schools on an annual basis?
2. Do the state special schools have a long-term plan for eliminating the deferred maintenance backlog?

Staff Recommendation: Hold item open pending the May Revision.

Item 2: Capital Outlay – California School for the Deaf in Fremont**Panel:**

- Koreen Hansen, Department of Finance
- Ryan Anderson, Legislative Analyst's Office
- Debra Brown, Department of Education

Background:

According to the LAO, the California School for the Deaf in Fremont enrolls 417 students, of whom 129 are in the elementary program (including infant/preschool services through 5th grade), 90 are in middle school (grades 6 through 8), and 198 are in high school. Overall, about 40 percent of the students attend as day students while the other 60 percent live at the school during the week. The Fremont campus includes three activity centers for students. Use of the activity center for middle school students has been discontinued as of September 2015, as it is in a 40-year old modular building that is not Field Act compliant. According to the CDE, the cost to remove the current building and make the site safe for children would be approximately \$230,000.

Governor's Budget Proposal:

The Governor proposes to provide \$1.7 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building and would include new walkways, fencing, patio area, accessible parking, manhole and storm drain inlets, and renovated landscaping. The interior of the building would contain a large game room, video viewing area, concession snack bar, bathrooms, storage, refrigerator and freezers, and data equipment cabinet.

This is the same request that was proposed in the 2015-16 Governor's Budget and was rejected by the Legislature.

Legislative Analyst's Office Analysis and Recommendations:

The LAO notes that this request is one of many capital outlay projects that have been identified by the state, many of which represent responses to serious health and safety needs that they believe are of a higher priority. The LAO also notes that this project is not vital to the core instructional program for students at the California School for the Deaf in Fremont, although without it, the extracurricular opportunities of residential students are limited.

The LAO recommends that the Legislature reject this request and repurpose the funds for other higher priority maintenance projects at the state special schools.

Staff Comments:

Due to the limited amount of General Fund resources, the Legislature should review this request in the context of health and safety capital outlay projects, as well as other funding priorities.

Suggested Questions:

1. If this proposal is not funded, what is the impact on the core instructional activities of the State Special School at Fremont?
2. Could these funds be instead used for other deferred maintenance projects?

Staff Recommendation: Hold item open pending the May Revision.

6100 DEPARTMENT OF EDUCATION**Issue 13: Student Mental Health Services Audit**

This issue provides an overview of the California State Auditor's report on the implementation of AB 114 (Committee on Budget), Chapter 43, Statutes of 2011 which required a transition in responsibility for mental health services for students from county mental health to LEAs.

Panel:

- Bob Harris, Senior Audit Supervisor, California State Auditor's Office
- Debra Brown, Department of Education

Background:

In January 2016, the California State Auditor released an audit of Student Mental Health Services. Pursuant to a request by the Joint Legislative Audit Committee, the audit looks at the provision of special education mental health services through individualized education programs (IEPs). The audit was requested after the passage of AB 114, which transferred the responsibility for providing mental health services from county mental health departments to LEAs.

For students with disabilities, an LEA must develop an Individualized Education Program (IEP) which describes the impact of the student's disability and the services the student will receive. After the passage of AB 114, LEAs were responsible for conducting mental health assessments, recommending mental health services, and providing mental health services to students.

The audit looked at four special education programs and in particular at 60 students. The audit found that in some cases, students that had been receiving mental health services were no longer receiving them. However, because of a lack of documentation in the student's IEP, it was unclear why services were stopped, but it may have been due to the transition under AB 114. The audit also noted that outcome data collected from key performance indicators for the group of students who receive mental health services through an IEP is not analyzed, and without analysis, the state and LEAs cannot tell if outcomes for this group of students has improved since AB 114. Finally, LEAs are lacking in adequate tracking of fund sources and expenditure data related to the provision of these services, as a result, the state and LEAs cannot tell if there have been cost savings as a result of the transfer of responsibility for mental health services to LEAs.

The audit also looked at funding for mental health services through the California Medical Assistance program (Medi-Cal). One Special Education Local Plan Area (SELPA) mentioned in the audit report contracted with the county mental health department which was able, through Medi-Cal, to receive funding for federal Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services, and the SELPA funding for these services, serves as a portion of the match requirement. LEAs cannot access EPSDT reimbursements without contracting with the county and through this type of arrangement, EPSDT services can be provided for students with and without IEPs.

The State Auditor made the following state level recommendations:

- Amend state law to require the CDE to report annually on the outcomes for students receiving mental health services using key indicators.
- Amend state law to require counties to enter into agreements with Special Education Local Plan Areas (SEPLAs) to allow LEAs to access EPSDT funding for mental health services.

The State Auditor also recommended that SELPAs and LEAs improve their documentation process, particularly in regard to changes in services, specifically communicate the reasons for recommending residential treatment, track student outcomes, and use an accounting methodology to better track expenditures on mental health services.

While the individual SELPAs and LEAs agreed with audit recommendations, the CDE has provided a response to the audit that identified some concerns with the data analysis recommended, noting in some cases that the recommendations exceed federal special education law and may result in state mandates and in other cases that the data analysis recommended may be inappropriate for the intended purpose.

Related legislation, SB 884 (Beall) would require school districts and the CDE to better document the services and funding provided to students and their effectiveness and report their outcomes to the Legislature. Also, SB 1113 (Beall) would provide funding through a competitive grant program for demonstration partnerships between county mental health and SELPAs/LEAs to ensure access to EPSDT funding and services for students.

Suggested Questions:

- What recommendations of the state auditor is the CDE moving forward with implementing? What are some of the specific concerns that CDE has identified with the audits recommendations?
- How many SELPAs/LEAs are already partnering with county mental health? Are there any barriers/disincentives to creating these partnerships?

Staff Recommendation: Information only.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



Thursday, May 5, 2016

9:30 a.m. or upon adjournment of session

State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

Outcomes

<u>Issue</u>	<u>Department</u>	<u>Vote Only Issues</u>
--------------	-------------------	-------------------------

6870	California Community Colleges
Issue 1	Spring Finance Letters – Capital Outlay
Issue 2	Spring Finance Letters – Facilities Planning Unit Support
6100	Department of Education
Issue 3	Spring Finance Letters

Public Comment

Motion: Approve Issues 1 through 3 as Proposed

Vote: 3-0

Issues for Discussion

6100	Department of Education
Issue 5	State Operations (Public Comment and Vote)

Motions:

1) Approve items 2-8 as budgeted.

Vote: 3-0

2) Amend and approve item 1, with the addition of \$105,000, for a total of \$423,000 for three education program consultants for workload related to the DJ v. California settlement for the 2016-17 and 2017-18.

Vote: 2-1(Moorlach)

3) Approve an additional \$133,000 in non-Proposition 98 General Fund and one position for district re-organization workload.

Vote: 2-1(Moorlach)

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Tuesday, May 17, 2016
1:30 p.m.
State Capitol - Room 3191**

Consultants: Anita Lee and Elisa Wynne

AGENDA PART A

<u>Issue</u>	<u>Department</u>	<u>Page</u>
6100	California Department of Education	
6870	California Community Colleges	
Issue 1	Proposition 98 Overview (Information Only)	2
Public Comment		

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

**6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES****Issue 1: Proposition 98 Overview**

Panel: Department of Finance
Legislative Analyst's Office
Department of Education
Community College Chancellor's Office

GOVERNOR MAY REVISION PROPOSALS**Proposition 98 Overall Funding—K-12 and Community Colleges**

California's Proposition 98 guarantees minimum funding levels for K-12 schools and community colleges. The estimated Proposition 98 funding obligations included in the May Revision for the three-year period of 2014-15 to 2016-17, increased by a total of \$626 million from the Governor's budget. More specifically, the revised Proposition 98 minimum guarantee levels for the 2014-15 through 2016-17 fiscal years are \$67.2 billion, \$69.1 billion, and \$71.9 billion, respectively. Compared to January, this reflects the following yearly changes, due to increases in prior year revenues and slower growth in the current and budget year:

- o An increase of \$463 million to the 2014-15 guarantee.
- o A decrease of approximately \$125 million to the 2015-16 guarantee.
- o An increase of approximately \$288 million to the 2016-17 guarantee.

The Proposition 98 minimum guarantee is determined by comparing the results of three "tests" or formulas that are based on specific economic and fiscal data. The factors considered in these tests include growth in personal income of state residents, growth in General Fund revenues, changes in student enrollment, and a calculated share of the General Fund. Very generally, Test 1 is based on a percentage of General Fund; Test 2 on growth in personal income; and Test 3 on General Fund Growth. The May Revision assumes that in 2016-17 Proposition 98 is calculated using Test 3, including the payment of the required Test 3B supplement. The May Revision continues to estimate that 2015-16 is a Test 2 year and in 2014-15 a Test 1 is applicable and virtually all new state revenue goes to K-14 education under Proposition 98.

In addition, these proposed funding levels reflect Proposition 98 Maintenance Factor balances of \$155 million in 2015-16 and \$908 million in 2016-17.

Proposition 98 funding by segment and by General Fund and local property taxes is shown in the table below:

Changes in Proposition 98 Funding (In Millions)			
	January	May	Change
2014-15 Minimum Guarantee	\$66,690	\$67,153	\$463
By Segment:			
Schools	59,330	59,742	412
Community colleges	7,281	7,331	51
Other*	80	80	0
By Fund Source:			
General Fund	49,554	50,029	475
Local property taxes	17,136	17,124	-12
2015-16 Minimum Guarantee	\$61,096	\$69,050	-\$125
By Segment:			
Schools	61,096	60,984	-112
Community colleges	7,997	7,983	-14
Other*	82	82	0
By Fund Source:			
General Fund	49,992	49,773	-218
Local property taxes	19,183	19,276	93
2016-17 Minimum Guarantee	\$71,585	\$71,874	\$288
By Segment:			
Schools	63,244	63,496	252
Community colleges	8,259	8,295	36
Other*	83	83	0
By Fund Source:			
General Fund	50,972	51,105	133
Local property taxes	20,613	20,769	156

*Includes funding for instructional services at the State Special Schools, Department of Corrections and Rehabilitation, and Department of Development Services.

Source: *Legislative Analyst's Office*

Major Program Changes — K-12 Education

- **Local Control Funding Formula (LCFF).** The May Revision includes approximately \$2.9 billion for implementation of the LCFF formula, which brings the formula to 95.7 percent of full implementation in the 2016-17 fiscal year. This is an increase of \$154 million over the January proposal of \$2.8 billion in ongoing investments in LCFF.
- **Mandates.** The May Revision includes a total of \$1.4 billion in one-time Proposition 98 General Fund to pay down the backlog of the state's obligations attributable to K-12 education mandates. This is an increase of \$134.8 million from the January proposal to pay down approximately \$1.3 billion. Similar to last year's mandates payment, the Administration notes that this is discretionary one-time funding that K-12 schools could use to make investments in academic content standards implementation, technology, professional development, beginning teacher induction programs, and deferred maintenance, among other uses.
- **Early Education Block Grant Proposal.** Building on the Governor's January proposal to create a consolidated \$1.6 billion Early Education Block Grant, which would target pre-kindergarten funding and services for low-income and at-risk preschoolers, the May Revision incorporates feedback from four public comment sessions to include: (1) \$20 million Proposition 98 General Fund (\$10 million ongoing and \$10 million one-time) for county offices of education to work in the budget year for a transition to the new early education program; (2) postpones its start date to 2017-18; (3) development of a regional early learning plan that would align pre-K and K-12 programs; and (4) the use of an existing locally-based quality rating system to define pre-K program quality.
- **Emergency Repair Revolving Loan Program.** The May Revision includes \$100 million in one-time Proposition 98 funds to create a new loan program that will allow schools with immediate health and safety needs to receive loan funds through an expedited process to address immediate facility needs.
- **Proposition 39 Energy Efficiency Programs for K-12 Education.** The May Revision increases the amount of energy efficiency funds available to K-12 schools in 2016-17 by \$33.3 million, to \$398.8 million, to reflect increased revenue estimates.
- **California Center on Teaching Careers.** The May Revision includes \$2.5 million in one-time Proposition 98 funds for a competitive multi-year grant, administered by the Commission on Teacher Credentialing, to be awarded to a local educational agency to administer the California Center on Teaching Careers. This center would support statewide recruitment of individuals into the teaching profession.
- **Other Technical Adjustments.** The May Revision also includes the following adjustments:
 - **Local Property Taxes.** A decrease of \$196.5 million in 2015-16 and a decrease of \$211.3 million in 2016-17 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education as a result of higher offsetting property tax revenues. An additional increase of up to \$28.5 million in 2015-16 for special education

local plan areas for an unexpected decrease in property taxes related to the end of the triple flip.

- o **Average Daily Attendance.** An increase of \$11.2 million in 2015-16 and a decrease of \$2 million in 2016-17 for school districts, charter schools, and county offices of education as a result of changes in projected attendance.
- o **Categorical Program Growth.** A decrease of \$5.7 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.
- o **Cost-of-Living Adjustments.** A decrease of \$22.9 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of zero percent for 2016-17, reduced from the 0.47 percent estimated in January.

Major Program Changes — California Community Colleges

- **Increased Operating Expenses.** Proposes an increase of \$75 million Proposition 98 General Fund to support community college operating expenses.
- **Local Property Tax Adjustment.** Proposes an increase of \$51.2 million Proposition 98 General Fund in 2016-17 as a result of decreased offsetting local property tax revenues. Proposes an increase of up to \$38.6 million Proposition 98 General Fund in 2015-16, provided on a contingency basis, for an anticipated shortfall in property taxes related to the end of the triple flip for community college apportionment. Any funds not needed to support the shortfall would become available for additional mandate payments.
- **Mandate Debt Payment.** Proposes an increase of \$29.2 million one-time Proposition 98 General Fund to pay for outstanding mandate debt on a per full-time equivalent student basis, and provides districts with discretionary one-time funding for investments in local priorities.
- **Online Education Initiative.** Proposes \$20 million one-time Proposition 98 General Fund to expand and expedite the adaptation and development of online courses through the online course exchange.
- **Telecommunications and Technology Infrastructure Program.** Proposes an increase \$5 million ongoing Proposition 98 General Fund and \$7 million one-time Proposition 98 General Fund to support the Telecommunications and Technology Infrastructure Program, which will expand broadband capacity across campuses.
- **Adult Education Technical Assistance.** Includes a \$5 million one-time Proposition 98 General Fund increase to provide consortia with technical assistance, coordination, and capacity building assistance through the 2018-19 fiscal year.
- **Full-Time Student Success Funding.** Includes an increase of \$2.2 million Proposition 98 General Fund to reflect the inclusion of Cal Grant C recipients, and an increased estimate of eligible Cal Grant B students in 2016-17.

- **Academic Senate Funding.** Includes an increase of \$300,000 Proposition 98 General Fund to support the Academic Senate of the Community Colleges.
- **Deferred Maintenance and Instructional Equipment.** A decrease of \$65.8 million in Proposition 98 General Fund to reflect alternative spending priorities. This leaves \$219.4 million in one-time Proposition 98 General Fund for deferred maintenance.
- **Cost-of-Living Adjustments.** Proposes a cost-of-living adjustment from 0.47 percent to 0.00 percent, and corresponding adjustments in various activities. Specifically, a decrease of \$1.3 million Proposition 98 General Fund for the Disabilities Student Programs and Services program, the Extended Opportunities Programs and Services program, the Special Services for CalWORKs Recipients program, and the Child Care Tax Bailout program; a decrease of \$136,000 Proposition 98 General Fund for the hourly non-credit funding rate for the Community College and K-12 apprenticeship programs; and a decrease of \$29.3 million for apportionments.
- **Proposition 39.** Proposes an increase of \$4.1 million for a total of \$49.3 million to reflect increased revenue estimates.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



Tuesday, May 17, 2016

1:30 p.m.

State Capitol - Room 3191

Consultant: Anita Lee

AGENDA PART B

VOTE ONLY

<u>Issue</u>	<u>Department</u>	<u>Page</u>
6120	California State Library	
Issue 1	Vote Only	2
6440	University of California	
Issue 2	Vote Only	2
6980	California Student Aid Commission	
Issue 3	Vote Only	3

DISCUSSION/ VOTE

6120	California State Library	
Issue 1	Discussion/Vote Items	6
	Public Comment	
6440	University of California	
Issue 2	Discussion/Vote Items	8
	Public Comment	
6610	California State University	
Issue 3	Discussion/Vote Items	11
	Public Comment	
6980	California Student Aid Commission	
Issue 4	Discussion/Vote Items	14
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ISSUE 1: CALIFORNIA STATE LIBRARY VOTE ONLY				
Item	Subject	Description	Staff Recommendation	Language
1	Increased Facilities Rent and Augmentation for Library Services 6120-011-0001 (May Revision)	It is requested that Item 6120-011-0001 be increased by \$56,000 to provide additional funds for estimated increases in rent and facilities costs at the State Library's 900 N Street building in Sacramento. The State Library has limited ability to absorb increases in these costs and also maintain existing program levels. Therefore, this request adjusts the appropriation based on changes in those costs in fiscal year 2016-17.	Approve as proposed	BBL

ISSUE 2: UNIVERSITY OF CALIFORNIA VOTE ONLY				
Item	Subject	Description	Staff Recommendation	Language
2	UC Revenue Adjustment 6440-001-0234 (May Revision)	The May Revision includes a decrease of \$474,000 from the Cigarette and Tobacco Products Surtax Fund Research Account. The purpose of this funding is for tobacco-related disease research.	Approve as proposed	BBL
3	Amend Provision Related to Sustainability Plan 6440-001-0001 (May Revision)	The Administration proposes that the Budget Bill provisions related to the Regents' adoption of a sustainability plan reflect that action. Therefore, it is requested that paragraph (1) of subdivision (a) of Provision 3 of Item 6440-001-0001 be amended to assume the availability of resources consistent with the framework for long-term funding endorsed by the Regents in May 2015.	Approve as proposed	BBL

**ISSUE 3: CALIFORNIA STUDENT AID COMMISSION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language
4	Increase Reimbursements for Partnership with College Futures Foundation 6980-001-0001 (May Revision)	The May Revision includes a \$500,000 increase on one-time basis to allow CSAC to receive funds for a potential partnership with the College Futures Foundation. The scope of the arrangement is being finalized. To the extent an agreement is not reached, no additional funds would be expended.	Approve as proposed	BBL
5	Revise Cal Grant Program Estimates 6980-101-0001 (May Revision)	The May Revision proposes a decrease of \$101,582,000 to reflect revised cost estimates for the Cal Grant program primarily due to update participation information. Additionally, the May Revision assumes a \$51 million decrease to reflect revised estimates of grant recipients and average award amounts in 2015-16.	Approve as proposed	BBL
6	Adjust Offset of General Fund for Cal Grant Program with Temporary Assistance for Needy Families (TANF) Reimbursements 6980-101-0001 (May Revision)	The May Revision proposes a decrease of \$282,965,000 to reflect an increase in the amount of TANF reimbursements budgeted to support costs of the Cal Grant program. These reimbursements directly offset General Fund costs.	Approve as proposed	BBL

7	Adjust estimates for various Loan Assumption Programs for Education 6980-101-0001 (May Revise)	The May Revision proposes an increase of \$2,000 to reflect revised cost estimates for the Graduate Assumption Program of Loans for Education. The May Revise proposes a decrease of \$91,000 to reflect revised cost estimates for the State Nursing Assumption Program of Loans for Education. The May Revise assumes incremental expenditure of \$67,000 to reflect revised cost estimates for 2015-16.	Approve as proposed	BBL
8	Supplement to Cal Grant B Access Award 6980-101-3263 (May Revise)	The May Revision proposes an increase of \$3,184,000 for a total of \$5,102,000 to reflect available resources in the College Access Tax Credit Fund. This request would allow the Commission to make a supplemental award of \$22 to each student who receives a Cal Grant B access award.	Approve as proposed	BBL
9	Revise Funding for Law Enforcement Personnel Dependents Grant Program Estimates 6980-001-0001 (May Revise)	The May Revision assumes incremental savings of \$3,000 in Item 6980-001-0001 to reflect revised cost estimates for the Law Enforcement Personnel Dependents Grant Program.	Approve as proposed	BBL

10	Middle Class Scholarship Program Estimates 6980-101-0001 (May Revise)	<p>The May Revision assumes incremental savings of \$33,539,000 in Item 6980-101-0001 to reflect anticipated savings in the Middle Class Scholarship Program. Existing law appropriates \$82 million for the program in 2015-16. The Commission estimates costs of \$48,461,000 that year.</p> <p>The Legislative Analyst's Office recommends assuming \$42 million savings for 2016-17. This assumes participation grows in line with UC and CSU enrollment and accounts for the scheduled ramping up of award amounts. The LAO also recommends budget bill language allowing DOF to increase funding up to the statutory limit if actual expenditures are higher than budgeted. This would ensure award amounts are not reduced due to insufficient funds.</p>	Approve as proposed. Adopt placeholder TBL and BBL to assume \$42 million in savings, and allow DOF to increase funding up to the statutory limit if actual expenditures are higher than budgeted.	BBL
11	Grant Delivery System Procurement Project Planning 6980-001- 0001 (May Revision)	<p>The May Revision proposes an increase of \$396,000 on a one-time basis for planning for the procurement of a new grant delivery system. Limited-term spending would be used to hire a project manager, IT project oversight, and an independent verification and validation positions. The Project Approval Lifecycle, as implemented by the Department of Technology, is a four-stage process departments follow when planning information technology projects. CSAC has submitted documents necessary to finish the first stage, which requires a business analysis. CSAC is expected to perform activities required in the second and third stages, which include alternatives analysis and solution development, in fiscal year 2016-17.</p>	Approve as proposed.	BBL
12	Fund Support for Existing Grant Delivery System 6980-001- 0001 (May Revision)	<p>The May Revision requests \$1,971,000 for upgrades to the existing Grant Delivery System. Of this amount, \$526,000 is provided on an ongoing basis and \$1,445,000 is provided on a one-time basis. A recent security audit of the Grant Delivery System identified a number of risks. The proposed resources would be used for staff, consulting, equipment and associated costs to mitigate many of the items described in the audit. CSAC is also expected to reallocate resources to address any remaining issues.</p>	Approve as proposed.	BBL

ISSUE 1: CALIFORNIA STATE LIBRARY DISCUSSION and VOTE					
Item	Subject	Description	Staff Recommendation	Language	Comments
1	California Library Services Act (CSLA) program 6120-211-0001	<p>The Governor proposes a \$4.8 million increase for CLSA regional cooperatives. Of this amount, \$3 million is one-time and \$1.8 million is ongoing. According to the Administration, the board would determine in the future how to distribute the one-time funding, and it would distribute the ongoing funding based on the number of people residing within each of the cooperative's boundaries. The Administration indicates it intends for the regional cooperatives to use the funding to engage in "new business practices" and adopt new technologies to share resources.</p> <p>The Governor also proposes trailer bill language to modify the CLSA by removing references to the transaction-based reimbursement, which previously covered a small portion of the costs for local libraries extending lending services beyond their jurisdiction. Since 2011, the state has not provided funding for the transaction-based reimbursement. Trailer bill language also clarifies that cooperatives may use CLSA funding for exchanging print and digital materials.</p>	Approve and revise TBL to require the board to submit a report to the Director of Finance and the Legislature, by September 1, 2017, about the use of the \$3 million one-time funds. The report shall include a summary of the grants awarded, the progress of grantees towards establishing regional or statewide E-resource platforms, information about the utilization of shared E-resources resulting from the grants, and a description of other funding benefitting the projects.	BBL and TBL	<p>The State Librarian in late April submitted a letter to the Legislature with four potential uses for the funding. These are (1) development of a regional or statewide E-resource platform, (2) issuance of regional or statewide digital library cards, (3) expansion of digital content at local libraries, and (4) development of partnerships between libraries and other public and private agencies.</p> <p>The LAO recommends directing the State Library to submit plan for consideration in 2017-18 budget and reject the proposal without prejudice.</p>

2	Augmentation for Library Services (May Revise) 6120-011-0001	<p>The May Revision proposes the Library Services Act be increased by \$505,000 to provide additional funds for costs of publications, database subscriptions, and other resources. This request provides funds for items identified in the State Library's review of its users' needs.</p> <p>The 2015-16 budget provided \$521,000 General Fund on a one-time basis for digital scanning equipment, to help the library make critical improvements to better preserve historical materials. In addition to the State Library, the California Historical Society (CHS) headquartered in San Francisco, also conducts preservation activities. CHS is the state's official historical society, and has a collection of 50,000 volumes of books and pamphlets, 4,000 manuscripts, 750,000 photographs, posters, maps and periodicals, and artifacts of California history. CHS also has a Los Angeles office at LA Plaza de Cultura y Artes, which holds interactive exhibits and programs regarding Mexican-American culture. In 2015, the State Library worked with CHS to enhance online access to the CHS collection, including the creation of a digital asset management system, associated archival cloud-based storage infrastructure, and a public facing web-searchable database.</p>	<p>Approve May Revision proposal and provide \$1 million one-time General Fund to the State Library to support the CHS to increase access to exhibitions and public programs in its San Francisco and Los Angeles offices.</p>	BBL	<p>The Governor's proposal will provide \$343,000 for microfilm, \$141,000 for databases and other e-resources, and \$21,000 for periodicals and specialized academic and scientific journals.</p> <p>The LAO recommends rejecting the Governor's May Revise proposal without prejudice until more information justifying the associated costs is available.</p>
---	--	--	--	-----	--

ISSUE 2: UNIVERSITY OF CALIFORNIA DISCUSSION and VOTE					
Item	Subject	Description	Staff Recommendation	Language	Comments
3	UC Funding 6440-001-0001	<p>The Governor's budget proposes \$125.4 million General Fund increase for the UC to support the Administration's plan in higher education that started in 2013-14. This funding comes with budget bill language requiring the UC to file a three-year sustainability plan by November 30, 2016, but there is no other budget language directing UC on how to spend this additional funding.</p> <p>Staff recommends to increase this item by \$51 million General Fund to increase enrollment by 4,000 resident students, with each campus to significantly increase the number of resident students enrolled at high schools with 75 percent or more unduplicated students, and provide targeted retention and student support services, with \$6 million General Fund to enroll 600 more graduate students. If the university does not meet the enrollment goal specified in provision by at least 400 students, the Director of Finance shall revert to the General Fund by May 15, 2018 the amount of funding equivalent to the marginal cost in provision multiplied by the difference in actual resident undergraduate enrollment and the enrollment goal.</p>	<p>Adopt modified BBL to increase the item by \$51 million to do all of the following (1) enroll 4,000 more undergraduate resident students, and to establish a program for each campus to significantly increase the number of resident students enrolled from high schools with 75 percent or more unduplicated students, and provide targeted student support services; (2) allocate \$6 million to enroll 600 more graduate students; (3) require UC provide a report by May 1, 2018 on whether it has met the 2017-18 enrollment goal; (4) If the university does not meet the enrollment goal, funding for the difference between the enrollment goal and actual enrollment will be reverted back to the General Fund.</p>	BBL	

4	A-G Success Initiative	<p>The Administration proposes trailer bill language to appropriate \$4 million General Fund on a one-time basis for an A-G Success Initiative. The initiative will provide funds for the development of high-quality online classes and curriculum that would be approved by the UC for purposes of satisfying the A-G subject requirements, including advanced placement classes and curriculum. Trailer bill specifies that funds shall be used to develop at least 45 A-G online courses. While the proposal does not specify a particular program, the Administration indicates this funding will be provided to UC Scout.</p> <p>UC Scout currently provides 26 online A-G and advanced placement courses for high school students. California high schools and students can use UC Scout for free to supplement face-to-face instruction. Alternatively, students directly or schools on their behalf can pay a course fee ranging from \$169 to \$299 per semester for UC Scout to provide credit-bearing instruction solely online.</p>	<p>Adopt placeholder TBL for \$4 million for the development of A-G courses at K-12 districts within an existing UC outreach program.</p>	TBL	<p>LAO notes that the proposal lacks information on how much unmet demand exists for additional online A-G courses, and which specific course have the greatest unmet demand. LAO recommends to reject with prejudice.</p>
---	-------------------------------	--	---	-----	--

5	Firearm Violence Research Center	<p>Provisions within federal appropriations prohibit the Centers for Disease Control and Prevention from using funds to advocate or promote gun control. Staff recommends providing \$5 million one-time General Fund over five years to establish a Firearm Violence Research Center at the University of California. This center seeks to fill a void in research by providing the scientific evidence on which firearm violence prevention policies and programs can be based. Its research shall include, but not be limited to, the effectiveness of existing laws and policies intended to reduce firearm violence, including the criminal misuse of firearms, and efforts to promote the responsible ownership and use of firearms.</p>	<p>Adopt placeholder trailerbill language for \$5 million one-time General Fund to establish the center.</p>	TBL	
---	---	--	--	-----	--

ISSUE 3: CALIFORNIA STATE UNIVERSITY DISCUSSION and VOTE					
Item	Subject	Description	Staff Recommendation	Language	Comments
6	Unallocated Base Augmentation 6610-001-0001	<p>The Governor's proposed budget includes a \$148.3 million General Fund increase for CSU to support the Administration's fourth installment of their four-year investment plan in higher education. The budget proposes: (1) a \$125.4 million unallocated augmentation identical to UC's base increase, (2) an additional unallocated \$15 million associated with savings from changes to the Middle Class Scholarship program made in 2015-16, and (3) \$7.9 million for lease-revenue bond debt service. The Governor does not propose enrollment targets or enrollment growth funding and assumes no increase in tuition.</p> <p>Staff suggests that of this schedule, \$27.35 million is for CSU to increase enrollment by 3,565 full-time equivalent students (FTES) at the CSU by the end of the 2016-17, when compared to 2015-16. The CSU shall provide a preliminary report to the Legislature by March 15, 2017, and a final report by May 1, 2017, on whether it has met the 2016-17 enrollment goal. If CSU does not meet its total state-supported enrollment goal by at least a margin of error of 357 FTES by May 15, 2017, the DOF will revert the total amount of enrollment funding associated with the total share of the enrollment goal that was not met.</p>	Approve modified BBL to (1) increase enrollment by 3,565 full-time equivalent students, (2) require CSU to provide a preliminary report to the Legislature by March 15, 2017, and a final report by May 1, 2017, on whether it has met the 2016-17 enrollment goal, and (3) should the CSU not meet this goal, funds will revert to the General Fund.	BBL	

7	One-Time Funding for New Plans to Improve Graduation Rates 6610-001-0001	<p>The Administration proposes trailer bill language to appropriate \$25 million from the General Fund to the CSU on a one-time basis. Release of these funds would be contingent upon certification by DOF that the plans approved by the trustees to increase four-year graduation rates and two-year transfer graduation rates are consistent with the approach described in the Governor's Revised Budget Summary. Given this proposal, the administration proposes to delete the required sustainability plan from the budget bill.</p>	<p>Approve \$35 million General Fund and modify TBL to (1) include a plan and time frame to increase four-year and two-year graduation rates for first generation college students, and underrepresented minorities students; (2) clarify that a comparable institution is of similar size and has similar student demographics as CSU, and (3) require CSU to adopt policy recommendations for the CSU and the Legislature to address systemwide and individual campus time-frame goals of 2-year and 4 year graduation rates, to be modified as necessary. Reject proposal to remove the sustainability plan.</p>	TBL and BBL	<p>CSU's overall four-year graduation rate for first time freshman is 19 percent, where as the four-year graduation rate for low-income freshman students is 12 percent. Additionally, the overall two-year graduation rate for transfer students is 30 percent, compared to 29 percent of low-income transfer students.</p> <p>The LAO recommends rejecting the proposal as this focuses on one performance metric, and notes that it is unclear if CSU would spend the funding in ways that improve its graduation rates.</p>
---	--	--	---	----------------	---

8	CSU Student Success Network 6610-003-0001	The May Revise proposes that Item 6610-003-0001 be added in the amount of \$1.1 million to support the CSU Student Success Network. This new network would be led by faculty, staff, and administrators across campuses and administered by the Education Insights Center at CSU Sacramento. The network would support campus leaders who are committed to exploring new ways to improve outcomes for students and scaling effective practices more broadly by convening them to identify common challenges, conducting research on interventions, and disseminating information across the system.	Approve as proposed.	BBL	<p>The network involves 13 campuses conducting foundational research in the CSU, holding convenings, and disseminating key findings to help drive reforms in the CSU.</p> <p>The LAO notes that CSU already has available \$38 million ongoing to improve student outcomes, the Legislature could earmark funding for this proposal from within CSU's existing base appropriation.</p>
---	---	---	----------------------	-----	--

**ISSUE 4: CALIFORNIA STUDENT AID COMMISSION
DISCUSSION and VOTE**

	Subject	Description	Staff Recommendation	Language	Comments
9	California Student Opportunity and Access Program (Cal-SOAP) 6980-101-0001	<p>The California Student Opportunity and Access Program (Cal-SOAP) provides services to improve postsecondary opportunities for socioeconomically-challenged elementary and secondary school students. Services include providing information about postsecondary education and financial aid, tutoring, and academic preparation.</p> <p>Funding for Cal-SOAP programs is provided on a matching basis between state funds matched by local consortia partners on at least a 1:1 ratio. Matching contributions are provided in the form of cash, work study, or in-kind services, with in-kind services representing the majority of the match. Currently, there are 14 Cal-SOAP consortia, who receive between \$276,000 to \$580,000, based on consortium size. There is no consortia currently in the Inland Empire. CSAC notes that various entities have expressed interest in developing a consortia in the region.</p>	Adopt modified BBL to provide \$340,000 to create a Cal-SOAP consortia in the Inland Empire, of which \$90,000 is one-time for a planning grant.	BBL	
10	Adjust estimates for Assumption Programs for Education	The May Revision also proposes a decrease of \$2,262,000 to reflect revised cost estimates for the Assumption Program of Loans for Education. For 2015-16, the May Revision assumes incremental savings of \$2.1 million to reflect revised cost estimates for the program.	Approve as proposed.	BBL	

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



Tuesday, May 17, 2016

1:30 p.m.

State Capitol - Room 3191

Consultant: Anita Lee

AGENDA PART B

VOTE ONLY Outcomes

<u>Issue</u>		<u>Page</u>
6120	<u>Department</u>	
Issue 1	California State Library	2
6440	Vote Only	
Issue 2	University of California	2
6980	Vote Only	
Issue 3	California Student Aid Commission	3
	Vote Only	

DISCUSSION/ VOTE/OUTCOMES

6120	<u>California State Library</u>	6
Issue 1	Discussion/Vote Items	
6440	Public Comment	
Issue 2	University of California	8
6610	Discussion/Vote Items	
Issue 3	Public Comment	
6980	California State University	11
Issue 4	Discussion/Vote Items	
	Public Comment	
	California Student Aid Commission	14
	Discussion/Vote Items	
	Public Comment	

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ISSUE 1: CALIFORNIA STATE LIBRARY VOTE ONLY					
Item	Subject	Description	Staff Recommendation	Language	Vote
1	Increased Facilities Rent and Augmentation for Library Services 6120-011-0001 (May Revision)	It is requested that Item 6120-011-0001 be increased by \$56,000 to provide additional funds for estimated increases in rent and facilities costs at the State Library's 900 N Street building in Sacramento. The State Library has limited ability to absorb increases in these costs and also maintain existing program levels. Therefore, this request adjusts the appropriation based on changes in those costs in fiscal year 2016-17.	Approve as proposed	BBL	3-0
ISSUE 2: UNIVERSITY OF CALIFORNIA VOTE ONLY					
Item	Subject	Description	Staff Recommendation	Language	Vote
2	UC Revenue Adjustment 6440-001-0234 (May Revision)	The May Revision includes a decrease of \$474,000 from the Cigarette and Tobacco Products Surtax Fund Research Account. The purpose of this funding is for tobacco-related disease research.	Approve as proposed	BBL	3-0
3	Amend Provision Related to Sustainability Plan 6440-001-0001 (May Revision)	The Administration proposes that the Budget Bill provisions related to the Regents' adoption of a sustainability plan reflect that action. Therefore, it is requested that paragraph (1) of subdivision (a) of Provision 3 of Item 6440-001-0001 be amended to assume the availability of resources consistent with the framework for long-term funding endorsed by the Regents in May 2015.	Approve as proposed	BBL	3-0

**ISSUE 3: CALIFORNIA STUDENT AID COMMISSION
VOTE ONLY**

Item	Subject	Description	Staff Recommendation	Language	Vote
4	Increase Reimbursements for Partnership with College Futures Foundation 6980-001-0001 (May Revision)	The May Revision includes a \$500,000 increase on one-time basis to allow CSAC to receive funds for a potential partnership with the College Futures Foundation. The scope of the arrangement is being finalized. To the extent an agreement is not reached, no additional funds would be expended.	Approve as proposed	BBL	3-0
5	Revise Cal Grant Program Estimates 6980-101-0001 (May Revision)	The May Revision proposes a decrease of \$101,582,000 to reflect revised cost estimates for the Cal Grant program primarily due to update participation information. Additionally, the May Revision assumes a \$51 million decrease to reflect revised estimates of grant recipients and average award amounts in 2015-16.	Approve as proposed	BBL	3-0
6	Adjust Offset of General Fund for Cal Grant Program with Temporary Assistance for Needy Families (TANF) Reimbursements 6980-101-0001 (May Revision)	The May Revision proposes a decrease of \$282,965,000 to reflect an increase in the amount of TANF reimbursements budgeted to support costs of the Cal Grant program. These reimbursements directly offset General Fund costs.	Approve as proposed	BBL	3-0

7	Adjust estimates for various Loan Assumption Programs for Education 6980-101-0001 (May Revise)	The May Revision proposes an increase of \$2,000 to reflect revised cost estimates for the Graduate Assumption Program of Loans for Education. The May Revise proposes a decrease of \$91,000 to reflect revised cost estimates for the State Nursing Assumption Program of Loans for Education. The May Revise assumes incremental expenditure of \$67,000 to reflect revised cost estimates for 2015-16.	Approve as proposed	BBL	3-0
8	Supplement to Cal Grant B Access Award 6980-101-3263 (May Revise)	The May Revision proposes an increase of \$3,184,000 for a total of \$5,102,000 to reflect available resources in the College Access Tax Credit Fund. This request would allow the Commission to make a supplemental award of \$22 to each student who receives a Cal Grant B access award.	Approve as proposed	BBL	3-0
9	Revise Funding for Law Enforcement Personnel Dependents Grant Program Estimates 6980-001-0001 (May Revise)	The May Revision assumes incremental savings of \$3,000 in Item 6980-001-0001 to reflect revised cost estimates for the Law Enforcement Personnel Dependents Grant Program.	Approve as proposed	BBL	3-0

10	Middle Class Scholarship Program Estimates 6980-101-0001 (May Revise)	The May Revision assumes incremental savings of \$33,539,000 in Item 6980-101-0001 to reflect anticipated savings in the Middle Class Scholarship Program. Existing law appropriates \$82 million for the program in 2015-16. The Commission estimates costs of \$48,461,000 that year. The Legislative Analyst's Office recommends assuming \$42 million savings for 2016-17. This assumes participation grows in line with UC and CSU enrollment and accounts for the scheduled ramping up of award amounts. The LAO also recommends budget bill language allowing DOF to increase funding up to the statutory limit if actual expenditures are higher than budgeted. This would ensure award amounts are not reduced due to insufficient funds.	Approve as proposed. Adopt placeholder TBL and BBL to assume \$42 million in savings, and allow DOF to increase funding up to the statutory limit if actual expenditures are higher than budgeted.	BBL	2-1 (Moorlach voting no)
11	Grant Delivery System Procurement Project Planning 6980-001- 0001 (May Revision)	The May Revision proposes an increase of \$396,000 on a one-time basis for planning for the procurement of a new grant delivery system. Limited-term spending would be used to hire a project manager, IT project oversight, and an independent verification and validation positions. The Project Approval Lifecycle, as implemented by the Department of Technology, is a four-stage process departments follow when planning information technology projects. CSAC has submitted documents necessary to finish the first stage, which requires a business analysis. CSAC is expected to perform activities required in the second and third stages, which include alternatives analysis and solution development, in fiscal year 2016-17.	Approve as proposed.	BBL	3-0
12	Fund Support for Existing Grant Delivery System 6980-001- 0001 (May Revision)	The May Revision requests \$1,971,000 for upgrades to the existing Grant Delivery System. Of this amount, \$526,000 is provided on an ongoing basis and \$1,445,000 is provided on a one-time basis. A recent security audit of the Grant Delivery System identified a number of risks. The proposed resources would be used for staff, consulting, equipment and associated costs to mitigate many of the items described in the audit. CSAC is also expected to reallocate resources to address any remaining issues.	Approve as proposed.	BBL	3-0

ISSUE 1: CALIFORNIA STATE LIBRARY DISCUSSION and VOTE						
Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
1	California Library Services Act (CSLA) program 6120-211-0001	<p>The Governor proposes a \$4.8 million increase for CLSA regional cooperatives. Of this amount, \$3 million is one-time and \$1.8 million is ongoing. According to the Administration, the board would determine in the future how to distribute the one-time funding, and it would distribute the ongoing funding based on the number of people residing within each of the cooperative's boundaries. The Administration indicates it intends for the regional cooperatives to use the funding to engage in "new business practices" and adopt new technologies to share resources.</p> <p>The Governor also proposes trailer bill language to modify the CLSA by removing references to the transaction-based reimbursement, which previously covered a small portion of the costs for local libraries extending lending services beyond their jurisdiction. Since 2011, the state has not provided funding for the transaction-based reimbursement. Trailer bill language also clarifies that cooperatives may use CLSA funding for exchanging print and digital materials.</p>	Approve and revise TBL to require the board to submit a report to the Director of Finance and the Legislature, by September 1, 2017, about the use of the \$3 million one-time funds. The report shall include a summary of the grants awarded, the progress of grantees towards establishing regional or statewide E-resource platforms, information about the utilization of shared E-resources resulting from the grants, and a description of other funding benefitting the projects.	BBL and TBL	<p>The State Librarian in late April submitted a letter to the Legislature with four potential uses for the funding. These are (1) development of a regional or statewide E-resource platform, (2) issuance of regional or statewide digital library cards, (3) expansion of digital content at local libraries, and (4) development of partnerships between libraries and other public and private agencies.</p> <p>The LAO recommends directing the State Library to submit plan for consideration in 2017-18 budget and reject the proposal without prejudice.</p>	3-0

2	Augmentation for Library Services (May Revise) 6120-011-0001	<p>The May Revision proposes the Library Services Act be increased by \$505,000 to provide additional funds for costs of publications, database subscriptions, and other resources. This request provides funds for items identified in the State Library's review of its users' needs.</p> <p>The 2015-16 budget provided \$521,000 General Fund on a one-time basis for digital scanning equipment, to help the library make critical improvements to better preserve historical materials. In addition to the State Library, the California Historical Society (CHS) headquartered in San Francisco, also conducts preservation activities. CHS is the state's official historical society, and has a collection of 50,000 volumes of books and pamphlets, 4,000 manuscripts, 750,000 photographs, posters, maps and periodicals, and artifacts of California history. CHS also has a Los Angeles office at LA Plaza de Cultura y Artes, which holds interactive exhibits and programs regarding Mexican-American culture. In 2015, the State Library worked with CHS to enhance online access to the CHS collection, including the creation of a digital asset management system, associated archival cloud-based storage infrastructure, and a public facing web-searchable database.</p>	<p>Approve May Revision proposal and provide \$1 million one-time General Fund to the State Library to support the CHS to increase access to exhibitions and public programs in its San Francisco and Los Angeles offices.</p>	BBL	<p>The Governor's proposal will provide \$343,000 for microfilm, \$141,000 for databases and other e-resources, and \$21,000 for periodicals and specialized academic and scientific journals.</p> <p>The LAO recommends rejecting the Governor's May Revise proposal without prejudice until more information justifying the associated costs is available.</p>	2-0 (Block Abstaining)
---	--	--	--	-----	--	---------------------------

ISSUE 2: UNIVERSITY OF CALIFORNIA DISCUSSION and VOTE						
Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
3	UC Funding 6440-001-0001	<p>The Governor's budget proposes \$125.4 million General Fund increase for the UC to support the Administration's plan in higher education that started in 2013-14. This funding comes with budget bill language requiring the UC to file a three-year sustainability plan by November 30, 2016, but there is no other budget language directing UC on how to spend this additional funding.</p> <p>Staff recommends to increase this item by \$51 million General Fund to increase enrollment by 4,000 resident students, with each campus to significantly increase the number of resident students enrolled at high schools with 75 percent or more unduplicated students, and provide targeted retention and student support services, with \$6 million General Fund to enroll 600 more graduate students. If the university does not meet the enrollment goal specified in provision by at least 400 students, the Director of Finance shall revert to the General Fund by May 15, 2018 the amount of funding equivalent to the marginal cost in provision multiplied by the difference in actual resident undergraduate enrollment and the enrollment goal.</p>	<p>Adopt modified BBL to increase the item by \$51 million to do all of the following (1) enroll 4,000 more undergraduate resident students, and to establish a program for each campus to significantly increase the number of resident students enrolled from high schools with 75 percent or more unduplicated students, and provide targeted student support services; (2) allocate \$6 million to enroll 600 more graduate students; (3) require UC provide a report by May 1, 2018 on whether it has met the 2017-18 enrollment goal; (4) If the university does not meet the enrollment goal, funding for the difference between the enrollment goal and actual enrollment will be reverted back to the General Fund.</p>	BBL		2-1 (Moorlach Voting No)

4	A-G Success Initiative	<p>The Administration proposes trailer bill language to appropriate \$4 million General Fund on a one-time basis for an A-G Success Initiative. The initiative will provide funds for the development of high-quality online classes and curriculum that would be approved by the UC for purposes of satisfying the A-G subject requirements, including advanced placement classes and curriculum. Trailer bill specifies that funds shall be used to develop at least 45 A-G online courses. While the proposal does not specify a particular program, the Administration indicates this funding will be provided to UC Scout.</p> <p>UC Scout currently provides 26 online A-G and advanced placement courses for high school students. California high schools and students can use UC Scout for free to supplement face-to-face instruction. Alternatively, students directly or schools on their behalf can pay a course fee ranging from \$169 to \$299 per semester for UC Scout to provide credit-bearing instruction solely online.</p>	<p>Adopt placeholder TBL for \$4 million for the development of A-G courses at K-12 districts within an existing UC outreach program.</p>	TBL	<p>LAO notes that the proposal lacks information on how much unmet demand exists for additional online A-G courses, and which specific course have the greatest unmet demand. LAO recommends to reject with prejudice.</p>	3-0
5	Firearm Violence Research Center	<p>Provisions within federal appropriations prohibit the Centers for Disease Control and Prevention from using funds to advocate or promote gun control. Staff recommends providing \$5 million one-time General Fund over five years to establish a Firearm Violence Research Center at the University of California. This center seeks to fill a void in research by providing the scientific evidence on which firearm violence prevention policies and programs can be based. Its research shall include, but not be limited to, the effectiveness of existing laws and policies intended to reduce firearm violence, including the criminal misuse of firearms, and efforts to promote the responsible ownership and use of firearms.</p>	<p>Adopt placeholder trailerbill language for \$5 million one-time General Fund to establish the center.</p>	TBL		2-1 (Moorlach Voting No)

**ISSUE 3: CALIFORNIA STATE UNIVERSITY
DISCUSSION and VOTE**

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote	
6	Unallocated Base Augmentation 6610-001-0001	<p>The Governor's proposed budget includes a \$148.3 million General Fund increase for CSU to support the Administration's fourth installment of their four-year investment plan in higher education. The budget proposes: (1) a \$125.4 million unallocated augmentation identical to UC's base increase, (2) an additional unallocated \$15 million associated with savings from changes to the Middle Class Scholarship program made in 2015-16, and (3) \$7.9 million for lease-revenue bond debt service. The Governor does not propose enrollment targets or enrollment growth funding and assumes no increase in tuition.</p> <p>Staff suggests that of this schedule, \$27.35 million is for CSU to increase enrollment by 3,565 full-time equivalent students (FTES) at the CSU by the end of the 2016-17, when compared to 2015-16. The CSU shall provide a preliminary report to the Legislature by March 15, 2017, and a final report by May 1, 2017, on whether it has met the 2016-17 enrollment goal. If CSU does not meet its total state-supported enrollment goal by at least a margin of error of 357 FTES by May 15, 2017, the DOF will revert the total amount of enrollment funding.</p>	Approve modified BBL to (1) increase enrollment by 3,565 full-time equivalent students, (2) require CSU to provide a preliminary report to the Legislature by March 15, 2017, and a final report by May 1, 2017, on whether it has met the 2016-17 enrollment goal, and (3) should the CSU not meet this goal, funds will revert to the General Fund.	BBL			3-0

7	One-Time Funding for New Plans to Improve Graduation Rates 6610-001-0001	<p>The Administration proposes trailer bill language to appropriate \$25 million from the General Fund to the CSU on a one-time basis. Release of these funds would be contingent upon certification by DOF that the plans approved by the trustees to increase four-year graduation rates and two-year transfer graduation rates are consistent with the approach described in the Governor's Revised Budget Summary. Given this proposal, the administration proposes to delete the required sustainability plan from the budget bill.</p>	<p>Approve \$35 million General Fund and modify TBL to (1) include a plan and time frame to increase four-year and two-year graduation rates for first generation college students, and underrepresented minorities students; (2) clarify that a comparable institution is of similar size and has similar student demographics as CSU, and (3) require CSU to adopt policy recommendations for the CSU and the Legislature to address systemwide and individual campus time-frame goals of 2-year and 4 year graduation rates, to be modified as necessary. Reject proposal to remove the sustainability plan.</p>	TBL and BBL	<p>CSU's overall four-year graduation rate for first time freshman is 19 percent, where as the four-year graduation rate for low-income freshman students is 12 percent. Additionally, the overall two-year graduation rate for transfer students is 30 percent, compared to 29 percent of low-income transfer students.</p> <p>The LAO recommends rejecting the proposal as this focuses on one performance metric, and notes that it is unclear if CSU would spend the funding in ways that improve its graduation rates.</p>	2-1 (Moorlach Voting No)
---	--	--	---	-------------	---	--------------------------

8	CSU Student Success Network 6610-003-0001	The May Revise proposes that Item 6610-003-0001 be added in the amount of \$1.1 million to support the CSU Student Success Network. This new network would be led by faculty, staff, and administrators across campuses and administered by the Education Insights Center at CSU Sacramento. The network would support campus leaders who are committed to exploring new ways to improve outcomes for students and scaling effective practices more broadly by convening them to identify common challenges, conducting research on interventions, and disseminating information across the system.	Approve as proposed.	BBL	<p>The network involves 13 campuses conducting foundational research in the CSU, holding convenings, and disseminating key findings to help drive reforms in the CSU.</p> <p>The LAO notes that CSU already has available \$38 million ongoing to improve student outcomes, the Legislature could earmark funding for this proposal from within CSU's existing base appropriation.</p>	3-0
---	---	---	----------------------	-----	--	-----

ISSUE 4: CALIFORNIA STUDENT AID COMMISSION DISCUSSION and VOTE						
	Subject	Description	Staff Recommendation	Language	Comments	Vote
9	California Student Opportunity and Access Program (Cal-SOAP) 6980-101-0001	<p>The California Student Opportunity and Access Program (Cal-SOAP) provides services to improve postsecondary opportunities for socioeconomically-challenged elementary and secondary school students. Services include providing information about postsecondary education and financial aid, tutoring, and academic preparation.</p> <p>Funding for Cal-SOAP programs is provided on a matching basis between state funds matched by local consortia partners on at least a 1:1 ratio. Matching contributions are provided in the form of cash, work study, or in-kind services, with in-kind services representing the majority of the match. Currently, there are 14 Cal-SOAP consortia, who receive between \$276,000 to \$580,000, based on consortium size. There is no consortia currently in the Inland Empire. CSAC notes that various entities have expressed interest in developing a consortia in the region.</p>	Adopt modified BBL to provide \$340,000 to create a Cal-SOAP consortia in the Inland Empire, of which \$90,000 is one-time for a planning grant.	BBL		2-1 (Moorlach Voting No)
10	Adjust estimates for Assumption Programs for Education	The May Revision also proposes a decrease of \$2,262,000 to reflect revised cost estimates for the Assumption Program of Loans for Education. For 2015-16, the May Revision assumes incremental savings of \$2.1 million to reflect revised cost estimates for the program.	Approve as proposed.	BBL		Held Open

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Wednesday, May 18, 2016
1:30 p.m. or Upon Call of the Chair
State Capitol - Room 3191**

Consultant: Elisa Wynne

PART A

<u>Issue</u>	<u>Department</u>	<u>Page</u>
--------------	-------------------	-------------

VOTE ONLY

6100	California Department of Education	
Issue 1	Child Care and Early Education	2
Issue 2	K-12 Local Assistance	6
Issue 3	K-12 State Operations	18
Issue 4	K-12 Trailer Bill Language	19
6360	Commission on Teacher Credentialing	
Issue 1	Other Funds	22

DISCUSSION/ VOTE

6100	California Department of Education	
Issue 1	Child Care and Early Education	23
Issue 2	K-12 Local Assistance	23
Issue 3	K-12 State Operations	28
Issue 4	K-12 Trailer Bill Language	30
6360	Commission on Teacher Credentialing	
Issue 1	Local Assistance	31

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Child Care and Early Education					
1	Early Education Block Grant (Governor's Budget and May Revision)	The Administration proposes to consolidate existing early learning programs into a single Early Education Block Grant. Trailer bill language transmitted with the Governor's Budget, and amended in the May Revision, provides additional details about the Administration's proposal. The proposed amendments establish a local governance model for the new block grant, set minimum program standards, define eligibility, require local planning, set parameters for funding and a transition plan, and allow for ongoing program assessment.	Reject without prejudice. This recommendation includes technical adjustments to reflect the rejection of the consolidation of funds from State Preschool, Transitional Kindergarten, and the Quality Rating System Improvement.	TBL	
2	County Office of Education Funding for the Early Education Block Grant 6100-198-0001 (May Revision)	The Administration proposes to provide \$20 million (\$10 million in ongoing funds and \$10 million in one-time Proposition 98 General Fund for county office of education costs associated with preparing for the implementation of the Early Education Block Grant in 2017-18 and building local capacity to provide early education programs. The May Revision also includes provisional language to conform to this action. Specifically, the language would appropriate to county offices of education the equal amount per unit of regular average daily attendance of school districts in each county for the 2015-16 fiscal year. The language provides a minimum guarantee for COEs at \$100,000.	Reject without prejudice	BBL/TBL	
3	Implementation of the Early Education Block Grant and State Preschool Cost-of-Living (May Revision)	The May Revision proposes language to adjust the amount of Proposition 98 General for State Preschool, in accordance with the proposed Early Education Block Grant and one-year transition. In addition, the language reflects a decrease in the cost-of-living for State Preschool.	Reject without prejudice	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
4	Child Care Development Block Grant Quality Funding 6100-194-0890 (May Revision)	The May Revision proposes provisional language to requires the CDE to develop a new quality funding expenditure plan as an amendment to the state's CCDBG state plan. The new quality expenditure plan must prioritize activities supporting the Quality Rating and Improvement System.	Reject without prejudice	BBL	
5	Child Care Single System Plan (Governor's Budget and May Revision)	The Administration proposes that CDE must create a plan to move state-subsidized child care from a model of direct-contract and voucher-driven subsidies to a model of vouchers only. Amendments proposed in the May Revision clarify that in addition to a transition plan, the SDE shall develop recommendations for a single system of provider reimbursement, a single set of minimum quality standards for care providers, and improved efficiency in the access and use of vouchers for both families and providers.	Reject without prejudice	TBL	
6	Local Planning Councils 6100-194-0890 (May Revision)	The Administration proposes trailer bill language moving local planning council activities within the purview of county offices of education. This streamlining of local child care planning and data collection maintains a collaborative process while identifying county offices of education as the regional leaders in setting priorities for child care and early learning program planning.	Reject without prejudice	BBL/TBL	
7	Align Provisional Language with Proposed Trailer Bill Language for Local Planning Councils (May Revision)	The May Revision proposes to amend budget bill language to align with the Administration's trailer bill language to bring local planning council activities under the purview of county offices of education.	Reject without prejudice	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
8	Administrative Efficiencies (May Revision)	The Administration proposes trailer bill language aligned with several recommendations of the child care administrative efficiency stakeholder workgroups required by Chapter 13, Statutes of 2015. These amendments streamline processes for single-parent verification and notices of action.	Approve as proposed.	TBL	
9	Eliminate the Child Development Teacher and Supervisor Grant Program (May Revision)	The Administration proposes trailer bill language that eliminates the Child Development Teacher and Supervisor Grant program. Beneficiaries of this program may access several other financial aid programs. Eliminating this program allows for \$318,000 in federal Child Care and Development Block Grant funds to be allocated for other child care quality activities.	Reject without prejudice	TBL	
10	Adjust Federal Child Care and Development Fund Carryover 6100-194-0890/0001 (May Revision)	The May Revisions proposes to increase California Work Opportunity and Responsibility to Kids (CalWORKs) carryover for Stage 3 from \$15.4 million to \$50.6 million (an increase of \$35.2 million federal fund) to reflect an increase in one-time federal carryover funds available from prior years. The May Revision proposes to reduce CalWORKs Stage 3 non-Proposition 98 General Fund by a like amount to reflect this change.	Approve as requested	BBL	
11	Adjust Federal Child Care and Development Fund Base Grant 6100-194-0890/0001 (May Revision)	The May Revision proposes to increase CalWORKS Stage 3 funds by \$20.5 million Federal Trust Fund to reflect an increase in the federal grant. The May Revision also requests to make a corresponding decrease in state funds for Stage 3 of \$11.3 million to reflect the federal fund offset of non-Proposition 98 General Fund in the CalWORKs Stage 3 child care program. This net increase would align federal funding for quality activities with the amount required for 2016-17 by the federal Child Care and Development Block Grant.	Approve as requested		

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
12	Early Head Start–Child Care Partnership, Federal Carryover 6100-294-0890 (May Revision)	The May Revision proposes to increase funds for Early Head Start by \$3.8 million Federal Trust Fund to reflect an increase in one-time carryover funds available from prior years to support existing program activities.	Approve as requested	BBL	
13	Adjust CalWORKs Child Care Caseload Funding 6100-194-0001 (May Revision)	The May Revisions proposes to decrease CalWORKS Stage 2 and 3 funding by \$43.2 million General Fund to reflect revised cost estimates for the Stage 2 and Stage 3 child care programs. For Stages 2 and 3, this adjustment reflects a lower projected increase in the cost of providing care; for Stage 3, this adjustment also reflects lower projected caseload.	Approve as requested		
14	Authorization for Mid-Year Transfers Between CalWORKs Stage 2 and CalWORKs Stage 3 Child Care 6100-194-0001 (May Revision)	The May Revision proposes provisional language to allow the Department of Finance discretion to authorize a mid-year transfer of excess funds in CalWORKs Stage 3 child care to CalWORKs Stage 2 child care if the need for the funds exists in that program. This authority currently exists for similar transfers from CalWORKs Stage 2 to CalWORKs Stage 3.	Approve as requested	BBL	
15	Adjust Child Care Programs for Cost-of-Living 6100-194-0001 (May Revision)	The May Revision proposes a decrease of \$3.5 million General Fund to reflect a decrease in the cost-of-living adjustment. The May Revision includes BBL which amends the standard reimbursement rate from \$38.47 to \$38.29 per day for general child care programs. The language also adjusts the cost-of-living adjustment from 0.47 to 0.00 percent.	Approve as requested	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
ISSUE 2: K-12 Local Assistance					
16	Local Control Funding Formula / Education Protection Account (January budget and May Revision)	<p>The May Revision includes adjustments to the total LCFF School District Base Funding in 2016-17 totaling \$1.8 billion and in 2015-16 \$725 million. This includes adjustments for offsetting local revenues, offsetting Education Protection Account funds, basic aid pupil transfers, basic aid supplemental charter school costs, minimum state aid adjustments, adjustments to reverse TK changes from the January budget, For county offices of education, in 2016-17 adjustments include \$69 million and \$70.5 million in 2015-16 for offsetting local revenues, offsetting Education Protection Account funds, minimum state aid adjustments, (growth and COLA 2016-17 for LCFF are noted in separate items below)</p> <p>The Governor's Budget and May Revision also includes changes to Education Protection Account and corresponding items in 2015-16 and 2016-17</p>	<p>Approve as proposed. Conform to Proposition 98 Package.</p>		Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
17	LCFF Transition Funding (January budget and May Revision)	The Governor's Budget and the May Revision provide \$2.979 billion in LCFF transition funding for 2016-17.	<p>Approve \$2.964 in LCFF transition Funding Conform to Proposition 98 Package.</p>	TBL	Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
18	Discretionary Funds and Mandate Debt Payment (January budget and May Revision)	The Governor's Budget and the May Revision provide \$635 million in 2014-15 Proposition 98 funds for K-12 discretionary mandates funds and \$586 million in 2015-16 mandates funding (combined with settle-up payments of \$194 million, the total is \$1.4 billion)	Amend and approve discretionary mandate funds (\$662 million from 2014-15 funds, \$280 million from 2015-16 funds, \$99.9 million in one-time Proposition 98 reappropriation funding and \$12.4 million reversion account for a total of \$1.2 billion in K-12 discretionary mandate payments including \$194 million in settle-up payments. These adjustments include technical adjustments to change the source of one-time funding. Conform to Proposition 98 package.	BBL/TBL	Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
19	Special Education 6100-161-0001 (January budget and May Revision)	The Governor's Budget and the May Revision include adjustments to Special Education in the 2016-17 for offsetting property taxes (net decrease of \$6.2 million).	Approve as proposed. Conform to Proposition 98 Package.		Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
20	Growth 6100-161, 196, 203, 601, 608, 670 - 0001 (January Proposal and May Revision)	The May Revision provides a growth adjustment of an decrease of \$7.7 million for the Special Education, Preschool, and Child Nutrition programs and Charter School, School District, and County Office of Education LCFF ADA growth. This change reduces the \$13 million proposed in the January Budget for a total growth adjustment of \$5.4 million.	Approve as proposed, and conform to Proposition 98 package	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
21	Cost of Living Adjustment (COLA) 6100-119, 150, 151, 158, 161, 196, 203, - 0001 (January Proposal and May Revision)	The May Revision provides a COLA adjustment of a decrease of \$23 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, and Adults in Correctional Facilities. This is an adjustment removes the COLA of 0.47 percent proposed in the January Budget and reflects a revised COLA percentage of zero percent.	Approve as proposed, and conform to Proposition 98 package	TBL/BBL	
22	Mandates Block Grant 6100-296-0001 (January Proposal and May Revision)	The May Revision requests that this item is increased by \$131,000 Proposition 98 General Fund to reflect increased school district participation in the Mandated Programs Block Grant. This combined with a reduction of \$829,000 in the January proposal results in a total adjustment of -\$698,000. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent participation.	Approve as proposed and conform to Proposition 98 package	BBL	
23	Proposition 39 6100-139-8080, 6100-639-0001 and 6100-698-8080 (January Proposal and May Revision)	The May Revision requests that Item 6100-139-8080 be increased by \$33.4 million Clean Energy Job Creation Fund to reflect increased projected revenues in 2016-17 tied to the corporate tax changes enacted by Proposition 39. It is further requested that Items 6100-639-0001 and 6100-698-8080 be adjusted to conform to this action. This adjustment combined with an increase of \$52 million in the January proposal, results in a total increase of \$85.4 million	Approve as proposed, and conform to Proposition 98 package		Technical adjustment to reflect

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
24	State Special Schools Deferred Maintenance Control Section 6.10 and 6100-005-0001 (January Budget)	The Governor proposes to provide \$4 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor's recently released 2016 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$800 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 17 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.	Approve \$4 million in one-time. Conform to action on Control Section 6.10 in Subcommittee. Add provisional language to Item 6100-005-0001 specifying that the state special schools continue to use \$1.8 million of their existing operational funds for deferred maintenance projects.	TBL	Staff notes that the state special schools have used available operational funds of approximately \$1.8 million for deferred maintenance in 2014-15 and 2015-16. Continuing to dedicate these funds for this purpose will ensure the maintenance backlog is reduced in a timely manner.
25	State Special Schools Capital Outlay (January Budget)	The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building.	Reject		Staff agrees with LAO concerns that other health and safety capital outlay proposals should be a higher priority for these funds.
26	K-12 High Speed Network Operating Reserve 6100-182-0001 6100-488/6100-602-0001 (January Budget and May Revision)	The Governor proposed \$8 million Proposition 98 General Fund to fund the operations of the K-12 High Speed Network (HSN) in the 2016-17 fiscal year. The May Revision included adjustments to budget bill provisional language to specify that \$3.5 million of the total is from one-time funding appropriated through trailer bill and that a portion of operations costs are to be funded from K-12 HSN reserves. In addition, the May Revision requires reporting on E-rate and California Teleconnect Fund subsidies received as a result of network connectivity grants, and Department of Finance approval, with notification to the Joint Legislative Budget Committee, prior to expenditure of subsidy reimbursements related to these grants.	Approve as proposed with trailer bill language to be refined as necessary. This recommendation includes technical adjustments to the source of one-time funds.	BBL/TBL	Staff notes that it is the intent of the Legislature to seek a state audit of the K-12 HSN program to inform future decisions on program funding.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
27	California Association of Student Councils	The California Associated Student Councils (CASC) is a student-led, non-profit organization that supports leadership development of elementary, middle, and high school students through a variety of programs. The CASC provides statewide and regional leadership-related conferences, student and advisor training, leadership experience through a 12 –region structure throughout the state, and opportunities for student to serve on advisory boards that present to the State Board of Education and the Legislature.	Approve \$150,000 in one-time Proposition 98 funding for the CASC to support the recruitment of and scholarships for low income students into the organization.	BBL	
28	Student Assessment Program 6100-113-0001, 6100-113-0890, 6100- (January and May Revision)	The January budget and May Revision adjusts funding for student assessment contracts to reflect the full cost of statewide student assessment implementation and development of new assessments as required by current statute. This includes an increase of \$3.7 million in federal funds and a decrease of \$16.2 million for a total decrease for assessment contracts from the 2015-16 year of \$12.6 million.	Approve as proposed, Conform to Proposition 98 Package	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
29	Charter School Start-Up Funding 0985-001-0001 (January Budget and May Revision)	The Governor proposed to provide \$20 million in one-time Proposition 98 funding to provide start-up grants to new charter schools. Federal funds previously provided for this purpose have not been renewed and the state is currently spending remaining federal carryover through the 2016-17 year. The May Revision further proposed that this new program should be administered by the California School Finance Authority in the Office of the State Treasurer rather than the CDE and included \$50,000 in non-Proposition 98 General Fund for administering the program.	Reject	BBL/TBL	Staff notes that federal carryover is available in the 2016-17 fiscal year. A new federal grant has been released and California will know if it receives these funds in October of 2016. Should the state not receive additional federal funding, a new state program should be considered in the 2017-18 year after federal funds have been exhausted. Staff has additional concerns about running two programs in two different agencies for the same purpose in the 2016-17 year with different program requirements.
30	Multi Tiered Systems of Support 6100-488/602-0001 (January Proposal and May Revision)	The Administration requests \$30 million in one-time Proposition 98 funds to the Orange County Department of Education for continued support of Multi Tiered Systems of Support (MTSS) to provide technical assistance and to develop and disseminate statewide resources to encourage and assist LEA's establishing data-driven systems of learning and behavioral supports to meet the needs of all students. In the 2015-16 Budget Act, \$10 million in one-time Proposition 98 funding was provided to the SPI who contracted with the Orange County Department of Education (OCDE) for Developing, Aligning, and Improving Systems of Academic and Behavioral Supports for statewide development and scaling up of a MTSS framework.	Amend to approve \$10 million in one-time Proposition 98 funds. Amend trailer bill language to specify that funds shall be used for direct grants to LEAs to support local programs and practices consistent with the MTSS framework. This recommendation includes technical adjustments to the source of one-time funds.	TBL	Staff notes that the \$10 million provided in 2015-16 has just been awarded to the Orange County Office of Education in April of 2016. Until these funds have been expended and the Legislature has a chance to evaluate the development of the program, it is reasonable to expand the program more slowly than proposed by the Governor.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
31	Proposition 47 6100-601-3286 6100-695-3286 6100-611-0001 (January Budget and May Revision)	The Governor's Budget proposes to expend funds from the Safe Neighborhoods and Schools Act as provided in implementing legislation for the purpose of supporting programs aimed at improving outcomes for public school students by reducing truancy and supporting students who are at risk of dropping out of school or are victims of crime. The Governor's Budget proposal assumed \$7.3 million would be available for these purposes, and the May Revision increases that amount \$9.9 million. Proposed trailer bill language specifies that funds shall be directed pursuant to Legislation.	Approve \$9.9 million in Proposition 98 funds as budgeted. This includes Rebenching the Proposition 98 Guarantee by a like amount.	TBL	Staff notes that Legislative staff, the CDE, the DOF, the LAO and other education and Proposition 47 stakeholders are engaged in continuing discussions about the use of the Proposition 47 K-12 education funds. Potential, related legislation includes SB 527 (Liu) and AB 1014 (Thurmond).
32	Student Friendly Services 6100-172-0001 (January Budget and May Revision)	The May Revision includes \$2 million in ongoing Proposition 98 funding for the Student Friendly Services Website to support online tools that provide college planning and preparation and services to students, teachers, counselors, and administrators.	Approve \$1.5 million in ongoing funding and provisional language. Add additional provisional language to specify reporting on the number of students and type of students served.	BBL	Staff notes that \$1.5 million will allow the website to operate the open access services for all students, and allow for growth in the subsidized fee-for-service options for districts to provide their students with addition college preparation, application, and transcript services.
33	Exploratorium 6100-601-0001 (January Budget)	The Governor's Budget proposes to provide \$3.5 million in ongoing Proposition 98 funds to the San Francisco Unified School District to provide professional development related to statewide implementation of the Next Generation Science Standards.	Approve as budgeted.	TBL	Staff notes this funding will support ongoing implementation of the Next Generation Science Standards.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
34	After School Education and Safety Program. 6100-158-0001 (May Revision)	<p>The After School Education and Safety (ASES) Program is the result of the 2002 voter-approved initiative, Proposition 49. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and the local community to provide resources to support literacy, academic enrichment and activities for students in kindergarten through ninth grade.</p> <p>As outlined in Proposition 49, the ASES program has a guaranteed funding level of \$550 million annually. The ASES program has not received a COLA or other funding increase since the program was established, however, the ASES program also did not share in cuts made to K-12 education programs during years of recession.</p>	Approve placeholder trailer bill language that would apply a COLA to the ASES program. In addition, the language shall specify that any reductions due to negative COLAs will not reduce the ASES program below the \$550 million constitutional limit.	TBL	Staff notes that the May Revision does not apply a COLA in the the 2016-17 year, however, in future years ASES would be eligible for COLAs.
35	Adults in Correctional Facilities 6100-158-0001 (May Revision)	The May Revision updates a reference in provisional language to reflect the correct fiscal year.	Approve as proposed.	BBL	Technical adjustment to correct fiscal year reference in provisional language.
36	California School Information Services (CSIS) Uncodified 6100-488/602-0001 (May Revision)	The May Revision includes trailer bill language that provides \$6.6 million in one-time funding for CSIS from 2014-15 Proposition 98 funds. This is a technical adjustment to adjust the source of funds, the January budget included funding this program from reappropriated Proposition 98 funding.	Approve as proposed with trailer bill language, to be refined as necessary.	TBL/ BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
37	Special Education Adjustment for Property Tax Revenue (May Revision)	The May Revision includes trailer bill language to provide a Proposition 98 General Fund backfill of up to \$28.5 million for special education programs for an expected special education property tax shortfall in 2015-16. These funds will be available only if the amount of local proceeds of property taxes for special education reported as of the second principal apportionment and certified pursuant to Education Code Section 41339 are less than those included in the 2015-16 budget.	Approve trailer bill language to be refined as necessary.	TBL	
38	Career Technical Incentive Grant Funding Source Uncodified 6100-630-0001 (January budget and May Revision)	The May Revision requests trailer bill language be adopted to appropriate \$60 million of the \$300 million provided for year two of the California Career Technical Education Incentive Grant Program from 2016-17 Proposition 98 funds. The January budget previously funded the \$60 million from 2015-16 Proposition 98 funds.	Approve trailer bill language to be refined as necessary.	TBL	
39	Improving Teacher Quality 6100-195-0890 (Spring Finance Letter and May Revision)	The Governor's proposes to reduce schedule (1) of this item by \$4,837,000 federal Title II, Part A funds, to align to the federal grant award. The May revision further requests to increase schedule (4) of this item by \$126,000 in federal Title II, Part A B carryover funds to complete professional development activates for private schools as required by federal law. These activities have been delayed in the current year due to a change in the contractor.	Approve as requested with a technical correction to amend BBL language requested by DOF to specify that carryover in schedule (4) is from federal Title II, Part B.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.
40	Public Charter Schools Grant Program 6100-112-0890 (May Revision)	The May revision includes an increase of \$34,541,000 in federal carryover funds available for the federal Public Charter Schools Grant Program. The funds shall be used to support the existing program to provide planning and implementation grants to new charter schools.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
41	English Language Acquisition 6100-125-0890 (May Revision)	The May revision includes an increase of \$1,246,000 federal Title III funds in schedule (3) of this item to reflect the availability of one-time carryover funds from state level activities. These funds are redirected to local assistance for allocation to LEAs to help students attain English proficiency and meet grade level academic standards.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.
42	National School Lunch Program Equipment Assistance Grants 6100-201-0890 (May Revision)	The May revision includes an increase of \$3,746,000 federal trust funds in schedule (1) of this item to reflect the availability of one-time federal funds to provide grants for food service equipment.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award.
43	Tobacco Use Prevention Education Program 6100-101-0231 and 6100-102-0231 (May Revision)	The May revision provides an increase of \$190,000 to Schedule (1) of Item 6100-101-0231 and \$568,000 to Schedule (1) of Item 6100-102-0231 in Health Education Account to reflect increased revenue estimates for the Cigarette and Tobacco Products Surtax Fund (Proposition 99). Funds are used for health education efforts to prevent and reduce tobacco use.	Approve as proposed.	BBL	Technical adjustment to align with increased revenue estimates for the Cigarette and Tobacco Products Surtax Fund (Prop 99).
44	Reporting on federal Carl D. Perkins Career and Technical Education Grant 6100-166-0890	Staff recommends the elimination of budget bill language (Provision 3 of this item) that requires the CDE to annually report on the amount of carryover in the item, the reasons for carryover, and the plans to reduce the amount of carryover.	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. This report was required in past years when significant carryover was identified in the item. Carryover amounts have been reduced and additional information can be provided by the Department of Education upon request.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
45	Reporting on federal 21st Century after school grant 6100-197-0890	Staff recommends the elimination of budget bill language (Provision 1 of this item) that requires the CDE to annually report on the allocation and expenditure data for all programs funded in this items for the past three years, the reason for the carryover and the planned uses of carryover funds.	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. This report was required in past years when significant carryover was identified in the item. Carryover amounts have been reduced and additional information can be provided by the Department of Education upon request.
46	Reporting on Workforce Investment Act Grantees 6100-156-0890	Staff recommends the elimination of budget bill language (Provision 3 and 2 (b) of this Item), which 1) require an annual report summarizing the activities and performance of federal Workforce Investment Act grantees and 2) require an audit report of limited scope for grantees receiving between \$25,000 and \$500,000 in federal adult education	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. Information in these reports is duplicative of other federally required reports or information the Department of Education provides upon request.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 3: State Operations					
47	State Operations 6100-001-0001 (May Revision)	The May revision proposes to move \$550,000 in non-Proposition 98 General Fund from schedule (3) of this item to schedule (2) of this item to correct a scheduling error.	Approve as proposed.		Technical adjustment
48	Reversion of Funds from Cruz Lawsuit Legal Funds 6100-497 (May Revision)	The May Revision includes the reversion to the General Fund of \$1.6 million in funding appropriated in 2014-15 and \$2.9 million appropriated in 2015-16. These funds were appropriated for legal defense costs for the <i>Cruz v. California</i> lawsuit, the lawsuit has since been settled and these remaining funds are no longer needed.	Approve as proposed.	BBL	Adjustment to revert unused funds for legal defense costs to the General Fund.
49	Career Pathways Trust 6100-488/602-0001 (May Revision)	The May Revision includes the reappropriation of \$300,000 of one-time Proposition 98 funds provided for the first round of the Career Pathways Trust Program and unspent to be used to support the technical assistance needs of the program in 2016-17.	Approve as proposed.	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 4: Trailer Bill Language					
50	Evaluation Rubrics and School Accountability Report Card Uncodified (January Budget)	The Governor's Budget proposes trailer bill language to appropriate \$500,000 annually for 2016-17 through 2018-19 to the Superintendent of Public Instruction contract with the San Joaquin County Office of Education for support of the evaluation rubrics and the school accountability report card.	Approve TBL, to be refined as necessary.	TBL	
51	Academic Performance Index Education Code Section 52052 (January Budget)	The Governor's Budget proposes trailer bill language to extend the authority of the Superintendent of Public Instruction to suspend the calculation of the Academic Performance Index for 2015-16 with the approval of the State Board of Education.	Approve TBL, to be refined as necessary.	TBL	
52	Special Education Redevelopment Agency Revenue Backfill Uncodified (May Revision)	The May Revision includes trailer bill language to provide a Proposition 98 General Fund backfill for special education programs if redevelopment agency revenues distributed to local educational agencies for special education are less than estimated in the 2016 Budget Act.	Approve trailer bill language to be refined as necessary.	TBL	
53	Funding Out of Home Care for Special Education Education Code Section 56836.165 (May Revision)	The May Revision requests trailer bill language to be adopted to reflect anticipated changes in funding for the Out-of-Home Care program for foster students with exceptional needs receiving special education services, pursuant to Chapter 773, Statutes of 2015.	Approve trailer bill language to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
54	Single Test Delivery System Education Code Section 60602.6 (May Revision)	The May Revision requests trailer bill language that specifies legislative intent that the CDE ensure, where feasible, that California computer-based assessments utilize the assessment delivery system infrastructure and hosting platform outlined in the Smarter Balanced Technical Hosting Solution and that assessments, to the extent possible, will be developed to operate on existing infrastructure and include other requirements.	Approve trailer bill language to be refined as necessary.	TBL	
55	Career Technical Education Incentive Grant Education Code Sections 53070 and 53076 (January budget and May Revision)	The January Budget includes trailer bill language be adopted to allow the Superintendent of Public Instruction, in collaboration with the executive director of the State Board of Education, additional flexibility in determining the amount of grant funds provided for each applicant. The May revision additionally requests trailer bill language to allow the SPI to annually review whether grant recipients complied with the match requirement of the CTE Incentive Grant and reduce the following year's grant funding if the match was not met.	Approve trailer bill language to be refined as necessary.	TBL	This adjustment allows grants for the CTE Incentive Grant Program to be adjusted based on the number of applicants in each size category.
56	Proposition 98 Settle-up Payment Education Code Section 41207.42 (January budget and May Revision)	The Governor's budget proposed trailer bill language, amended by the May Revision, to specify the amount of settle-up payments provided. (\$218 million total - \$194,173,000 for K-12 mandates and \$23,827,000 for CCC deferred maintenance)	Approve trailer bill language to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
57	Mandate - Reasonable Reimbursement Methodology Government Code Section 17518.5 (January budget and May Revision)	The May Revision requests trailer bill language be adopted to require that costs used to determine a reasonable reimbursement methodology (RRM) for a mandate are based on audited claims. The language also requires the State Controller's Office to audit a representative sample of claimed costs used to develop an RRM.	Approve placeholder trailer bill language to be refined as necessary.	TBL	

This Page Left Intentionally Blank

6360 - Commission on Teacher Credentialing

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Other Funds					
1	Reappropriation for Attorney General Services 6360-001-0407 and 6360-490 (May Revision)	The May Revision includes the reappropriation of \$2.4 million from the Budget Act of 2015, for use in the 2016-17 fiscal year for the cost of representation by the Office of the Attorney General in educator discipline cases.	Approve as proposed.	BBL	Staff notes that additional ongoing funds were provided beginning in 2015-16 for increased workload at the Attorney General's Office to address a backlog in teacher misconduct caseload. In 2015-16, not all of the funds were used, as the AG's office has not fully implemented their plan for increased staffing levels in the current year.

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Child Care and Early Education					
1	Child Care and Early Education Proposal 6100-195-0890 (January Budget, Spring Finance Letter, May Revision)	Staff recommends the approval of \$64 million General Fund and \$35 million Proposition 98 in the budget year to: (1) increase the Regional Market Rate (RMR) to the 75th percentile of the 2014 survey, beginning January 1, 2017 (\$33 million General Fund); (2) increase the Standard Reimbursement Rate by four percent, effective July 1, 2016 (\$18 million General Fund, \$35 million P98); and (3) provide 2,000 Alternative Payment slots, effective October 1, 2016 (\$13 million General Fund).	Approve as proposed. Adopt placeholder trailer bill language to be refined as necessary. Conform to Proposition 98 Package.	BBL/TBL	
Issue 2: K-12 Local Assistance					
2	Math Readiness Challenge Program 6100-195-0890 (January Budget, Spring Finance Letter, May Revision)	The Governor proposes to use \$6.4 million in one-time federal Title II carryover funds to create the Math Readiness Challenge Program to support the implementation and evaluation of experiences provided to grade 12 students to prepare pupils for placement into college-level courses in mathematics. The Administration's intent with this proposal is to reduce the rates of remediation at the California State University (CSU). These federal funds are available for competitive grants for regional partnerships between postsecondary education and high-need local educational agencies. The technical adjustment to schedule (3) of this item reflects an increase of \$3,196,000, which includes total available carryover of \$6.4 million and a reduction to the federal grant award of \$3,204,000. The proposal would require the CDE, with approval of the State Board of Education to award five grants of \$1,280,000 to partnerships of postsecondary institutions and LEAs regional planning on the improvement of math readiness. Grantees must commit to sharing the materials, curriculum, and outcome data with other institutions in the state.	Approve Governor's proposal. Amend and adopt trailer bill language to include preference for LEAs with concentrations of unduplicated students to be refined as necessary.	BBL/ TBL	

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
3	K-12 School Facility Emergency Repair Revolving Loan 6100-488/602-0001 6100-485/605-0001 (May Revision)	<p>The May Revision includes \$100 million in one-time Proposition 98 funds for a K-12 School Facility Emergency Repair Revolving Loan Program to provide bridge loans to school districts to address imminent emergency health and safety facilities repairs. Eligible applicants must meet specified requirements certifying that health and safety repairs meet minimum standards of need and urgency as specified in trailer bill language.</p> <p>School districts that receive a loan through this program would have the option of paying the loan off in full without interest within one year or the Superintendent of Public Instruction can structure a longer-term low interest loan. As loans are repaid, funds would go back into the fund and be available for emergency repairs at other school sites.</p>	Reject.	BBL/TBL	<p>Staff notes that changes to the facilities program should be made in the context of whether or not a statewide bond for school facilities passes in November. In addition, staff has concerns about the use of Proposition 98 for this purpose and the structure and implementing language to provide funds on a first come - first served basis.</p>

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
4	Standardized Account Code Structure (SACS) Replacement Project 6100-003-0001, 6100-001-0890, 6100-491, 6100-497 (January Budget and May Revision)	<p>The May Revision requests the use of \$3 million in one-time Proposition 98 General Fund for the Superintendent of Public Instruction to contract with a county office of education for the replacement of SACSs. SACSs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACSs is currently a fragmented system that requires manual inputs and has many components that are not supported by current operating systems.</p> <p>CDE proposed a replacement SACSs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. Subsequent refinements to the project lowered the cost to \$19.4 million. The 2015-16 budget act included an installment of \$12.2 million to fund the project, however in the summer of 2015, CDE notified the Joint Legislative Budget Committee that it was terminating funding for the project, citing concerns about the ability to identify ongoing funding for system operations and maintenance.</p> <p>The January budget provided a total of \$7.2 million (\$3.6 million in reappropriated General Fund and \$3.6 million in federal carryover funds) for CDE to again undertake the SACS Replacement Project. The May Revision differs from this approach by instead providing a small amount of Proposition 98 funds to allow a county office of education rather than the CDE to develop the replacement system.</p>	<p>Approve as proposed, including trailer bill language to be refined as necessary.</p> <p>This recommendation reflects the technical changes to eliminate the \$7.2 million provided in the January budget for the SACSs replacement project and the appropriation of \$3 million one-time Proposition 98 funds in trailer bill for the SPI to contract with a county office of education.</p> <p>This recommendation also reflects the reversion to the General Fund of unspent SACS appropriations from prior years in Item 6100-497</p>	BBL / TBL	<p>Staff notes that the \$3 million is only the first installment of funding for the SACSs replacement project. Actual project costs will be unknown until the CDE contracts with a county office of education for this project. Trailer bill language includes a provision that the funding only be made available for expenditure upon approval of the Department of Finance with 30 day notice to the Joint Legislative Budget Committee.</p>

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
5	California Collaborative for Educational Excellence	Staff recommends providing \$45 million in one-time Proposition 98 funding to the California Collaborative for Educational Excellence (CCEE) to conduct statewide training on the evaluation rubrics and their use to inform the Local Control and Accountability Plan (LCAP) with a focus on improving student outcomes and closing the achievement gap. The CCEE shall ensure that training is provided in all regions of the state, to all school districts, county offices or education, charter schools, and would include education stakeholders (as defined in the LCAP). The funds would also be used to establish a pilot program to provide technical assistance and support to LEAs that volunteer to participate. This technical assistance will assist LEAs in improving their student outcomes but also inform the CCEE in developing its system of support and assistance for LEAs.	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	Staff notes that the CCEE has a statutorily-assigned role to provide technical assistance and support for the continuous improvement of LEAs. The evaluation rubrics will be a critical piece of the new state accountability system and statewide training for all education stakeholders will help to support the system.
6	K-12 College Readiness Block Grant	Staff recommends providing \$200 million in one-time Proposition 98 funding to be available for 2016-17, 2017-18, and 2018-19 to provide block grants to school districts and charter schools to prepare high school students, particularly unduplicated students as defined in Education Code Section 42238.02, (low-income, English learner and foster youth), to be eligible for admission into a postsecondary institution, and increase the 4-year-college-going rates of these pupils. Implementing trailer bill language would specify that grant funds will be provided to school districts and charter schools with unduplicated pupil enrollment. The SPI would determine a per unduplicated pupil amount, with a minimum grant amount per school district or charter school. School districts and charter schools could use funds for professional development related to college readiness, college admissions counseling services for students and families, instructional materials that support college readiness, support of student completion of A-G requirements, including increased A-G course offerings, collaborative partnerships with postsecondary institutions, and advanced placement exam fees for unduplicated students.	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	Staff notes that these one-time funds will be used to help school districts and charter schools increase college-going rates for high school students, particularly low-income, English learner, and foster youth pupils.

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
7	Teacher Residency	<p>Staff recommends providing \$60 million in one-time Proposition 98 funding, to be available for the 2016-17, 2017-18, and 2018-19 fiscal years to establish a pilot program for LEAs to create or expand teacher residency programs targeted to chronic shortage areas, including special education and bilingual teachers. These programs would be school-based teacher preparation programs in which a prospective teacher would teach alongside an experienced mentor teacher, as defined, while also receiving teacher training instruction in a teacher credentialing program in a qualified institution of higher education</p> <p>Implementing trailer bill language would establish a grant program that provides LEAs with grants of \$20,000 per resident with a dollar for dollar local match requirement. LEAs could use grant funds for tuition assistance, living stipends for residents, stipends for master teachers, and residency program operations.</p>	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	Staff notes that these program would provide a path for LEAs to bring well-trained, fully-credentialed teachers into the classrooms. Research has shown that teachers in residency programs are also more likely to stay in teaching, making this cost effective investment which will help alleviate the teacher shortage.
8	Special Olympics 6100-608-0001	<p>Staff recommends increasing the LCFF apportionment amount for the Los Angeles County Office of Education by \$1 million in one-time Proposition 98 General Fund to allow the county office to contract with the Special Olympics Northern and Southern California to expand the Special Olympics Unified Strategy for Schools. The Special Olympics Unified Strategy for Schools aims to promote positive school communities for all students, including those with intellectual disabilities, and includes unified sports activities, young athletes programs, youth leadership and advocacy programs, and whole school engagement programs.</p>	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	
9	Career Technical Education Pathways Program 6100-170-0001 (Spring Finance Letter)	<p>The Governor requests that Budget Bill Item 6100-170-0001 be added to reflect the reimbursement of \$15,360,000 for the California Department of Education to continue administration of the Career Technical Education Pathways Program with the California Community Colleges Chancellor's Office. This request allows for the enactment of an interagency agreement between the California Department of Education and the California Community Colleges Chancellor's Office.</p>	Approve as proposed.	BBL	Staff notes that this action conforms to actions taken in the CCC budget.

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 3: State Operations					
10	Distinguished After School Health Recognition Program Administration 6100-001-0001	The May Revision requests that \$59,000 in non-Proposition 98 General Fund be redirected from the support of child care services to the administration of the Distinguished After School Health Program to support 0.5 position in 2016-17. The Distinguished After School Health Program provides recognition for school programs that provide health education and include health food and physical activity.	Approve as proposed	BBL	Staff notes that this is a technical adjustment to reflect program funding.
11	State and Federal Accountability System Support 6100-001-0001 (May Revision)	The May Revision provides \$251,000 non-Proposition 98 General Fund for the 2016-17, 2017-18, and 2018-19 fiscal years to support 2 existing positions to continue the development, implementation, and maintenance of the state and federal accountability systems.	Approve as proposed	BBL	
12	State Operations, Instructional Quality Commission 6100-001-0001 (May Revision)	The May Revision provides \$362,000 in one-time, non-Proposition 98 General Fund to support curriculum framework activates of the Instructional Quality Commission (IQC). In the 2016-17 year, the IQC is working on the development of the science and health curriculum frameworks. Proposed provisional language also includes the ability of the CDE to use the funds for other IQC frameworks-related workload with the approval of the Department of Finance.	Approve as proposed	BBL	
13	Uniform Complaint Procedures 6100-001-0001 (May Revision)	The May Revision provides \$200,000 in one-time non-Proposition 98 General Fund to support the CDE's workload related to the review of Uniform Complaint Procedures (UCP) appeals for civil rights, physical education, lactation accommodations, foster and homeless youth rights, and courses without education content. These funds are intended to support UCP activities in the 2016-17 year. The State Auditor is anticipated to release an audit report on UCP processes in December 2016, which will inform future funding decisions.	Approve as proposed	BBL	
14	Health Framework Expert 6100-491 (May Revision)	The May Revision reappropriated \$135,000 in Item 6100-001-0001 provided in the Budget act of 2015 for use in the 2016-17 year for the CDE to contract with a researcher/writer with expertise in sex trafficking and sexual abuse for purposes of drafting a section for the IQC to consider including in the Health Framework.	Approve as proposed.	BBL	Staff notes that work was delayed until the 2016-17 fiscal year and this reappropriates associated funding.

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
15	Charter School Facility Grant Program 0985-001-0001 (May Revision)	The May Revision includes \$132,000 in non-Proposition 98 General Fund to provide the California School Finance Authority, under the State Treasurer's Office, with 1 position to address Charter School Facility Grant Program workload. This program provides grants to charter schools for rent and lease expenditures.	Approve as proposed		Staff notes that additional funding and extended eligibility was provided for this program in the 2015-16 year, resulting in increased participation.
16	Charter School Facilities Incentive Grants Program 0985-001-0890 (May Revision)	The May Revision includes \$230,000 in Federal Trust Fund to provide the California School Finance Authority, under the State Treasurer's Office, with 2 positions to support workload associated with increased participation on the Charter School Facilities Incentive Grants Program. This federally funded program provides grant funding to charter schools for the cost of rent, leases, or construction.	Approve as proposed		Staff notes that program has increased participation and increased workload due to coordination with changes in the state Charter School Facility Grant Program

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 4: Trailer Bill Language					
17	Foster Youth Services Coordinating Program Education Code Section 42920.5 (May Revision)	The May Revision includes language that would direct that, commencing with the 2016-17 fiscal year, the allocation for the Foster Youth Services Coordinating Program funds would provide a base grant amount of \$75,000 for each participating county office of education. In addition 70 percent of the annual funding allocation would be based on the number of foster youth in the county and 30 percent of the allocation on the number of school districts.	Approve trailer bill language to be refined as necessary.	TBL	Staff notes that this language specifies an allocation methodology for the Foster Youth Services Coordinating Program that provides more of the funding to county offices of education based on the number of foster youth served while still providing
18	Special Education - Non Public Agencies Education Code Section 56366.3	Staff recommends the elimination of section 56366.3. This section prohibits former employees of LEAs from working for a Non-Public Agency (NPA), which provides services such as mental health, behavior specialists, and autism services to students through contracts with LEAs for 365 days.	Approve trailer bill language elimination to be refined as necessary.	TBL	Staff notes that this statute was applicable for addressing an issue with the old special education reimbursement system and is no longer necessary under the current system. In addition, in some LEAs it is likely exacerbating existing difficulties in providing special education services.
19	Independent Study Education Code Section 51747 January Budget and May Revision	The Governor's Budget proposes trailer bill language that defines which records can be maintained as electronic files and defines "electronic file". In addition the language that the original document or electronic file is valid for audit purposes.	Approve trailer bill language to be refined as necessary.	TBL	Staff notes this change allows for LEAs to reduce paperwork while maintaining verifiable records electronically.

6360 - Commission on Teacher Credentialing Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Local Assistance					
1	Teacher Preparation Grant 6360-002-0001 and Education Code Section 44259.1 (May Revision)	<p>The May revision includes \$10 million in one-time non-Proposition 98 General Fund for a competitive grant program, administered by the CTC to award one or two year grants of \$250,000 to postsecondary institutions to create or improve existing four-year integrated programs of teacher preparation.</p> <p>Grant funds could be used for faculty release time to redesign courses, provide program coordinators to assist in collaboration with subject matter professors, create summer courses for students, and recruit individuals into a four-year program. In selecting grant recipients, the CTC shall prioritize those programs that produce teachers in chronic shortage areas including special education and partner with community colleges or K-12 LEAs.</p> <p>Grantees shall provide outcome data to the CTC for at least three years after receipt of the grant.</p>	<p>Amend to provide \$10 million in one-time Proposition 98 funding to CCC to work with the CTC to provide funds to partnerships between CCCs and postsecondary institutions to create or improve existing four-year integrated programs of teacher preparation. Adopt implementing trailer bill language to be refined as necessary.</p>	BBL/ TBL	
2	California Center on Teaching Careers 6360-601-0001 (May Revision)	<p>The May revision includes \$2.5 million in one-time Proposition 98 General Fund for the CTC award, through a competitive bid, a grant to an LEA to establish the California Center on Teaching Careers. The center would be established to recruit individuals into the teaching profession and would develop and disseminate recruitment publications, provide information on credentialing, teacher preparation programs, and financial aid, create a referral database for teachers seeking employment, provide outreach to high school and college students, and existing teachers.</p>	<p>Amend to provide a total amount of \$7 million, Approve trailer bill language to include a focus on chronic teacher shortage areas, including special education, and bilingual teachers, to be refined as necessary.</p>	TBL	<p>Staff notes that this proposal is a cost-effective way to begin to address the teacher shortage. The state has funded similar teacher recruitment efforts in the past that have been effective.</p>

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Wednesday, May 18, 2016
1:30 p.m. or Upon Call of the Chair
State Capitol - Room 3191
Consultant: Elisa Wynne**

AGENDA PART A - OUTCOMES

<u>Issue</u>	<u>Department</u>	<u>Page</u>
	VOTE ONLY	
6100	California Department of Education	
Issue 1	Child Care and Early Education	2
Issue 2	K-12 Local Assistance	6
Issue 3	K-12 State Operations	18
Issue 4	K-12 Trailer Bill Language	19
6360	Commission on Teacher Credentialing	
Issue 1	Other Funds	22

DISCUSSION/ VOTE

6100	California Department of Education	
Issue 1	Child Care and Early Education	23
Issue 2	K-12 Local Assistance	23
Issue 3	K-12 State Operations	28
Issue 4	K-12 Trailer Bill Language	30
6360	Commission on Teacher Credentialing	
Issue 1	Local Assistance	31

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Child Care and Early Education					
1	Early Education Block Grant (Governor's Budget and May Revision) Vote: 2-1 (Moirlach)	The Administration proposes to consolidate existing early learning programs into a single Early Education Block Grant. Trailer bill language transmitted with the Governor's Budget, and amended in the May Revision, provides additional details about the Administration's proposal. The proposed amendments establish a local governance model for the new block grant, set minimum program standards, define eligibility, require local planning, set parameters for funding and a transition plan, and allow for ongoing program assessment.	Reject without prejudice. This recommendation includes technical adjustments to reflect the rejection of the consolidation of funds from State Preschool, Transitional Kindergarten, and the Quality Rating System Improvement.	TBL	
2	County Office of Education Funding for the Early Education Block Grant 6100-198-0001 (May Revision) Vote: 2-1 (Moirlach)	The Administration proposes to provide \$20 million (\$10 million in ongoing funds and \$10 million in one-time Proposition 98 General Fund for county office of education costs associated with preparing for the implementation of the Early Education Block Grant in 2017-18 and building local capacity to provide early education programs. The May Revision also includes provisional language to conform to this action. Specifically, the language would appropriate to county offices of education the equal amount per unit of regular average daily attendance of school districts in each county for the 2015-16 fiscal year. The language provides a minimum guarantee for COEs at \$100,000.	Reject without prejudice	BBL/TBL	
3	Implementation of the Early Education Block Grant and State Preschool Cost-of-Living (May Revision) Vote: 2-1 (Moirlach)	The May Revision proposes language to adjust the amount of Proposition 98 General for State Preschool, in accordance with the proposed Early Education Block Grant and one-year transition. In addition, the language reflects a decrease in the cost-of-living for State Preschool.	Reject without prejudice	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
4	Child Care Development Block Grant Quality Funding 6100-194-0890 (May Revision) Vote: 2-1 (Moorlach)	The May Revision proposes provisional language to requires the CDE to develop a new quality funding expenditure plan as an amendment to the state's CCDBG state plan. The new quality expenditure plan must prioritize activities supporting the Quality Rating and Improvement System.	Reject without prejudice	BBL	
5	Child Care Single System Plan (Governor's Budget and May Revision) Vote: 2-1 (Moorlach)	The Administration proposes that CDE must create a plan to move state-subsidized child care from a model of direct-contract and voucher-driven subsidies to a model of vouchers only. Amendments proposed in the May Revision clarify that in addition to a transition plan, the SDE shall develop recommendations for a single system of provider reimbursement, a single set of minimum quality standards for care providers, and improved efficiency in the access and use of vouchers for both families and providers.	Reject without prejudice	TBL	
6	Local Planning Councils 6100-194-0890 (May Revision) Vote: 2-1 (Moorlach)	The Administration proposes trailer bill language moving local planning council activities within the purview of county offices of education. This streamlining of local child care planning and data collection maintains a collaborative process while identifying county offices of education as the regional leaders in setting priorities for child care and early learning program planning.	Reject without prejudice	BBL/TBL	
7	Align Provisional Language with Proposed Trailer Bill Language for Local Planning Councils (May Revision) Vote: 2-1 (Moorlach)	The May Revision proposes to amend budget bill language to align with the Administration's trailer bill language to bring local planning council activities under the purview of county offices of education.	Reject without prejudice	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
8	Administrative Efficiencies (May Revision) Vote: 3-0	The Administration proposes trailer bill language aligned with several recommendations of the child care administrative efficiency stakeholder workgroups required by Chapter 13, Statutes of 2015. These amendments streamline processes for single-parent verification and notices of action.	Approve as proposed.	TBL	
9	Eliminate the Child Development Teacher and Supervisor Grant Program (May Revision) Vote: 3-0	The Administration proposes trailer bill language that eliminates the Child Development Teacher and Supervisor Grant program. Beneficiaries of this program may access several other financial aid programs. Eliminating this program allows for \$318,000 in federal Child Care and Development Block Grant funds to be allocated for other child care quality activities.	Reject without prejudice	TBL	
10	Adjust Federal Child Care and Development Fund Carryover 6100-194-0890/0001 (May Revision) Vote 3-0	The May Revisions proposes to increase California Work Opportunity and Responsibility to Kids (CalWORKs) carryover for Stage 3 from \$15.4 million to \$50.6 million (an increase of \$35.2 million federal fund) to reflect an increase in one-time federal carryover funds available from prior years. The May Revision proposes to reduce CalWORKs Stage 3 non-Proposition 98 General Fund by a like amount to reflect this change.	Approve as requested	BBL	
11	Adjust Federal Child Care and Development Fund Base Grant 6100-194-0890/0001 (May Revision) Vote 3-0	The May Revision proposes to increase CalWORKS Stage 3 funds by \$20.5 million Federal Trust Fund to reflect an increase in the federal grant. The May Revision also requests to make a corresponding decrease in state funds for Stage 3 of \$11.3 million to reflect the federal fund offset of non-Proposition 98 General Fund in the CalWORKs Stage 3 child care program. This net increase would align federal funding for quality activities with the amount required for 2016-17 by the federal Child Care and Development Block Grant.	Approve as requested		

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
12	Early Head Start–Child Care Partnership, Federal Carryover 6100-294-0890 (May Revision) Vote 3-0	The May Revision proposes to increase funds for Early Head Start by \$3.8 million Federal Trust Fund to reflect an increase in one-time carryover funds available from prior years to support existing program activities.	Approve as requested	BBL	
13	Adjust CalWORKs Child Care Caseload Funding 6100-194-0001 (May Revision) Vote 3-0	The May Revisions proposes to decrease CalWORKs Stage 2 and 3 funding by \$43.2 million General Fund to reflect revised cost estimates for the Stage 2 and Stage 3 child care programs. For Stages 2 and 3, this adjustment reflects a lower projected increase in the cost of providing care; for Stage 3, this adjustment also reflects lower projected caseload.	Approve as requested		
14	Authorization for Mid-Year Transfers Between CalWORKs Stage 2 and CalWORKs Stage 3 Child Care 6100-194-0001 (May Revision) Vote 3-0	The May Revision proposes provisional language to allow the Department of Finance discretion to authorize a mid-year transfer of excess funds in CalWORKs Stage 3 child care to CalWORKs Stage 2 child care if the need for the funds exists in that program. This authority currently exists for similar transfers from CalWORKs Stage 2 to CalWORKs Stage 3.	Approve as requested	BBL	
15	Adjust Child Care Programs for Cost-of-Living 6100-194-0001 (May Revision) Vote 3-0	The May Revision proposes a decrease of \$3.5 million General Fund to reflect a decrease in the cost-of-living adjustment. The May Revision includes BBL which amends the standard reimbursement rate from \$38.47 to \$38.29 per day for general child care programs. The language also adjusts the cost-of-living adjustment from 0.47 to 0.00 percent.	Approve as requested	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
ISSUE 2: K-12 Local Assistance					
16	Local Control Funding Formula / Education Protection Account (January budget and May Revision) Vote 3-0	<p>The May Revision includes adjustments to the total LCFF School District Base Funding in 2016-17 totaling \$1.8 billion and in 2015-16 \$725 million. This includes adjustments for offsetting local revenues, offsetting Education Protection Account funds, basic aid pupil transfers, basic aid supplemental charter school costs, minimum state aid adjustments, adjustments to reverse TK changes from the January budget, For county offices of education, in 2016-17 adjustments include \$69 million and \$70.5 million in 2015-16 for offsetting local revenues, offsetting Education Protection Account funds, minimum state aid adjustments, (growth and COLA 2016-17 for LCFF are noted in separate items below)</p> <p>The Governor's Budget and May Revision also includes changes to Education Protection Account and corresponding items in 2015-16 and 2016-17</p>	Approve as proposed. Conform to Proposition 98 Package.		Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
17	LCFF Transition Funding (January budget and May Revision) Vote 3-0	The Governor's Budget and the May Revision provide \$2.979 billion in LCFF transition funding for 2016-17.	Approve \$2.964 in LCFF transition Funding Conform to Proposition 98 Package.	TBL	Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
18	Discretionary Funds and Mandate Debt Payment (January budget and May Revision) Vote: 2-1 (Moorlach)	The Governor's Budget and the May Revision provide \$635 million in 2014-15 Proposition 98 funds for K-12 discretionary mandates funds and \$586 million in 2015-16 mandates funding (combined with settle-up payments of \$194 million, the total is \$1.4 billion)	Amend and approve discretionary mandate funds (\$662 million from 2014-15 funds, \$280 million from 2015-16 funds, \$99.9 million in one-time Proposition 98 reappropriation funding and \$12.4 million reversion account for a total of \$1.2 billion in K-12 discretionary mandate payments including \$194 million in settle-up payments. These adjustments include technical adjustments to change the source of one-time funding. Conform to Proposition 98 package.	BBL/TBL	Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
19	Special Education 6100-161-0001 (January budget and May Revision) Vote 3-0	The Governor's Budget and the May Revision include adjustments to Special Education in the 2016-17 for offsetting property taxes (net decrease of \$6.2 million).	Approve as proposed. Conform to Proposition 98 Package.		Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
20	Growth 6100-161, 196, 203, 601, 608, 670 - 0001 (January Proposal and May Revision) Vote 3-0	The May Revision provides a growth adjustment of an decrease of \$7.7 million for the Special Education, Preschool, and Child Nutrition programs and Charter School, School District, and County Office of Education LCFF ADA growth. This change reduces the \$13 million proposed in the January Budget for a total growth adjustment of \$5.4 million.	Approve as proposed, and conform to Proposition 98 package	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
21	Cost of Living Adjustment (COLA) 6100-119, 150, 151, 158, 161, 196, 203, - 0001 (January Proposal and May Revision) Vote 3-0	The May Revision provides a COLA adjustment of a decrease of \$23 million for the Foster Youth, American Indian Early Education Childhood Education, American Indian Education Centers, Special Education, Preschool, Child Nutrition, and Adults in Correctional Facilities. This is an adjustment removes the COLA of 0.47 percent proposed in the January Budget and reflects a revised COLA percentage of zero percent.	Approve as proposed, and conform to Proposition 98 package	TBL/BBL	
22	Mandates Block Grant 6100-296-0001 (January Proposal and May Revision) Vote 3-0	The May Revision requests that this item is increased by \$131,000 Proposition 98 General Fund to reflect increased school district participation in the Mandated Programs Block Grant. This combined with a reduction of \$829,000 in the January proposal results in a total adjustment of -\$698,000. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent participation.	Approve as proposed and conform to Proposition 98 package	BBL	
23	Proposition 39 6100-139-8080, 6100-639-0001 and 6100-698-8080 (January Proposal and May Revision) Vote 3-0	The May Revision requests that Item 6100-139-8080 be increased by \$33.4 million Clean Energy Job Creation Fund to reflect increased projected revenues in 2016-17 tied to the corporate tax changes enacted by Proposition 39. It is further requested that Items 6100-639-0001 and 6100-698-8080 be adjusted to conform to this action. This adjustment combined with an increase of \$52 million in the January proposal, results in a total increase of \$85.4 million	Approve as proposed, and conform to Proposition 98 package		Technical adjustment to reflect

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
24	State Special Schools Deferred Maintenance Control Section 6.10 and 6100-005-0001 (January Budget) Vote 3-0	The Governor proposes to provide \$4 million in one-time non-Proposition 98 General Fund to address deferred maintenance for the state special schools. This is part of the Governor's recently released 2016 Five – Year Infrastructure Plan which prioritizes specific maintenance projects for existing state facilities, and proposes \$800 million in General Fund for projects. The funds are proposed to be appropriated through Control Section 6.10, and the Department of Finance would review and approve the lists of projects to be funded. The Department of Education has identified a list of 17 state special schools projects that would be submitted for the funds, with priority for critical deficiencies that could be completed within two years.	Approve \$4 million in one-time. Conform to action on Control Section 6.10 in Subcommittee. Add provisional language to Item 6100-005-0001 specifying that the state special schools continue to use \$1.8 million of their existing operational funds for deferred maintenance projects.	TBL	Staff notes that the state special schools have used available operational funds of approximately \$1.8 million for deferred maintenance in 2014-15 and 2015-16. Continuing to dedicate these funds for this purpose will ensure the maintenance backlog is reduced in a timely manner.
25	State Special Schools Capital Outlay (January Budget) Vote 3-0	The Governor proposes to provide \$1.749 million in non-Proposition 98 General Fund to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The project would replace the old modular 1,920 square foot building with a new 2,160 square foot permanent building.	Reject		Staff agrees with LAO concerns that other health and safety capital outlay proposals should be a higher priority for these funds.
26	K-12 High Speed Network Operating Reserve 6100-182-0001 6100-488/6100-602-0001 (January Budget and May Revision) Vote 3-0	The Governor proposed \$8 million Proposition 98 General Fund to fund the operations of the K-12 High Speed Network (HSN) in the 2016-17 fiscal year. The May Revision included adjustments to budget bill provisional language to specify that \$3.5 million of the total is from one-time funding appropriated through trailer bill and that a portion of operations costs are to be funded from K-12 HSN reserves. In addition, the May Revision requires reporting on E-rate and California Teleconnect Fund subsidies received as a result of network connectivity grants, and Department of Finance approval, with notification to the Joint Legislative Budget Committee, prior to expenditure of subsidy reimbursements related to these grants.	Approve as proposed with trailer bill language to be refined as necessary. This recommendation includes technical adjustments to the source of one-time funds.	BBL/TBL	Staff notes that it is the intent of the Legislature to seek a state audit of the K-12 HSN program to inform future decisions on program funding.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
27	California Association of Student Councils Vote: 2-1 (Moorlach)	The California Associated Student Councils (CASC) is a student-led, non-profit organization that supports leadership development of elementary, middle, and high school students through a variety of programs. The CASC provides statewide and regional leadership-related conferences, student and advisor training, leadership experience through a 12 –region structure throughout the state, and opportunities for student to serve on advisory boards that present to the State Board of Education and the Legislature.	Approve \$150,000 in one-time Proposition 98 funding for the CASC to support the recruitment of and scholarships for low income students into the organization.	BBL	
28	Student Assessment Program 6100-113-0001, 6100-113-0890, 6100- (January and May Revision) Vote: 3-0	The January budget and May Revision adjusts funding for student assessment contracts to reflect the full cost of statewide student assessment implementation and development of new assessments as required by current statute. This includes an increase of \$3.7 million in federal funds and a decrease of \$16.2 million for a total decrease for assessment contracts from the 2015-16 year of \$12.6 million.	Approve as proposed, Conform to Proposition 98 Package	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
29	Charter School Start-Up Funding 0985-001-0001 (January Budget and May Revision) Vote: 2-1 (Moorlach)	The Governor proposed to provide \$20 million in one-time Proposition 98 funding to provide start-up grants to new charter schools. Federal funds previously provided for this purpose have not been renewed and the state is currently spending remaining federal carryover through the 2016-17 year. The May Revision further proposed that this new program should be administered by the California School Finance Authority in the Office of the State Treasurer rather than the CDE and included \$50,000 in non-Proposition 98 General Fund for administering the program.	Reject	BBL/TBL	Staff notes that federal carryover is available in the 2016-17 fiscal year. A new federal grant has been released and California will know if it receives these funds in October of 2016. Should the state not receive additional federal funding, a new state program should be considered in the 2017-18 year after federal funds have been exhausted. Staff has additional concerns about running two programs in two different agencies for the same purpose in the 2016-17 year with different program requirements.
30	Multi Tiered Systems of Support 6100-488/602-0001 (January Proposal and May Revision) Vote 2-1 (Moorlach)	The Administration requests \$30 million in one-time Proposition 98 funds to the Orange County Department of Education for continued support of Multi Tiered Systems of Support (MTSS) to provide technical assistance and to develop and disseminate statewide resources to encourage and assist LEA's establishing data-driven systems of learning and behavioral supports to meet the needs of all students. In the 2015-16 Budget Act, \$10 million in one-time Proposition 98 funding was provided to the SPI who contracted with the Orange County Department of Education (OCDE) for Developing, Aligning, and Improving Systems of Academic and Behavioral Supports for statewide development and scaling up of a MTSS framework.	Amend to approve \$10 million in one-time Proposition 98 funds. Amend trailer bill language to specify that funds shall be used for direct grants to LEAs to support local programs and practices consistent with the MTSS framework. This recommendation includes technical adjustments to the source of one-time funds.	TBL	Staff notes that the \$10 million provided in 2015-16 has just been awarded to the Orange County Office of Education in April of 2016. Until these funds have been expended and the Legislature has a chance to evaluate the development of the program, it is reasonable to expand the program more slowly than proposed by the Governor.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
31	Proposition 47 6100-601-3286 6100-695-3286 6100-611-0001 (January Budget and May Revision) Vote 2-1 (Moorlach)	The Governor's Budget proposes to expend funds from the Safe Neighborhoods and Schools Act as provided in implementing legislation for the purpose of supporting programs aimed at improving outcomes for public school students by reducing truancy and supporting students who are at risk of dropping out of school or are victims of crime. The Governor's Budget proposal assumed \$7.3 million would be available for these purposes, and the May Revision increases that amount \$9.9 million. Proposed trailer bill language specifies that funds shall be directed pursuant to Legislation.	Approve \$9.9 million in Proposition 98 funds as budgeted. This includes Rebenching the Proposition 98 Guarantee by a like amount.	TBL	Staff notes that Legislative staff, the CDE, the DOF, the LAO and other education and Proposition 47 stakeholders are engaged in continuing discussions about the use of the Proposition 47 K-12 education funds. Potential, related legislation includes SB 527 (Liu) and AB 1014 (Thurmond).
32	Student Friendly Services 6100-172-0001 (January Budget and May Revision) Vote 3-0	The May Revision includes \$2 million in ongoing Proposition 98 funding for the Student Friendly Services Website to support online tools that provide college planning and preparation and services to students, teachers, counselors, and administrators.	Approve \$1.5 million in ongoing funding and provisional language. Add additional provisional language to specify reporting on the number of students and type of students served.	BBL	Staff notes that \$1.5 million will allow the website to operate the open access services for all students, and allow for growth in the subsidized fee-for-service options for districts to provide their students with addition college preparation, application, and transcript services.
33	Exploratorium 6100-601-0001 (January Budget) Vote 2-1 (Moorlach)	The Governor's Budget proposes to provide \$3.5 million in ongoing Proposition 98 funds to the San Francisco Unified School District to provide professional development related to statewide implementation of the Next Generation Science Standards.	Approve as budgeted.	TBL	Staff notes this funding will support ongoing implementation of the Next Generation Science Standards.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
34	After School Education and Safety Program. Vote 2-1 (Moorlach)	<p>The After School Education and Safety (ASES) Program is the result of the 2002 voter-approved initiative, Proposition 49. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and the local community to provide resources to support literacy, academic enrichment and activities for students in kindergarten through ninth grade.</p> <p>As outlined in Proposition 49, the ASES program has a guaranteed funding level of \$550 million annually. The ASES program has not received a COLA or other funding increase since the program was established, however, the ASES program also did not share in cuts made to K-12 education programs during years of recession.</p>	Approve placeholder trailer bill language that would apply a COLA to the ASES program. In addition, the language shall specify that any reductions due to negative COLAs will not reduce the ASES program below the \$550 million constitutional limit.	TBL	Staff notes that the May Revision does not apply a COLA in the the 2016-17 year, however, in future years ASES would be eligible for COLAs.
35	Adults in Correctional Facilities 6100-158-0001 (May Revision) Vote 3-0	The May Revision updates a reference in provisional language to reflect the correct fiscal year.	Approve as proposed.	BBL	Technical adjustment to correct fiscal year reference in provisional language.
36	California School Information Services (CSIS) Uncodified 6100-488/602-0001 (May Revision) Vote 3-0	The May Revision includes trailer bill language that provides \$6.6 million in one-time funding for CSIS from 2014-15 Proposition 98 funds. This is a technical adjustment to adjust the source of funds, the January budget included funding this program from reappropriated Proposition 98 funding.	Approve as proposed with trailer bill language, to be refined as necessary.	TBL/ BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
37	Special Education Adjustment for Property Tax Revenue (May Revision) Vote 3-0	The May Revision includes trailer bill language to provide a Proposition 98 General Fund backfill of up to \$28.5 million for special education programs for an expected special education property tax shortfall in 2015-16. These funds will be available only if the amount of local proceeds of property taxes for special education reported as of the second principal apportionment and certified pursuant to Education Code Section 41339 are less than those included in the 2015-16 budget.	Approve trailer bill language to be refined as necessary.	TBL	
38	Career Technical Incentive Grant Funding Source Uncodified 6100-630-0001 (January budget and May Revision) Vote 3-0	The May Revision requests trailer bill language be adopted to appropriate \$60 million of the \$300 million provided for year two of the California Career Technical Education Incentive Grant Program from 2016-17 Proposition 98 funds. The January budget previously funded the \$60 million from 2015-16 Proposition 98 funds.	Approve trailer bill language to be refined as necessary.	TBL	
39	Improving Teacher Quality 6100-195-0890 (Spring Finance Letter and May Revision) Vote 3-0	The Governor's proposes to reduce schedule (1) of this item by \$4,837,000 federal Title II, Part A funds, to align to the federal grant award. The May revision further requests to increase schedule (4) of this item by \$126,000 in federal Title II, Part A B carryover funds to complete professional development activates for private schools as required by federal law. These activities have been delayed in the current year due to a change in the contractor.	Approve as requested with a technical correction to amend BBL language requested by DOF to specify that carryover in schedule (4) is from federal Title II, Part B.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.
40	Public Charter Schools Grant Program 6100-112-0890 (May Revision) Vote 3-0	The May revision includes an increase of \$34,541,000 in federal carryover funds available for the federal Public Charter Schools Grant Program. The funds shall be used to support the existing program to provide planning and implementation grants to new charter schools.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
41	English Language Acquisition 6100-125-0890 (May Revision) Vote 3-0	The May revision includes an increase of \$1,246,000 federal Title III funds in schedule (3) of this item to reflect the availability of one-time carryover funds from state level activities. These funds are redirected to local assistance for allocation to LEAs to help students attain English proficiency and meet grade level academic standards.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.
42	National School Lunch Program Equipment Assistance Grants 6100-201-0890 (May Revision) Vote 3-0	The May revision includes an increase of \$3,746,000 federal trust funds in schedule (1) of this item to reflect the availability of one-time federal funds to provide grants for food service equipment.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award.
43	Tobacco Use Prevention Education Program 6100-101-0231 and 6100-102-0231 (May Revision) Vote 3-0	The May revision provides an increase of \$190,000 to Schedule (1) of Item 6100-101-0231 and \$568,000 to Schedule (1) of Item 6100-102-0231 in Health Education Account to reflect increased revenue estimates for the Cigarette and Tobacco Products Surtax Fund (Proposition 99). Funds are used for health education efforts to prevent and reduce tobacco use.	Approve as proposed.	BBL	Technical adjustment to align with increased revenue estimates for the Cigarette and Tobacco Products Surtax Fund (Prop 99).
44	Reporting on federal Carl D. Perkins Career and Technical Education Grant 6100-166-0890 Vote 3-0	Staff recommends the elimination of budget bill language (Provision 3 of this item) that requires the CDE to annually report on the amount of carryover in the item, the reasons for carryover, and the plans to reduce the amount of carryover.	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. This report was required in past years when significant carryover was identified in the item. Carryover amounts have been reduced and additional information can be provided by the Department of Education upon request.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
45	Reporting on federal 21st Century after school grant 6100-197-0890 Vote 3-0	Staff recommends the elimination of budget bill language (Provision 1 of this item) that requires the CDE to annually report on the allocation and expenditure data for all programs funded in this items for the past three years, the reason for the carryover and the planned uses of carryover funds.	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. This report was required in past years when significant carryover was identified in the item. Carryover amounts have been reduced and additional information can be provided by the Department of Education upon request.
46	Reporting on Workforce Investment Act Grantees 6100-156-0890 Vote 3-0	Staff recommends the elimination of budget bill language (Provision 3 and 2 (b) of this Item), which 1) require an annual report summarizing the activities and performance of federal Workforce Investment Act grantees and 2) require an audit report of limited scope for grantees receiving between \$25,000 and \$500,000 in federal adult education	Approve as requested.	BBL	This is a technical request to reduce unnecessary and duplicative reporting. Information in these reports is duplicative of other federally required reports or information the Department of Education provides upon request.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 3: State Operations					
47	State Operations 6100-001-0001 (May Revision) Vote 3-0	The May revision proposes to move \$550,000 in non-Proposition 98 General Fund from schedule (3) of this item to schedule (2) of this item to correct a scheduling error.	Approve as proposed.		Technical adjustment
48	Reversion of Funds from Cruz Lawsuit Legal Funds 6100-497 (May Revision) Vote 3-0	The May Revision includes the reversion to the General Fund of \$1.6 million in funding appropriated in 2014-15 and \$2.9 million appropriated in 2015-16. These funds were appropriated for legal defense costs for the <i>Cruz v. California</i> lawsuit, the lawsuit has since been settled and these remaining funds are no longer needed.	Approve as proposed.	BBL	Adjustment to revert unused funds for legal defense costs to the General Fund.
49	Career Pathways Trust 6100-488/602-0001 (May Revision) Vote 3-0	The May Revision includes the reappropriation of \$300,000 of one-time Proposition 98 funds provided for the first round of the Career Pathways Trust Program and unspent to be used to support the technical assistance needs of the program in 2016-17.	Approve as proposed.	BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION

VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 4: Trailer Bill Language					
50	Evaluation Rubrics and School Accountability Report Card Uncodified (January Budget) Vote 3-0	The Governor's Budget proposes trailer bill language to appropriate \$500,000 annually for 2016-17 through 2018-19 to the Superintendent of Public Instruction contract with the San Joaquin County Office of Education for support of the evaluation rubrics and the school accountability report card.	Approve TBL, to be refined as necessary.	TBL	
51	Academic Performance Index Education Code Section 52052 (January Budget) Vote 2-1 (Moorlach)	The Governor's Budget proposes trailer bill language to extend the authority of the Superintendent of Public Instruction to suspend the calculation of the Academic Performance Index for 2015-16 with the approval of the State Board of Education.	Approve TBL, to be refined as necessary.	TBL	
52	Special Education Redevelopment Agency Revenue Backfill Uncodified (May Revision) Vote 3-0	The May Revision includes trailer bill language to provide a Proposition 98 General Fund backfill for special education programs if redevelopment agency revenues distributed to local educational agencies for special education are less than estimated in the 2016 Budget Act.	Approve trailer bill language to be refined as necessary.	TBL	
53	Funding Out of Home Care for Special Education Education Code Section 56836.165 (May Revision) Vote 3-0	The May Revision requests trailer bill language to be adopted to reflect anticipated changes in funding for the Out-of-Home Care program for foster students with exceptional needs receiving special education services, pursuant to Chapter 773, Statutes of 2015.	Approve trailer bill language to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
54	Single Test Delivery System Education Code Section 60602.6 (May Revision) Vote 3-0	The May Revision requests trailer bill language that specifies legislative intent that the CDE ensure, where feasible, that California computer-based assessments utilize the assessment delivery system infrastructure and hosting platform outlined in the Smarter Balanced Technical Hosting Solution and that assessments, to the extent possible, will be developed to operate on existing infrastructure and include other requirements.	Approve trailer bill language to be refined as necessary.	TBL	
55	Career Technical Education Incentive Grant Education Code Sections 53070 and 53076 (January budget and May Revision) Vote 3-0	The January Budget includes trailer bill language be adopted to allow the Superintendent of Public Instruction, in collaboration with the executive director of the State Board of Education, additional flexibility in determining the amount of grant funds provided for each applicant. The May revision additionally requests trailer bill language to allow the SPI to annually review whether grant recipients complied with the match requirement of the CTE Incentive Grant and reduce the following year's grant funding if the match was not met.	Approve trailer bill language to be refined as necessary.	TBL	This adjustment allows grants for the CTE Incentive Grant Program to be adjusted based on the number of applicants in each size category.
56	Proposition 98 Settle-up Payment Education Code Section 41207.42 (January budget and May Revision) Vote 3-0	The Governor's budget proposed trailer bill language, amended by the May Revision, to specify the amount of settle-up payments provided. (\$218 million total - \$194,173,000 for K-12 mandates and \$23,827,000 for CCC deferred maintenance)	Approve trailer bill language to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
57	Mandate - Reasonable Reimbursement Methodology Government Code Section 17518.5 (January budget and May Revision) Vote 3-0	The May Revision requests trailer bill language be adopted to require that costs used to determine a reasonable reimbursement methodology (RRM) for a mandate are based on audited claims. The language also requires the State Controller's Office to audit a representative sample of claimed costs used to develop an RRM.	Approve placeholder trailer bill language to be refined as necessary.	TBL	

This Page Left Intentionally Blank

6360 - Commission on Teacher Credentialing

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Other Funds					
1	Reappropriation for Attorney General Services 6360-001-0407 and 6360-490 (May Revision) Vote 3-0	The May Revision includes the reappropriation of \$2.4 million from the Budget Act of 2015, for use in the 2016-17 fiscal year for the cost of representation by the Office of the Attorney General in educator discipline cases.	Approve as proposed.	BBL	Staff notes that additional ongoing funds were provided beginning in 2015-16 for increased workload at the Attorney General's Office to address a backlog in teacher misconduct caseload. In 2015-16, not all of the funds were used, as the AG's office has not fully implemented their plan for increased staffing levels in the current year.

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Child Care and Early Education					
1	Child Care and Early Education Proposal Vote 2-1(Moorlach)	Staff recommends the approval of \$64 million General Fund and \$35 million Proposition 98 in the budget year to: (1) increase the Regional Market Rate (RMR) to the 75th percentile of the 2014 survey, beginning January 1, 2017 (\$33 million General Fund); (2) increase the Standard Reimbursement Rate by four percent, effective July 1, 2016 (\$18 million General Fund, \$35 million P98); and (3) provide 2,000 Alternative Payment slots, effective October 1, 2016 (\$13 million General Fund).	Approve as proposed. Adopt placeholder trailer bill language to be refined as necessary. Conform to Proposition 98 Package.	BBL/TBL	
Issue 2: K-12 Local Assistance					
2	Math Readiness Challenge Program 6100-195-0890 (January Budget, Spring Finance Letter, May Revision) Vote 3-0	The Governor proposes to use \$6.4 million in one-time federal Title II carryover funds to create the Math Readiness Challenge Program to support the implementation and evaluation of experiences provided to grade 12 students to prepare pupils for placement into college-level courses in mathematics. The Administration's intent with this proposal is to reduce the rates of remediation at the California State University (CSU). These federal funds are available for competitive grants for regional partnerships between postsecondary education and high-need local educational agencies. The technical adjustment to schedule (3) of this item reflects an increase of \$3,196,000, which includes total available carryover of \$6.4 million and a reduction to the federal grant award of \$3,204,000. The proposal would require the CDE, with approval of the State Board of Education to award five grants of \$1,280,000 to partnerships of postsecondary institutions and LEAs regional planning on the improvement of math readiness. Grantees must commit to sharing the materials, curriculum, and outcome data with other institutions in the state.	Approve Governor's proposal. Amend and adopt trailer bill language to include preference for LEAs with concentrations of unduplicated students to be refined as necessary.	BBL/ TBL	

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
3	K-12 School Facility Emergency Repair Revolving Loan 6100-488/602-0001 6100-485/605-0001 (May Revision) Vote 2-1(Moorlach)	<p>The May Revision includes \$100 million in one-time Proposition 98 funds for a K-12 School Facility Emergency Repair Revolving Loan Program to provide bridge loans to school districts to address imminent emergency health and safety facilities repairs. Eligible applicants must meet specified requirements certifying that health and safety repairs meet minimum standards of need and urgency as specified in trailer bill language.</p> <p>School districts that receive a loan through this program would have the option of paying the loan off in full without interest within one year or the Superintendent of Public Instruction can structure a longer-term low interest loan. As loans are repaid, funds would go back into the fund and be available for emergency repairs at other school sites.</p>	Reject.	BBL/TBL	<p>Staff notes that changes to the facilities program should be made in the context of whether or not a statewide bond for school facilities passes in November. In addition, staff has concerns about the use of Proposition 98 for this purpose and the structure and implementing language to provide funds on a first come - first served basis.</p>

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
4	Standardized Account Code Structure (SACS) Replacement Project 6100-003-0001, 6100-001-0890, 6100-491, 6100-497 (January Budget and May Revision) Vote 3-0	<p>The May Revision requests the use of \$3 million in one-time Proposition 98 General Fund for the Superintendent of Public Instruction to contract with a county office of education for the replacement of SACSs. SACSs is the system the state uses to collect and report financial data from school districts, county offices of education and some charter schools. SACSs is currently a fragmented system that requires manual inputs and has many components that are not supported by current operating systems.</p> <p>CDE proposed a replacement SACSs system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. Subsequent refinements to the project lowered the cost to \$19.4 million. The 2015-16 budget act included an installment of \$12.2 million to fund the project, however in the summer of 2015, CDE notified the Joint Legislative Budget Committee that it was terminating funding for the project, citing concerns about the ability to identify ongoing funding for system operations and maintenance.</p> <p>The January budget provided a total of \$7.2 million (\$3.6 million in reappropriated General Fund and \$3.6 million in federal carryover funds) for CDE to again undertake the SACS Replacement Project. The May Revision differs from this approach by instead providing a small amount of Proposition 98 funds to allow a county office of education rather than the CDE to develop the replacement system.</p>	<p>Approve as proposed, including trailer bill language to be refined as necessary.</p> <p>This recommendation reflects the technical changes to eliminate the \$7.2 million provided in the January budget for the SACSs replacement project and the appropriation of \$3 million one-time Proposition 98 funds in trailer bill for the SPI to contract with a county office of education.</p> <p>This recommendation also reflects the reversion to the General Fund of unspent SACS appropriations from prior years in Item 6100-497</p>	BBL / TBL	<p>Staff notes that the \$3 million is only the first installment of funding for the SACSs replacement project. Actual project costs will be unknown until the CDE contracts with a county office of education for this project. Trailer bill language includes a provision that the funding only be made available for expenditure upon approval of the Department of Finance with 30 day notice to the Joint Legislative Budget Committee.</p>

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
5	California Collaborative for Educational Excellence Vote 2-1 (Moorlach)	<p>Staff recommends providing \$45 million in one-time Proposition 98 funding to the California Collaborative for Educational Excellence (CCEE) to conduct statewide training on the evaluation rubrics and their use to inform the Local Control and Accountability Plan (LCAP) with a focus on improving student outcomes and closing the achievement gap. The CCEE shall ensure that training is provided in all regions of the state, to all school districts, county offices or education, charter schools, and would include education stakeholders (as defined in the LCAP). The funds would also be used to establish a pilot program to provide technical assistance and support to LEAs that volunteer to participate. This technical assistance will assist LEAs in improving their student outcomes but also inform the CCEE in developing its system of support and assistance for LEAs.</p>	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	<p>Staff notes that the CCEE has a statutorily-assigned role to provide technical assistance and support for the continuous improvement of LEAs. The evaluation rubrics will be a critical piece of the new state accountability system and statewide training for all education stakeholders will help to support the system.</p>
6	K-12 College Readiness Block Grant Vote 2-1(Moorlach)	<p>Staff recommends providing \$200 million in one-time Proposition 98 funding to be available for 2016-17, 2017-18, and 2018-19 to provide block grants to school districts and charter schools to prepare high school students, particularly unduplicated students as defined in Education Code Section 42238.02, (low-income, English learner and foster youth), to be eligible for admission into a postsecondary institution, and increase the 4-year-college-going rates of these pupils.</p> <p>Implementing trailer bill language would specify that grant funds will be provided to school districts and charter schools with unduplicated pupil enrollment. The SPI would determine a per unduplicated pupil amount, with a minimum grant amount per school district or charter school. School districts and charter schools could use funds for professional development related to college readiness, college admissions counseling services for students and families, instructional materials that support college readiness, support of student completion of A-G requirements, including increased A-G course offerings, collaborative partnerships with postsecondary institutions, and advanced placement exam fees for unduplicated students.</p>	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	<p>Staff notes that these one-time funds will be used to help school districts and charter schools increase college-going rates for high school students, particularly low-income, English learner, and foster youth pupils.</p>

CALIFORNIA DEPARTMENT OF EDUCATION

DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
7	Teacher Residency Vote 2-1(Moorlach)	<p>Staff recommends providing \$60 million in one-time Proposition 98 funding, to be available for the 2016-17, 2017-18, and 2018-19 fiscal years to establish a pilot program for LEAs to create or expand teacher residency programs targeted to chronic shortage areas, including special education and bilingual teachers. These programs would be school-based teacher preparation programs in which a prospective teacher would teach alongside an experienced mentor teacher, as defined, while also receiving teacher training instruction in a teacher credentialing program in a qualified institution of higher education</p> <p>Implementing trailer bill language would establish a grant program that provides LEAs with grants of \$20,000 per resident with a dollar for dollar local match requirement. LEAs could use grant funds for tuition assistance, living stipends for residents, stipends for master teachers, and residency program operations.</p>	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	Staff notes that these program would provide a path for LEAs to bring well-trained, fully-credentialed teachers into the classrooms. Research has shown that teachers in residency programs are also more likely to stay in teaching, making this cost effective investment which will help alleviate the teacher shortage.
8	Special Olympics 6100-608-0001 Vote 2-1(Moorlach)	Staff recommends increasing the LCFF apportionment amount for the Los Angeles County Office of Education by \$1 million in one-time Proposition 98 General Fund to allow the county office to contract with the Special Olympics Northern and Southern California to expand the Special Olympics Unified Strategy for Schools. The Special Olympics Unified Strategy for Schools aims to promote positive school communities for all students, including those with intellectual disabilities, and includes unified sports activities, young athletes programs, youth leadership and advocacy programs, and whole school engagement programs.	Approve as proposed with implementing trailer bill language to be refined as necessary.	TBL	
9	Career Technical Education Pathways Program 6100-170-0001 (Spring Finance Letter) Vote 3-0	The Governor requests that Budget Bill Item 6100-170-0001 be added to reflect the reimbursement of \$15,360,000 for the California Department of Education to continue administration of the Career Technical Education Pathways Program with the California Community Colleges Chancellor's Office. This request allows for the enactment of an interagency agreement between the California Department of Education and the California Community Colleges Chancellor's Office.	Approve as proposed.	BBL	Staff notes that this action conforms to actions taken in the CCC budget.

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 3: State Operations					
10	Distinguished After School Health Recognition Program Administration 6100-001-0001 Vote 3-0	The May Revision requests that \$59,000 in non-Proposition 98 General Fund be redirected from the support of child care services to the administration of the Distinguished After School Health Program to support 0.5 position in 2016-17. The Distinguished After School Health Program provides recognition for school programs that provide health education and include health food and physical activity.	Approve as proposed	BBL	Staff notes that this is a technical adjustment to reflect program funding.
11	State and Federal Accountability System Support 6100-001-0001 (May Revision) Vote 3-0	The May Revision provides \$251,000 non-Proposition 98 General Fund for the 2016-17, 2017-18, and 2018-19 fiscal years to support 2 existing positions to continue the development, implementation, and maintenance of the state and federal accountability systems.	Approve as proposed	BBL	
12	State Operations, Instructional Quality Commission 6100-001-0001 (May Revision) Vote 3-0	The May Revision provides \$362,000 in one-time, non-Proposition 98 General Fund to support curriculum framework activates of the Instructional Quality Commission (IQC). In the 2016-17 year, the IQC is working on the development of the science and health curriculum frameworks. Proposed provisional language also includes the ability of the CDE to use the funds for other IQC frameworks-related workload with the approval of the Department of Finance.	Approve as proposed	BBL	
13	Uniform Complaint Procedures 6100-001-0001 (May Revision) Vote 3-0	The May Revision provides \$200,000 in one-time non-Proposition 98 General Fund to support the CDE's workload related to the review of Uniform Complaint Procedures (UCP) appeals for civil rights, physical education, lactation accommodations, foster and homeless youth rights, and courses without education content. These funds are intended to support UCP activities in the 2016-17 year. The State Auditor is anticipated to release an audit report on UCP processes in December 2016, which will inform future funding decisions.	Approve as proposed	BBL	
14	Health Framework Expert 6100-491 (May Revision) Vote 3-0	The May Revision reappropriated \$135,000 in Item 6100-001-0001 provided in the Budget act of 2015 for use in the 2016-17 year for the CDE to contract with a researcher/writer with expertise in sex trafficking and sexual abuse for purposes of drafting a section for the IQC to consider including in the Health Framework.	Approve as proposed.	BBL	Staff notes that work was delayed until the 2016-17 fiscal year and this reappropriates associated funding.

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
15	Charter School Facility Grant Program 0985-001-0001 (May Revision) Vote 3-0	The May Revision includes \$132,000 in non-Proposition 98 General Fund to provide the California School Finance Authority, under the State Treasurer's Office, with 1 position to address Charter School Facility Grant Program workload. This program provides grants to charter schools for rent and lease expenditures.	Approve as proposed		Staff notes that additional funding and extended eligibility was provided for this program in the 2015-16 year, resulting in increased participation.
16	Charter School Facilities Incentive Grants Program 0985-001-0890 (May Revision) Vote 3-0	The May Revision includes \$230,000 in Federal Trust Fund to provide the California School Finance Authority, under the State Treasurer's Office, with 2 positions to support workload associated with increased participation on the Charter School Facilities Incentive Grants Program. This federally funded program provides grant funding to charter schools for the cost of rent, leases, or construction.	Approve as proposed		Staff notes that program has increased participation and increased workload due to coordination with changes in the state Charter School Facility Grant Program

CALIFORNIA DEPARTMENT OF EDUCATION
DISCUSSION/ VOTE

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 4: Trailer Bill Language					
17	Foster Youth Services Coordinating Program Education Code Section 42920.5 (May Revision) Vote 3-0	The May Revision includes language that would direct that, commencing with the 2016-17 fiscal year, the allocation for the Foster Youth Services Coordinating Program funds would provide a base grant amount of \$75,000 for each participating county office of education. In addition 70 percent of the annual funding allocation would be based on the number of foster youth in the county and 30 percent of the allocation on the number of school districts.	Approve trailer bill language to be refined as necessary.	TBL	Staff notes that this language specifies an allocation methodology for the Foster Youth Services Coordinating Program that provides more of the funding to county offices of education based on the number of foster youth served while still providing
18	Special Education - Non Public Agencies Education Code Section 56366.3 Vote 3-0	Staff recommends the elimination of section 56366.3. This section prohibits former employees of LEAs from working for a Non-Public Agency (NPA), which provides services such as mental health, behavior specialists, and autism services to students through contracts with LEAs for 365 days.	Approve trailer bill language elimination to be refined as necessary.	TBL	Staff notes that this statute was applicable for addressing an issue with the old special education reimbursement system and is no longer necessary under the current system. In addition, in some LEAs it is likely exacerbating existing difficulties in providing special education services.
19	Independent Study Education Code Section 51747 January Budget and May Revision Vote 3-0	The Governor's Budget proposes trailer bill language that defines which records can be maintained as electronic files and defines "electronic file". In addition the language that the original document or electronic file is valid for audit purposes.	Approve trailer bill language to be refined as necessary.	TBL	Staff notes this change allows for LEAs to reduce paperwork while maintaining verifiable records electronically.

6360 - Commission on Teacher Credentialing Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Local Assistance					
1	Teacher Preparation Grant 6360-002-0001 and Education Code Section 44259.1 (May Revision) Vote 2-0 (Allen Abstained)	<p>The May revision includes \$10 million in one-time non-Proposition 98 General Fund for a competitive grant program, administered by the CTC to award one or two year grants of \$250,000 to postsecondary institutions to create or improve existing four-year integrated programs of teacher preparation.</p> <p>Grant funds could be used for faculty release time to redesign courses, provide program coordinators to assist in collaboration with subject matter professors, create summer courses for students, and recruit individuals into a four-year program. In selecting grant recipients, the CTC shall prioritize those programs that produce teachers in chronic shortage areas including special education and partner with community colleges or K-12 LEAs.</p> <p>Grantees shall provide outcome data to the CTC for at least three years after receipt of the grant.</p>	Amend to provide \$10 million in one-time Proposition 98 funding to CCC to work with the CTC to provide funds to partnerships between CCCs and postsecondary institutions to create or improve existing four-year integrated programs of teacher preparation. Adopt implementing trailer bill language to be refined as necessary.	BBL/ TBL	
2	California Center on Teaching Careers 6360-601-0001 (May Revision) Vote 2-1(Moorlach)	The May revision includes \$2.5 million in one-time Proposition 98 General Fund for the CTC award, through a competitive bid, a grant to an LEA to establish the California Center on Teaching Careers. The center would be established to recruit individuals into the teaching profession and would develop and disseminate recruitment publications, provide information on credentialing, teacher preparation programs, and financial aid, create a referral database for teachers seeking employment, provide outreach to high school and college students, and existing teachers.	Amend to provide a total amount of \$7 million, Approve trailer bill language to include a focus on chronic teacher shortage areas, including special education, and bilingual teachers, to be refined as necessary.	TBL	Staff notes that this proposal is a cost-effective way to begin to address the teacher shortage. The state has funded similar teacher recruitment efforts in the past that have been effective.

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Wednesday, May 18, 2016
1:30 p.m. or Upon Call of the Chair
State Capitol - Room 3191**
Consultant: Anita Lee

AGENDA PART B

<u>Issue</u>	<u>Department</u>	<u>Page</u>
--------------	-------------------	-------------

6980 Issue 1	California Student Aid Commission Vote Only Items	2
------------------------	---	---

6870 Issue 2	California Community Colleges Vote Only Items	3
------------------------	---	---

Public Comment

6870 Issue 3	California Community Colleges Discussion / Vote Items	14
------------------------	---	----

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Issue 1: 6980 - California Student Aid Commission

Item	Subject	Description	Staff Recommendation	Language
1	Assumption Program of Loans for Education	The APLE program allows the state to issue agreements for loan assumptions annually to students and district interns who are pursuing careers in teaching and credentialed teachers. Award recipients must teach in a subject shortage area at any school or teach any subject at a school associated with shortages (including schools with a large low-income population, at least 20 percent of teachers holding emergency permits, ranked in the bottom 20 percent of the Academic Performance Index, or located in a rural area). The base award provides up to \$11,000 over four years. In addition, award recipients teaching in certain subject areas (such as math, science or special education) in certain schools could qualify for additional awards up to a total \$19,000 over four years. Beginning in 2012-13, no new APLE warrants have been issued; only renewals continue to be funded.	Staff recommends reinstating the APLE program to provide 170 APLE new warrants annually. No costs are expected in 2016-17 because awardees must complete one full year of teaching prior to receiving a loan repayment. At full implementation in 2020-2021, costs are expected to be \$2,262,000.	BBL
2	Assumption Program of Loans for Education	The May Revision proposes a decrease of \$2,262,000 to reflect revised cost estimates for the Assumption Program of Loans for Education. For 2015-16, the May Revision also assumes incremental savings of \$2,129,000 to reflect revised cost estimates for the program.	Approve as proposed.	BBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
1	Clean Energy Job Creation Fund Revenue Estimate 6870-139-8080 (May Revision)	The May Revision proposes an increase of \$4.12 million to reflect an increase in estimated Clean Energy Job Creation Fund revenue.	Approve as proposed	BBL
2	Academic Senate for the Community Colleges Augmentation 6870-101-0001 (May Revise)	The May Revision proposes to increase funding for the Academic Senate of California Community Colleges by \$300,000 to more expeditiously develop, promote, and act upon policies in support of recent statewide community college programmatic efforts and initiatives.	Approve as proposed	BBL

Issue 2: 6870 - California Community Colleges

Vote Only

Item	Subject	Description	Staff Recommendation	Language
3	May Revise Technical Adjustments	<p>The May Revision requests an increased of \$164,930,000 to reflect a decrease in apportionment funding associated with an increase in estimated net offsetting EPA revenue.</p> <p>The May Revision also requests that item 6870-101-0001 be increased by \$51,179,000 to reflect an increase in apportionment funding associated with a decrease in estimated net offsetting local tax revenue.</p> <p>The May Revision proposes Item 6870-101-0001, Budget Act of 2015 be increased and conforming adjustments be made to reflect a \$115,766,000 decrease in estimated 2015-16 EPA revenues.</p> <p>The May Revision proposes Item 6870-101-0001, Budget Act of 2015 be decreased by \$578,000 to reflect differences between the estimated and actual impact of excess revenue districts receiving EPA funding that does not offset apportionment funding.</p>	Approve as proposed	BBL
4	Offsetting Student Fee Revenues 6870-101-0001 (May Revise)	The May Revision proposes that (1) of Item 6870-101-0001 be decreased by \$9,837,000 to reflect a decrease in apportionment funding associated with an increase in estimated offsetting student fee revenue.	Approve as proposed	BBL

Issue 2: 6870 - California Community Colleges

Vote Only

Item	Subject	Description	Staff Recommendation	Language
5	Increase Student Financial Aid 6870-101-0001	The May Revision proposes an increase of \$2,333,000 to reflect an increase of \$1,173,000 for the Student Financial Aid Administration Program and an increase of \$1,160,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived.	Approve as proposed	BBL
6	Increase Apportionments Estimate to Reflect the City College of San Francisco's Statutory Current Year Declining Enrollment Protection 6870-101-0001	The May Revision proposes to increase Item 6870-101-0001 by \$41.5 million to reflect the City College of San Francisco's estimated declining enrollment protection. The purpose of this adjustment is to ensure that, if the community college system meets enrollment targets, there will be sufficient appropriation to fund all enrollment growth to which districts are entitled plus the extended stability funding that CCSF will receive.	Approve as proposed	BBL
7	Technical Provisional Language 6870-101-0001 (May Revision)	The May Revision proposes provisional budget bill language adjustments to include references to the Student Success Basic Skills, Zero-Text-Book degrees the Strong Workforce proposal.	Approve as proposed	BBL
8	Technical Base Apportionment Adjustment 6870-101-0001 (May Revision)	The May Revision proposes to increase Item 6870-101-0001 by \$5.34 million to reflect various technical base apportionment adjustments associated with updates in enrollment.	Approve as proposed	BBL

Issue 2: 6870 - California Community Colleges

Vote Only

Item	Subject	Description	Staff Recommendation	Language
9	Cost-of- Living Adjustment (May Revision)	The May Revision proposes to decrease the cost-of-living adjustments from 0.47 percent to 0 percent, resulting in the following decreases: (1) \$29.29 million apportionments, (2) \$61,000 and \$75,000 for the hourly non-credit funding rate for community college and K-12 apprenticeship programs, (3) \$579,000 decrease for the Extended Opportunity Programs and Services Program, (4) \$542,000 for the Disabled Student Programs and Services Program, (5) \$164,000 for the Student Services for CalWORKs Recipients Program, (6) \$16,000 for the Campus Childcare Tax Bailout Program.	Approve as proposed	BBL
10	Institutional Effectiveness Partnership Initiative	The Governor's January budget proposed augmenting the Institutional Effectiveness Partnership Initiative (IEPI) by \$10 million Proposition 98 General Fund. Specifically, the proposal augments the statewide professional development activities by \$8 million, and augments technical assistance funding by \$2 million.	Approve as proposed and amend reporting to include information about activities under both components of the program, including college participation in those activities, as well as colleges' progress toward their goals for each of the institutional effectiveness indicators.	BBL

Issue 2: 6870 - California Community Colleges

Vote Only

Item	Subject	Description	Staff Recommendation	Language
11	Full-Time Student Success Grant Funding 6870-102-0001 (May Revision)	<p>The May Revision proposes an increase of \$2.174 million to reflect the inclusion of Cal Grant C recipients, and an increased estimate of eligible Cal Grant B students in fiscal year 2016-17. The maximum grant is \$300 per semester, or prorated amount for colleges using a quarter system, to community college districts to distribute an equal amount of funding to each eligible student as funding allows. If eligible students exceed funding available in this item, awards shall be proportionally reduced to fit within available funds.</p> <p>The 2015-16 budget act provided \$39 million for the Full-Time Student Success Grant. This grant provides additional support to full-time Cal Grant B recipients. This proposal seeks to expand the eligibility pool to include Cal Grant C recipients.</p>	Approve as proposed	BBL
12	Equal Opportunity Program 6870-101-3273 (May Revision)	<p>The May Revision includes a proposal to provide \$2.3 million one-time from the Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community college districts. This fund contains penalties paid by districts who do not meet their full-time faculty obligation numbers. The proposal requires funds to be spent pursuant to Education Code 87108, which includes accommodations for applicants and employees with disabilities, and outreach and recruitment.</p>	Approve as proposed	BBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
13	Increase Mandate Debt Repayment (May Revision)	The May Revision proposes to increase mandate debt payments by \$29 million to reflect proposed 2014-15 and 2015-16 Proposition 98 General Fund appropriations of \$26 million and \$3 million, respectively, to pay for outstanding mandate debt on a per full-time equivalent student basis. This flexible one-time funding will reduce mandate debt while also providing districts with discretion to pay for other one-time expenses such as professional development, campus security infrastructure, technology infrastructure, and developing open education resources and zero-textbook cost degrees.	Approve as proposed	BBL
14	Mandate Block Grant (May Revision) 6870-296-0001	It is requested that Item 6870-296-0001 be decreased by \$134,000 to align block grant funding with the revised estimate of full-time equivalent students.	Approve as proposed.	BBL
15	CCC May Revise Technical Adjustments for the Current and Prior Year (May Revision)	The May Revision proposes trailer bill language to appropriate \$38.57 million in 2015-16 Proposition 98 General Fund to backfill a projected shortfall in estimated offsetting local community college district revenue. To the extent the appropriation exceeds the final shortfall, the language proposes that the funding would be used to make additional mandate debt payments.	Approve and adopt placeholder trailer bill language	BBL and TBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
16	Compton Community College District Loan (May Revision)	The May Revision proposes trailer bill language to adjust the interest rate to 2.307 percent on any outstanding General Fund emergency apportionments made to Compton Community College District, which is reflective of the rate recently provided to other K-12 agencies. The administration requests General Fund interest revenue be reduced by approximately \$134,000 in 2016-17 and principal repayment amounts be increased by approximately \$51,000 in 2016-17 to revise the interest rate on three Compton Community College District emergency apportionments. The current outstanding loan balance is \$17.8 million.	Approve placeholder trailer bill language	TBL
17	Full-Time Faculty Clarification	Staff recommends trailer bill language to clarify that the \$62.3 million allocated in the 2015-16 budget for increasing the number full-time faculty at the community colleges were to be allocated to all districts, including basic aid districts.	Adopt placeholder TBL to be refined as necessary.	TBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
18	System wide Data Security (January Proposal)	<p>The Governor proposes \$3 million Proposition 98 General Fund to support a range of technical services for community colleges and statewide projects through the system's TTIP program.</p> <p>The Chancellor's Office reports that the proposal would enable the system to create a comprehensive suite of security services for community colleges and statewide technology projects. Services would include providing support for colleges in the event of a data breach, offering more in-depth vulnerability scans and risk analyses, promoting the CCC information security standards and creating incentives for institutions to meet these standards, and enhancing security monitoring. The funding also would support creation of a CCC system wide data sharing committee to ensure the security of personally identifiable information.</p>	Approve as proposed	BBL
19	Enrollment Growth	The Governor's budget proposes an additional \$115 million Proposition 98 General Fund for to reflect a two percent CCC enrollment growth (an additional 23,000 FTE students or 50,000 students by headcount).	Approve as proposed	BBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
20	Awards for Innovation	<p>The Governor proposes \$25 million one-time Proposition 98 General Fund for the Awards for Innovation in Higher Education Program.</p> <p>The Governor proposes to provide six innovation awards of at least \$4 million each in 2016–17. This proposal differs from the 2014–15 and 2015–16 proposals in four ways: (1) only CCC districts would be able to apply for awards, which would be funded by Proposition 98 General Fund; (2) awards would be based on proposed activities instead of initiatives applicants already have implemented; (3) awards would need to focus specifically on effective articulation and transfer pathways, successful transitions from higher education into the workforce, and innovations in technology and data; and (4) the Governor would have more discretion in selecting his appointees to the awards committee. Members no longer would have to represent any of the higher education segments or the State Board of Education.</p>	Reject	BBL and TBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
21	Inmate Education	The Senate Budget Subcommittee No 5. approved the expansion of SB 1391 (Hancock) to include five additional prisons and two permanent positions in the Community Colleges Chancellors Office to coordinate community college programs within the state prison system. Specifically, the California Department of Corrections and Rehabilitation shall provide \$2 million in one-time General Fund over two years for five additional community college pilot programs, and \$1 million in on-going General Fund to create a permanent infrastructure at the Chancellor's Office for staff and administrative expenses related to inmate education. Staff recommends to take conforming action.	Approve BBL to be refined as necessary.	BBL
22	One-time Physical Plant and Instructional Equipment 6870-101-0001 (May Revision)	The May Revision proposes to decrease Schedule (23) by \$65.9 million to reflect alternative spending priorities and that provisional language be revised to reflect the 2016-17 project cost threshold for scheduled maintenance and repair projects. The May Revision also proposes to provide \$23.8 million in Proposition 98 Settle-up fund for these purposes in trailer bill language.	Approve 2016-17 reduction in Schedule 23, and adopt modified trailer bill language to provide \$17.4 million in Proposition 98 Settle-up funds for instruction equipment.	BBL and TBL

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language
23	Adult Education Fund Education Code Sections 52616 and 89414.1	<p>Staff recommends to amend and move language from Education Code Section 52616 to Section 84914.1 to clarify that funds received from the Adult Education Block Grant shall be deposited in an "adult education fund" and spent for the purposes of adult education.</p> <p>These language changes are technical and clarifying for support of the Adult Education Block Grant program enacted in the 2015-16 Budget Act.</p>	Approve trailer bill language to be refined as necessary.	TBL

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
1	Online Education Initiative (May Revision)	<p>The May Revision proposes trailer bill language to appropriate \$20 million in one-time Proposition 98 General Fund to expedite and enhance the adaptation and development of courses that are available through the online course exchange component of the Online Education Initiative (OEI).</p> <p>The online course exchange, a component of the OEI, is in the development phase for an initial pilot launch in fall 2016 at eight colleges and for 20 courses. Through the course exchange, students who cannot get the courses they need at their home college, will be able to enroll online at another college that has available seats in the equivalent course via a streamlined registration process at their home college.</p>	Approve	TBL	The state initially funded this effort with \$17 million in 2013-14, and has provided \$10 million annually thereafter. The proposal does not provide clear goals and expectations on how additional funds will be spent.
2	Technology Infrastructure 6870-101-0001 (May Revision)	The May Revision requests \$5 million ongoing, and \$7 million in 2015-16 Proposition 98 General Fund to support efforts within the Telecommunications and Technology Infrastructure Program to expand broadband capacity across community college campuses to ensure appropriate internet access is available for students, faculty, and community college administrators. The Administration notes that the improvements are needed to meet demand for connectivity and to prepare for statewide rollout of the common assessment, education planning, online education, and other statewide technology initiatives.	Approve as proposed, with placeholder trailer bill language to be refined as necessary.	BBL and TBL	

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
3	Inmate Digital Instructional Materials 6870-101-0001 (May Revision)	<p>The May Revision proposes to provide \$3 million ongoing to provide digital course content to inmates under the jurisdiction of the California Department of Corrections and Rehabilitation that are enrolled in a California community college course or courses.</p> <p>Currently, CDCR has 7,000 eReader tablets that student-inmates enrolled in community college use to read college textbook content. The content is downloaded onto the eReader tablet. Although the tablets are owned by CDCR, the electronic content is only available for a limited period until it eventually expires (the current content expires in September of 2016). The Administration believes there is a need for funding to support the ongoing purchase of college content to be used on the eReader tablets. Expanding eReader content for offenders encourages learning gains beyond the 9th grade level and supports greater possibility for employment after release.</p>	Approve as proposed.	BBL	
4	Basic Skills Proposal	<p>The Governor proposes to augment the existing Basic Skills Initiative by \$30 million ongoing Proposition 98 General Fund, bringing total funding for the initiative to \$50 million Proposition 98 General Fund. The Governor also proposes trailer bill language that repeals the existing BSI and creates a new program which implements performance-based funding.</p> <p>The May Revision revised the proposal to include the LAO to the list of agencies that must concur with the Chancellor's Office if additional factors are used to distribute funding.</p>	Amend BBL and adopt placeholder TBL to (1) remove allocation formula, (2) direct the Chancellors Office to convene a workgroup with relevant stakeholders to determine the allocation of funds, and (3) redirect the additional \$30 million in 2016-17 to fill eligible Transformation Grants applicants that did not receive funding.	BBL and TBL	<p>The 2015-16 budget established the Community College Basic Skills and Student Outcomes Transformation Program, and provided \$60 million in one-time Proposition 98 General Fund for the program. However, because of limited funding, 22 colleges that were eligible for funding did not receive an award.</p>

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
5	Zero-textbook-cost degrees (January proposal and May Revision)	<p>The Governor proposed \$5 million in one-time Proposition 98 General Fund for zero–textbook–cost pathways. Community colleges would compete for grants of up to \$500,000 each to offer an associate degree, certificate, or credential program a student can complete entirely by taking Open Education Resource courses. Priority would be given to developing a new degree from an existing transfer degree.</p> <p>The May Revise proposes the following changes to the proposal: (1) reflect maximum grant amounts per ZTC degree of \$200,000, (2) clarify that discretionary student printing costs are allowable within a ZTC degree, (3) prioritize existing open educational resources and initiatives to expedite development of ZTC degrees, (4) clarify that districts comply with existing copyright and accessibility law, and (5) reflect various other clarifying amendments, such as grants may be used to obtain professional development to assist in the development of degrees.</p>	Approve placeholder trailer bill language.	BBL and TBL	

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
6	Strong Workforce Program 6870-101-0001 (January proposal and May Revision)	<p>The May Revision proposes changes to the Strong Workforce Program trailer bill language to: (1) require the Chancellor's Office to provide the Legislature and Administration with a plan to expedite and improve the course approval process to adopt courses in one academic year or one semester, (2) authorize the Chancellor's Office to distribute a 60 percent of funds directly to community colleges, (3) require that no more than 60 percent of funds provided directly to districts could be used for ongoing costs, (4) require the Chancellor's Office, DOF, and the LAO to investigate future consolidation of community college career technical education programs into the Strong Workforce Program, (5) establish a career technical education faculty subcommittee within the Academic Senate of the California Community Colleges, (6) other clarifying amendments.</p> <p>The Governor's January proposal also sought to provide \$48 million ongoing Proposition 98 General Fund to make the CTE Pathways Program permanent.</p>	Approve BBL and modify TBL to remove the requirement that not more than 60 percent of funds provided to districts could be used for ongoing costs, and adopt TBL to extend the CTE pathways program for one year and state legislative intent that beginning in 2017-18 the CTE pathways may be a part of the Strong Workforce program.	TBL	CTE Pathways, created in 2012, is grant program helps regions develop sustainable CTE pathways among schools, community colleges, and regional business and labor organizations. The program was set to expire at the end of 2014–15, but the 2015–16 budget provided an additional \$48 million and extended the program for one more year. If the Chancellor's Office, DOF and LAO are investigating the possible consolidation of CTE programs, it may be prudent to extend the program by only one year.

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
7	Restore Various Categorical Programs	Staff recommends to increase funding to (1) the Student Services for CalWORKS Recipients by \$8.68 million Proposition 98 General Fund, (2) part-time faculty office hours categorical by \$3.66 million Proposition 98 General Fund, and (3) the Fund for Student Success, which includes the Puente Project and Mathematics Engineering, Science Achievement Program by \$2.37 million Proposition 98 General Fund. These increases bring funding back to pre-recession levels	Adopt BBL to restore funding to the Student Services for CalWORKS Recipients, and Part-Time Faculty Office Hours.	BBL	The Student Services for CalWORKS Recipients categorical provides counseling, tutoring and other support for CalWORKS students. The MESA programs support financially and educationally disadvantaged students seeking majors in math and science based fields, and the Puente works to improve the transfer rate for underserved students
8	Early Care and Education Pilot Program	Staff recommends to provide \$1.4 million one-time Proposition 98 General Fund over three years to the Los Angeles Trade-Tech Community College to provide job training, mentoring and college courses through the Early Care and Education Apprenticeship Pilot Program in Los Angeles. The project will enroll a total of 150 workers, helping participants become licensed, access free college level coursework, receive paid on the job training and coaching, benefit peer support, and advance to higher levels of credentialing within the industry.	Adopt placeholder TBL to provide \$1.4 million one-time Proposition 98 General Fund to LA Trade-Tech college to provide job training, mentoring and college courses through the early care and education apprenticeship program.	TBL	

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
9	Increase Base Apportionment Funding to Reflect Increased Operation Expenses 6870-101-0001 (May Revision)	The May Revision proposes to increase base apportionment by \$75 million to reflect additional base apportionment funding in recognition of increased operating expenses in the areas of facilities, retirement benefits, professional development, full-time faculty, and other general expenses.	Adopt modified BBL to increase base apportionment by \$10.29 million, for a total of \$85.29 million.	BBL	
10	Adult Education (May Revision)	<p>The Governor proposes to provide \$5 million to be expended over a three year period (2016-17 through 2018-19) for the CCC and CDE to contract with a community colleges district, school district, county office of education, or adult education consortia to provide statewide leadership for consortia members participating in the Adult Education Block Grant.</p> <p>The May Revision includes trailer bill language amending Education Code Section 84905 to require that the fiscal agent for each adult education consortium develop a process to apportion funds within 45 days of receiving funds from the state that does not require consortium members to be funded on a reimbursement basis.</p>	Approve as proposed with trailer bill language to be refined as necessary.	TBL	Staff notes that state leadership activities will provide continued support for adult education consortia as they expand and refine program offerings in their regions. In addition, the proposed fiscal agent trailer bill language will ensure that funds are received in timely manner.

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
11	Adult Education (Education Code Sections 84917 and 84920)	<p>Staff recommends adding trailer bill language to amend the date adult education outcomes reporting is required pursuant to ECS 84917 from Sept 30 to a two-part report on October 30th and January 1st of each year.</p> <p>The Senate also proposes to add trailer bill language to require additional reporting from the Chancellor of the Community Colleges and the Superintendent of Public Instruction no later than August 1, 2017 on options for integrating the adult education assessments into the common assessment system developed by the community colleges pursuant to section 78219. The report shall address compliance with requirements for federal and state funding of adult education programs, identify estimated project costs and time lines, and identify changes in policies that may be necessary to avoid duplicate testing requirements.</p> <p>The Senate also proposes to add supplemental reporting language as follows: "No later than January 1, 2017, the chancellor and the Superintendent shall submit to the Director of Finance, the state board, and the appropriate policy and fiscal committees in the Legislature a report on their progress in meeting the requirements of the Education Code, section 84920, subdivisions (b) and (e). The report shall describe the agreements, policies, procedures, and data systems planned, developed, or implemented to comply with these requirements."</p>	Approve placeholder trailer bill language and placeholder supplemental reporting language as proposed to be refined as necessary.	TBL/ SRL	<p>Staff notes that the extension in the reporting timelines better aligns with workload of collecting, verifying and analyzing the required data.</p> <p>The additional proposed reporting requirements would inform the Legislature and the Administration on the continued implementation of the Adult Education Block Grant in time for the next cycle of budget discussions.</p>

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
12	Outreach Funding for the Board of Governor's Fee Waiver Program and the Baccalaureate Degree Program	<p>Staff recommends to provide \$5 million one-time for outreach to promote the Board of Governors Fee Waiver as well as the Baccalaureate Degree Pilot Program.</p> <p>On September 28, 2014, California Governor Jerry Brown signed SB 850 (Block) authorizing the Board of Governors of California's Community Colleges (BOG), in consultation with representatives of the California State University (CSU) and University of California (UC), to establish a statewide baccalaureate degree pilot program at no more than 15 California Colleges.</p> <p>The California Community Colleges Board of Governors (BOG) Fee Waiver program waives tuition fees for financially-needy students. For the past 30 years, the BOG Fee Waiver has kept pace with tuition, making a community college education tuition-free for all financially-eligible Californians. Between 1984 and 2015, the waiver has been provided to over 5.1 million students.</p>	Approve placeholder trailer bill language to provide \$5 million one-time for outreach on BOG Fee Waiver and Baccalaureate Degree Pilot Program	TBL	

SUBCOMMITTEE NO. 1

Agenda

Senator Marty Block, Chair

Senator Benjamin Allen

Senator John M. W. Moorlach



**Wednesday, May 18, 2016
1:30 p.m. or Upon Call of the
Chair State Capitol - Room 3191**

Consultant: Anita Lee

AGENDA PART B OUTCOMES

<u>Issue</u>	<u>Department</u>	<u>Page</u>
6980 Issue 1	California Student Aid Commission Vote Only Items	2
6870 Issue 2	California Community Colleges Vote Only Items	3
Public Comment		
6870 Issue 3	California Community Colleges Discussion / Vote Items	14
Public Comment		

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Issue 1: 6980 - California Student Aid Commission

Item	Subject	Description	Staff Recommendation	Language	Vote
1	Assumption Program of Loans for Education	The APLE program allows the state to issue agreements for loan assumptions annually to students and district interns who are pursuing careers in teaching and credentialed teachers. Award recipients must teach in a subject shortage area at any school or teach any subject at a school associated with shortages (including schools with a large low-income population, at least 20 percent of teachers holding emergency permits, ranked in the bottom 20 percent of the Academic Performance Index, or located in a rural area). The base award provides up to \$11,000 over four years. In addition, award recipients teaching in certain subject areas (such as math, science or special education) in certain schools could qualify for additional awards up to a total \$19,000 over four years. Beginning in 2012-13, no new APLE warrants have been issued; only renewals continue to be funded.	Staff recommends reinstating the APLE program to provide 170 APLE new warrants annually. No costs are expected in 2016-17 because awardees must complete one full year of teaching prior to receiving a loan repayment. At full implementation in 2020-2021, costs are expected to be \$2,262,000.	BBL	3-0
2	Assumption Program of Loans for Education	The May Revision proposes a decrease of \$2,262,000 to reflect revised cost estimates for the Assumption Program of Loans for Education. For 2015-16, the May Revision also assumes incremental savings of \$2,129,000 to reflect revised cost estimates for the program.	Approve as proposed.	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
1	Clean Energy Job Creation Fund Revenue Estimate 6870-139-8080 (May Revision)	The May Revision proposes an increase of \$4.12 million to reflect an increase in estimated Clean Energy Job Creation Fund revenue.	Approve as proposed	BBL	3-0
2	Academic Senate for the Community Colleges Augmentation 6870-101-0001 (May Revise)	The May Revision proposes to increase funding for the Academic Senate of California Community Colleges by \$300,000 to more expeditiously develop, promote, and act upon policies in support of recent statewide community college programmatic efforts and initiatives.	Approve as proposed	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
3	May Revise Technical Adjustments	<p>The May Revision requests an increased of \$164,930,000 to reflect a decrease in apportionment funding associated with an increase in estimated net offsetting EPA revenue.</p> <p>The May Revision also requests that item 6870-101-0001 be increased by \$51,179,000 to reflect an increase in apportionment funding associated with a decrease in estimated net offsetting local tax revenue.</p> <p>The May Revision proposes Item 6870-101-0001, Budget Act of 2015 be increased and conforming adjustments be made to reflect a \$115,766,000 decrease in estimated 2015-16 EPA revenues.</p> <p>The May Revision proposes Item 6870-101-0001, Budget Act of 2015 be decreased by \$578,000 to reflect differences between the estimated and actual impact of excess revenue districts receiving EPA funding that does not offset apportionment funding.</p>	Approve as proposed	BBL	3-0
4	Offsetting Student Fee Revenues 6870-101-0001 (May Revise)	The May Revision proposes that (1) of Item 6870-101-0001 be decreased by \$9,837,000 to reflect a decrease in apportionment funding associated with an increase in estimated offsetting student fee revenue.	Approve as proposed	BBL	3-0
5	Increase Student Financial Aid 6870-101-0001	The May Revision proposes an increase of \$2,333,000 to reflect an increase of \$1,173,000 for the Student Financial Aid Administration Program and an increase of \$1,160,000 for the Board Financial Assistance Program. These adjustments reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived.	Approve as proposed	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
6	Increase Apportionments Estimate to Reflect the City College of San Francisco's Statutory Current Year Declining Enrollment Protection 6870-101-0001	The May Revision proposes to increase Item 6870-101-0001 by \$41.5 million to reflect the City College of San Francisco's estimated declining enrollment protection. The purpose of this adjustment is to ensure that, if the community college system meets enrollment targets, there will be sufficient appropriation to fund all enrollment growth to which districts are entitled plus the extended stability funding that CCSF will receive.	Approve as proposed	BBL	3-0
7	Technical Provisional Language 6870-101-0001 (May Revision)	The May Revision proposes provisional budget bill language adjustments to include references to the Student Success Basic Skills, Zero-Text-Book degrees the Strong Workforce proposal.	Approve as proposed	BBL	3-0
8	Technical Base Apportionment Adjustment 6870-101-0001 (May Revision)	The May Revision proposes to increase Item 6870-101-0001 by \$5.34 million to reflect various technical base apportionment adjustments associated with updates in enrollment.	Approve as proposed	BBL	3-0

Issue 2: 6870 - California Community Colleges

Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
9	Cost-of- Living Adjustment (May Revision)	The May Revision proposes to decrease the cost-of-living adjustments from 0.47 percent to 0 percent, resulting in the following decreases: (1) \$29.29 million apportionments, (2) \$61,000 and \$75,000 for the hourly non-credit funding rate for community college and K-12 apprenticeship programs, (3) \$579,000 decrease for the Extended Opportunity Programs and Services Program, (4) \$542,000 for the Disabled Student Programs and Services Program, (5) \$164,000 for the Student Services for CalWORKs Recipients Program, (6) \$16,000 for the Campus Childcare Tax Bailout Program.	Approve as proposed	BBL	3-0
10	Institutional Effectiveness Partnership Initiative	The Governor's January budget proposed augmenting the Institutional Effectiveness Partnership Initiative (IEPI) by \$10 million Proposition 98 General Fund. Specifically, the proposal augments the statewide professional development activities by \$8 million, and augments technical assistance funding by \$2 million.	Approve as proposed and amend reporting to include information about activities under both components of the program, including college participation in those activities, as well as colleges' progress toward their goals for each of the institutional effectiveness indicators.	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
11	Full-Time Student Success Grant Funding 6870-102-0001 (May Revision)	<p>The May Revision proposes an increase of \$2.174 million to reflect the inclusion of Cal Grant C recipients, and an increased estimate of eligible Cal Grant B students in fiscal year 2016-17. The maximum grant is \$300 per semester, or prorated amount for colleges using a quarter system, to community college districts to distribute an equal amount of funding to each eligible student as funding allows. If eligible students exceed funding available in this item, awards shall be proportionally reduced to fit within available funds.</p> <p>The 2015-16 budget act provided \$39 million for the Full-Time Student Success Grant. This grant provides additional support to full-time Cal Grant B recipients. This proposal seeks to expand the eligibility pool to include Cal Grant C recipients.</p>	Approve as proposed	BBL	3-0
12	Equal Opportunity Program 6870-101-3273 (May Revision)	The May Revision includes a proposal to provide \$2.3 million one-time from the Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community college districts. This fund contains penalties paid by districts who do not meet their full-time faculty obligation numbers. The proposal requires funds to be spent pursuant to Education Code 87108, which includes accommodations for applicants and employees with disabilities, and outreach and recruitment.	Approve as proposed	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
13	Increase Mandate Debt Repayment (May Revision)	The May Revision proposes to increase mandate debt payments by \$29 million to reflect proposed 2014-15 and 2015-16 Proposition 98 General Fund appropriations of \$26 million and \$3 million, respectively, to pay for outstanding mandate debt on a per full-time equivalent student basis. This flexible one-time funding will reduce mandate debt while also providing districts with discretion to pay for other one-time expenses such as professional development, campus security infrastructure, technology infrastructure, and developing open education resources and zero-textbook cost degrees.	Approve as proposed	BBL	3-0
14	Mandate Block Grant (May Revision) 6870-296-0001	It is requested that Item 6870-296-0001 be decreased by \$134,000 to align block grant funding with the revised estimate of full-time equivalent students.	Approve as proposed.	BBL	3-0
15	CCC May Revise Technical Adjustments for the Current and Prior Year (May Revision)	The May Revision proposes trailer bill language to appropriate \$38.57 million in 2015-16 Proposition 98 General Fund to backfill a projected shortfall in estimated offsetting local community college district revenue. To the extent the appropriation exceeds the final shortfall, the language proposes that the funding would be used to make additional mandate debt payments.	Approve and adopt placeholder trailer bill language	BBL and TBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
16	Compton Community College District Loan (May Revision)	The May Revision proposes trailer bill language to adjust the interest rate to 2.307 percent on any outstanding General Fund emergency apportionments made to Compton Community College District, which is reflective of the rate recently provided to other K-12 agencies. The administration requests General Fund interest revenue be reduced by approximately \$134,000 in 2016-17 and principal repayment amounts be increased by approximately \$51,000 in 2016-17 to revise the interest rate on three Compton Community College District emergency apportionments. The current outstanding loan balance is \$17.8 million.	Approve placeholder trailer bill language	TBL	3-0
17	Full-Time Faculty Clarification	Staff recommends trailer bill language to clarify that the \$62.3 million allocated in the 2015-16 budget for increasing the number full-time faculty at the community colleges were to be allocated to all districts, including basic aid districts.	Adopt placeholder TBL to be refined as necessary.	TBL	3-0
18	System wide Data Security (January Proposal)	The Governor proposes \$3 million Proposition 98 General Fund to support a range of technical services for community colleges and statewide projects through the system's TTIP program. The Chancellor's Office reports that the proposal would enable the system to create a comprehensive suite of security services for community colleges and statewide technology projects. Services would include providing support for colleges in the event of a data breach, offering more in-depth vulnerability scans and risk analyses, promoting the CCC information security standards and creating incentives for institutions to meet these standards, and enhancing security monitoring. The funding also would support creation of a CCC system wide data sharing committee to ensure the security of personally identifiable information.	Approve as proposed	BBL	3-0

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
19	Enrollment Growth	The Governor's budget proposes an additional \$115 million Proposition 98 General Fund for to reflect a two percent CCC enrollment growth (an additional 23,000 FTE students or 50,000 students by headcount).	Approve as proposed	BBL	3-0
20	Awards for Innovation	<p>The Governor proposes \$25 million one-time Proposition 98 General Fund for the Awards for Innovation in Higher Education Program.</p> <p>The Governor proposes to provide six innovation awards of at least \$4 million each in 2016–17. This proposal differs from the 2014–15 and 2015–16 proposals in four ways: (1) only CCC districts would be able to apply for awards, which would be funded by Proposition 98 General Fund; (2) awards would be based on proposed activities instead of initiatives applicants already have implemented; (3) awards would need to focus specifically on effective articulation and transfer pathways, successful transitions from higher education into the workforce, and innovations in technology and data; and (4) the Governor would have more discretion in selecting his appointees to the awards committee. Members no longer would have to represent any of the higher education segments or the State Board of Education.</p>	Reject	BBL and TBL	2-1 (Moorlach Voting No)

Issue 2: 6870 - California Community Colleges Vote Only

Item	Subject	Description	Staff Recommendation	Language	Vote
21	Inmate Education	The Senate Budget Subcommittee No 5. approved the expansion of SB 1391 (Hancock) to include five additional prisons and two permanent positions in the Community Colleges Chancellors Office to coordinate community college programs within the state prison system. Specifically, the California Department of Corrections and Rehabilitation shall provide \$2 million in one-time General Fund over two years for five additional community college pilot programs, and \$1 million in on-going General Fund to create a permanent infrastructure at the Chancellor's Office for staff and administrative expenses related to inmate education. Staff recommends to take conforming action.	Approve BBL to be refined as necessary.	BBL	3-0
22	One-time Physical Plant and Instructional Equipment 6870-101-0001 (May Revision)	The May Revision proposes to decrease Schedule (23) by \$65.9 million to reflect alternative spending priorities and that provisional language be revised to reflect the 2016-17 project cost threshold for scheduled maintenance and repair projects. The May Revision also proposes to provide \$23.8 million in Proposition 98 Settle-up fund for these purposes in trailer bill language.	Approve 2016-17 reduction in Schedule 23, and adopt modified trailer bill language to provide \$17.4 million in Proposition 98 Settle-up funds for instruction equipment.	BBL and TBL	3-0
23	Adult Education Fund Education Code Sections 52616 and 89414.1	Staff recommends to amend and move language from Education Code Section 52616 to Section 84914.1 to clarify that funds received from the Adult Education Block Grant shall be deposited in an "adult education fund" and spent for the purposes of adult education. These language changes are technical and clarifying for support of the Adult Education Block Grant program enacted in the 2015-16 Budget Act.	Approve trailer bill language to be refined as necessary.	TBL	3-0

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
1	Online Education Initiative (May Revision)	<p>The May Revision proposes trailer bill language to appropriate \$20 million in one-time Proposition 98 General Fund to expedite and enhance the adaptation and development of courses that are available through the online course exchange component of the Online Education Initiative (OEI).</p> <p>The online course exchange, a component of the OEI, is in the development phase for an initial pilot launch in fall 2016 at eight colleges and for 20 courses. Through the course exchange, students who cannot get the courses they need at their home college, will be able to enroll online at another college that has available seats in the equivalent course via a streamlined registration process at their home college.</p>	Approve	TBL	<p>The state initially funded this effort with \$17 million in 2013-14, and has provided \$10 million annually thereafter. The proposal does not provide clear goals and expectations on how additional funds will be spent.</p>	3-0
2	Technology Infrastructure 6870-101-0001 (May Revision)	<p>The May Revision requests \$5 million ongoing, and \$7 million in 2015-16 Proposition 98 General Fund to support efforts within the Telecommunications and Technology Infrastructure Program to expand broadband capacity across community college campuses to ensure appropriate internet access is available for students, faculty, and community college administrators. The Administration notes that the improvements are needed to meet demand for connectivity and to prepare for statewide rollout of the common assessment, education planning, online education, and other statewide technology initiatives.</p>	Approve as proposed, with placeholder trailer bill language to be refined as necessary.	BBL and TBL		3-0

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
3	Inmate Digital Instructional Materials 6870-101-0001 (May Revision)	<p>The May Revision proposes to provide \$3 million ongoing to provide digital course content to inmates under the jurisdiction of the California Department of Corrections and Rehabilitation that are enrolled in a California community college course or courses.</p> <p>Currently, CDCR has 7,000 eReader tablets that student-inmates enrolled in community college use to read college textbook content. The content is downloaded onto the eReader tablet. Although the tablets are owned by CDCR, the electronic content is only available for a limited period until it eventually expires (the current content expires in September of 2016). The Administration believes there is a need for funding to support the ongoing purchase of college content to be used on the eReader tablets. Expanding eReader content for offenders encourages learning gains beyond the 9th grade level and supports greater possibility for employment after release.</p>	Approve as proposed.	BBL		3-0
4	Basic Skills Proposal	<p>The Governor proposes to augment the existing Basic Skills Initiative by \$30 million ongoing Proposition 98 General Fund, bringing total funding for the initiative to \$50 million Proposition 98 General Fund. The Governor also proposes trailer bill language that repeals the existing BSI and creates a new program which implements performance-based funding.</p> <p>The May Revision revised the proposal to include the LAO to the list of agencies that must concur with the Chancellor's Office if additional factors are used to distribute funding.</p>	Amend BBL and adopt placeholder TBL to (1) remove allocation formula, (2) direct the Chancellors Office to convene a workgroup with relevant stakeholders to determine the allocation of funds, and (3) redirect the additional \$30 million in 2016-17 to fill eligible Transformation Grants applicants that did not receive funding.	BBL and TBL	<p>The 2015-16 budget established the Community College Basic Skills and Student Outcomes Transformation Program, and provided \$60 million in one-time Proposition 98 General Fund for the program. However, because of limited funding, 22 colleges that were eligible for funding did not receive an award.</p>	3-0

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
5	Zero-textbook-cost degrees (January proposal and May Revision)	<p>The Governor proposed \$5 million in one-time Proposition 98 General Fund for zero-textbook-cost pathways. Community colleges would compete for grants of up to \$500,000 each to offer an associate degree, certificate, or credential program a student can complete entirely by taking Open Education Resource courses. Priority would be given to developing a new degree from an existing transfer degree.</p> <p>The May Revise proposes the following changes to the proposal: (1) reflect maximum grant amounts per ZTC degree of \$200,000, (2) clarify that discretionary student printing costs are allowable within a ZTC degree, (3) prioritize existing open educational resources and initiatives to expedite development of ZTC degrees, (4) clarify that districts comply with existing copyright and accessibility law, and (5) reflect various other clarifying amendments, such as grants may be used to obtain professional development to assist in the development of degrees.</p>	Approve placeholder trailer bill language.	BBL and TBL		2-1

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
6	Strong Workforce Program 6870-101-0001 (January proposal and May Revision)	<p>The May Revision proposes changes to the Strong Workforce Program trailer bill language to: (1) require the Chancellor's Office to provide the Legislature and Administration with a plan to expedite and improve the course approval process to adopt courses in one academic year or one semester, (2) authorize the Chancellor's Office to distribute a 60 percent of funds directly to community colleges, (3) require that no more than 60 percent of funds provided directly to districts could be used for ongoing costs, (4) require the Chancellor's Office, DOF, and the LAO to investigate future consolidation of community college career technical education programs into the Strong Workforce Program, (5) establish a career technical education faculty subcommittee within the Academic Senate of the California Community Colleges, (6) other clarifying amendments.</p> <p>The Governor's January proposal also sought to provide \$48 million ongoing Proposition 98 General Fund to make the CTE Pathways Program permanent.</p>	Approve BBL and modify TBL to remove the requirement that not more than 60 percent of funds provided to districts could be used for ongoing costs, and adopt TBL to extend the CTE pathways program for one year and state legislative intent that begining in 2017-18 the CTE pathways may be a part of the Strong Workforce program.	TBL	CTE Pathways, created in 2012, is grant program helps regions develop sustainable CTE pathways among schools, community colleges, and regional business and labor organizations. The program was set to expire at the end of 2014–15, but the 2015–16 budget provided an additional \$48 million and extended the program for one more year. If the Chancellor's Office, DOF and LAO are investigating the possible consolidation of CTE programs, it may be prudent to extend the program by only one year.	2-1
7	Restore Various Categorical Programs	Staff recommends to increase funding to (1) the Student Services for CalWORKs Recipients by \$8.68 million Proposition 98 General Fund, (2) part-time faculty office hours categorical by \$3.66 million Proposition 98 General Fund, and (3) the Fund for Student Success, which includes the Puente Project and Mathematics Engineering, Science Achievement Program by \$2.37 million Proposition 98 General Fund. These increases bring funding back to pre-recession levels	Adopt BBL to restore funding to the Student Services for CalWORKs Recipients, Part-Time Faculty Office Hours, and the Fund for Student Success.	BBL	The Student Services for CalWORKs Recipients categorical provides counseling, tutoring and other support for CalWORKs students. The MESA programs support financially and educationally disadvantaged students seeking majors in math and science based fields, and the Puente works to improve the transfer rate for underserved students	2-1

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
8	Early Care and Education Pilot Program	Staff recommends to provide \$1.4 million one-time Proposition 98 General Fund over three years to the Los Angeles Trade-Tech Community College to provide job training, mentoring and college courses through the Early Care and Education Apprenticeship Pilot Program in Los Angeles. The project will enroll a total of 150 workers, helping participants become licensed, access free college level coursework, receive paid on the job training and coaching, benefit peer support, and advance to higher levels of credentialing within the industry.	Adopt placeholder TBL to provide \$1.4 million one-time Proposition 98 General Fund to LA Trade-Tech college to provide job training, mentoring and college courses through the early care and education apprenticeship program.	TBL		2-1
9	Increase Base Apportionment Funding to Reflect Increased Operation Expenses 6870-101-0001 (May Revision)	The May Revision proposes to increase base apportionment by \$75 million to reflect additional base apportionment funding in recognition of increased operating expenses in the areas of facilities, retirement benefits, professional development, full-time faculty, and other general expenses.	Adopt modified BBL to increase base apportionment by \$10.29 million, for a total of \$85.29 million.	BBL		2-1
10	Adult Education (May Revision)	The Governor proposes to provide \$5 million to be expended over a three year period (2016-17 through 2018-19) for the CCC and CDE to contract with a community colleges district, school district, county office of education, or adult education consortia to provide statewide leadership for consortia members participating in the Adult Education Block Grant. The May Revision includes trailer bill language amending Education Code Section 84905 to require that the fiscal agent for each adult education consortium develop a process to apportion funds within 45 days of receiving funds from the state that does not require consortium members to be funded on a reimbursement basis.	Approve as proposed with trailer bill language to be refined as necessary.	TBL	Staff notes that state leadership activities will provide continued support for adult education consortia as they expand and refine program offerings in their regions. In addition, the proposed fiscal agent trailer bill language will ensure that funds are received in timely manner.	3-0

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
11	Adult Education (Education Code Sections 84917 and 84920)	<p>Staff recommends adding trailer bill language to amend the date adult education outcomes reporting is required pursuant to ECS 84917 from Sept 30 to a two-part report on October 30th and January 1st of each year.</p> <p>The Senate also proposes to add trailer bill language to require additional reporting from the Chancellor of the Community Colleges and the Superintendent of Public Instruction no later than August 1, 2017 on options for integrating the adult education assessments into the common assessment system developed by the community colleges pursuant to section 78219. The report shall address compliance with requirements for federal and state funding of adult education programs, identify estimated project costs and time lines, and identify changes in policies that may be necessary to avoid duplicate testing requirements.</p> <p>The Senate also proposes to add supplemental reporting language as follows: "No later than January 1, 2017, the chancellor and the Superintendent shall submit to the Director of Finance, the state board, and the appropriate policy and fiscal committees in the Legislature a report on their progress in meeting the requirements of the Education Code, section 84920, subdivisions (b) and (e). The report shall describe the agreements, policies, procedures, and data systems planned, developed, or implemented to comply with these requirements."</p>	Approve placeholder trailer bill language and placeholder supplemental reporting language as proposed to be refined as necessary.	TBL/ SRL	<p>Staff notes that the extension in the reporting timelines better aligns with workload of collecting, verifying and analyzing the required data.</p> <p>The additional proposed reporting requirements would inform the Legislature and the Administration on the continued implementation of the Adult Education Block Grant in time for the next cycle of budget discussions.</p>	3-0

Issue 3: 6870 - California Community Colleges Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments	Vote
12	Outreach Funding for the Board of Governor's Fee Waiver Program and the Baccalaureate Degree Program	<p>Staff recommends to provide \$5 million one-time for outreach to promote the Board of Governors Fee Waiver as well as the Baccalaureate Degree Pilot Program.</p> <p>On September 28, 2014, California Governor Jerry Brown signed SB 850 (Block) authorizing the Board of Governors of California's Community Colleges (BOG), in consultation with representatives of the California State University (CSU) and University of California (UC), to establish a statewide baccalaureate degree pilot program at no more than 15 California Colleges.</p> <p>The California Community Colleges Board of Governors (BOG) Fee Waiver program waives tuition fees for financially- needy students. For the past 30 years, the BOG Fee Waiver has kept pace with tuition, making a community college education tuition-free for all financially-eligible Californians. Between 1984 and 2015, the waiver has been provided to over 5.1 million students.</p>	Approve placeholder trailer bill language to provide \$5 million one-time for outreach on BOG Fee Waiver and Baccalaureate Degree Pilot Program	TBL		2-1