Senate Budget and Fiscal Review

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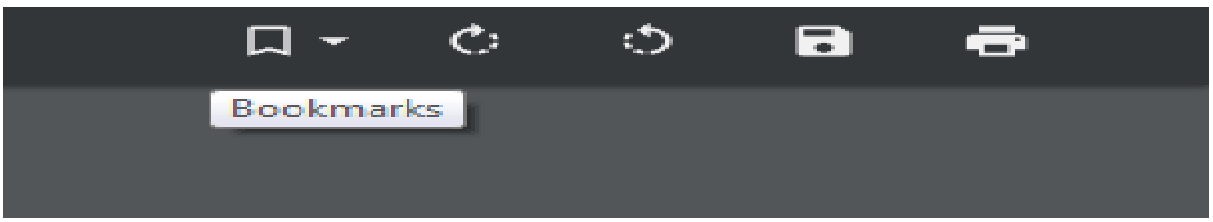

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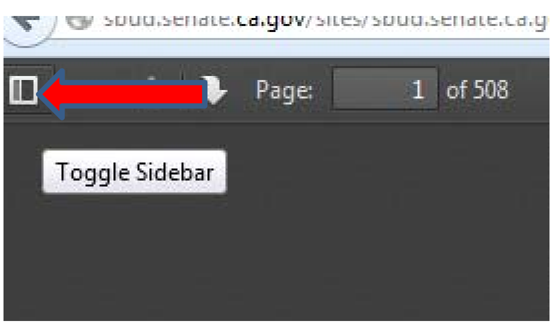

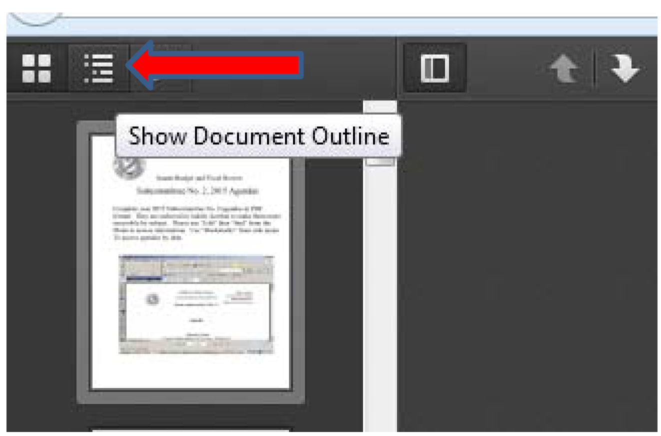

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 2, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

AGENDA PART A

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6100 DEPARTMENT OF EDUCATION
6870 CALIFORNIA COMMUNITY COLLEGES

Issue 1: Overview of Proposition 98 and 2017-18 Budget Proposals (Information Only)

Panel I:

- State Superintendent of Public Instruction Tom Torlakson

Panel II:

- Lisa Mierczynski, Department of Finance
- Kenneth Kapphahn, Legislative Analyst's Office
- Debra Brown, California Department of Education
- Mario Rodriguez, 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 2017-18 budget includes funding at the Proposition 98 minimum guarantee level of $73.5 billion. The budget proposal also revises the 2016-17 Proposition 98 minimum guarantee downward to $71.4 billion, a decrease of $506 million from the 2016 Budget Act, and revises the 2015-16 Proposition 98 minimum guarantee down to $68.7 billion, a decrease of $379 million from the 2016 Budget Act as a result of a decline in revenues. The Governor also proposes to pay $400 million in Proposition 98 settle-up towards meeting the 2009-10 Proposition 98 minimum guarantee. Together, the revised guarantee levels and settle-up payments net out to a total of almost $1.6 billion in increased funding for education over the three years, as compared to the 2016 Budget Act.

The Governor proposes to eliminate the over-appropriation of funding for the guarantee in 2015-16 and 2017-18 by shifting or deferring expenditures to the 2016-17 and 2017-18 years, as discussed later in this section. The remaining Proposition 98 funds in 2017-18, after the changes for over-appropriations and funding workload growth and cost-of-living adjustments, are proposed to be used primarily towards implementing the Local Control Funding Formula (LCFF). 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. In recent years, there have been two statewide initiatives that increased General Fund Revenues and therefore, Proposition 98. Proposition 30, passed by the voters in 2012, raised sales and income taxes, but phases out over seven years. Recently, anticipating the expiration of the Proposition 30 taxes, Proposition 55 was passed by voters in 2016, extending the income tax portion of Proposition 30 for another 12 years.

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. 2011-12 marks the low point for the guarantee with steady increases 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 Local Educational Agencies (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**	Revised **2015-16**	Revised **2016-17**	Proposed **2017-18**
Sources					
General Fund	42,015	33,136	48,989	50,330	51,351
Property taxes	14,563	14,132	19,681	21,038	22,160
Total	**56,577**	**47,268**	**68,670**	**71,368**	**73,511**
Distribution					
K-12	50,344	41,901	60,655	63,039	65,007
CCC	6,112	5,285	7,933	8,246	8,424
Other	121	83	82	83	80

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 ≤ growth in General Fund revenues plus 0.5%.	13
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%.	11

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 "rebenched", 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, rebenching 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 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 guarantee was last fully certified for 2007-08.

The Governor's proposal assumes that in all three years; 2015-16, 2016-17, and 2017-18, the Proposition 98 guarantee is calculated under Test 3. 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; however, this latest budget proposal which includes reductions in General Fund Revenues, is pushing the guarantee back into an era of Test 3.

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 38.1 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. This was the case in 2014-15, when the maintenance factor payment was more than $5.6 billion.

The Governor’s proposal assumes a Test 3 calculation of the guarantee in all three years (2015-16, 2016-17, and 2017-18) and therefore a maintenance factor is created in each of the three years resulting in a total outstanding maintenance factor balance of $1.6 billion at the end of 2017-18. In 2017-18, a relatively small amount of new revenues – approximately $1.5 billion - could move the guarantee into a Test 2 calculation and require a maintenance factor payment, therefore increasing funding for schools in the budget year.

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 proposes General Fund settle-up payments of $400 million in 2017-18 counting towards the 2009-10 minimum guarantee. After this payment, the state would owe $626 million in settle-up for years prior to 2014-15. In the recent past, the state was not required to make settle-up payments on schedule; however, Proposition 2, passed in 2014, requires the state to spend a minimum amount each year to buy down eligible state debt. Proposition 98 settle-up debt is one area that meets Proposition 2 requirements, and in compliance with this requirement, the state has made settle-up payments in the past few years.

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, and reduced the impact of revenue gains on the 2013-14 and 2015-16 minimum guarantee calculations.

Proposition 98 Rainy Day Fund and District Reserve Caps. Proposition 2 also requires a deposit in a Proposition 98 Rainy Day Fund under certain circumstances. These required conditions are that maintenance factor (accumulated prior to 2014-15) is paid off, Test 1 is in effect, the Proposition 98 guarantee is not suspended, and 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 2016 Budget Act, the state still has more than $1.8 billion in unpaid mandate claims. The Governor’s proposal for 2017-18 would retire approximately $287 million of these mandate obligations.

<u>Governor’s Proposal</u>

K-14 Proposition 98 Education Overall. The budget estimates a total Proposition 98 funding level of $73.5 billion (K-14). This is a $1.6 billion increase over the 2016-17 Proposition 98 level provided in the 2016 Budget Act (a $2.1 billion increase over the revised 2016-17 Proposition 98 level). The Administration estimates that the Proposition 98 calculation for 2017-18 will be a Test 3 calculation.

The budget estimates that the total Proposition 98 guarantee (K-14) for 2015-16 decreased by $379 million compared to the level estimated in the 2016 Budget Act (for a total of $68.7 billion). Similarly, for 2016-17, the Governor estimates a decrease in the total guarantee of $506 million (for a total of $71.4 billion). These adjustments are the result of a decline in anticipated General Fund revenues over the three-year budget period and result in the over-appropriation of the Proposition 98 guarantee, absent actions to reduce appropriations in 2015-16 and 2016-17. (The Governor proposes to eliminate this over-appropriation by shifting or deferring expenditures from the 2015-16 and 2016-17 years to the 2016-17 and 2017-18 years, as discussed later in this section.) The Administration estimates that the Proposition 98 calculations for 2015-16 and 2016-17 are Test 3 calculations.

K-12 Education Proposition 98 Major Spending Proposals. The budget includes a proposed Proposition 98 funding level of $64 billion for K-12 programs. This includes a year-to-year increase of almost $2 billion in Proposition 98 funding for K-12 education, as compared to the revised Proposition

98 K-12 funding level for 2016-17. Under the Governor's proposal, ongoing K-12 Proposition 98 per pupil expenditures increase from $10,579 provided in 2016-17 (revised) to $10,910 in 2017-18. This 2017-18 proposed Proposition 98 funding level for K-12 reflects a per-pupil increase of 3.1 percent, as compared to the revised per-pupil funding level provided for in 2016-17. 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 LCFF. Since its inception, the state has dedicated a large portion of the new Proposition 98 revenues in each year towards full implementation of the LCFF. The 2016 Budget Act included $2.9 billion in new Proposition 98 funds for LCFF implementation. However, the Governor's budget includes Proposition 98 estimates for 2015-16 and 2016-17 that are below the levels assumed in the 2016 Budget Act and, as a result, proposes to defer $859.1 million of the funding scheduled to be provided for LCFF implementation from 2016-17 to 2017-18 (payments to LEAs would shift from June 2017 to July 2017). This would result in a one-time deferral, fully paid off in the 2017-18 fiscal year. In addition to the one-year deferral, the Governor's budget proposes an increase of approximately $744 million in 2017-18 to implement the LCFF. Overall, this investment results in the formula funded at 96 percent of full implementation in 2017-18, maintaining the same implementation percentage assumed as of the 2016 Budget Act. 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.

- **Discretionary Funds / Mandate Backlog Reduction**. The budget proposes an increase of $287 million in discretionary one-time Proposition 98 funding provided to school districts, charter schools, and county offices of education. The Administration indicates that this funding will allow 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. These funds would also serve to offset outstanding mandate reimbursement claims. In addition, as part of the actions taken to reduce the Proposition 98 appropriation levels, $310 million in discretionary, one-time Proposition 98 expenditures for school districts, charter schools, and county offices of education for these same purposes in 2015-16, would be shifted to the 2016-17 year.

- **K-12 Special Education.** The budget proposes to begin a series of stakeholder meetings during the spring budget process on the funding model for special education. In 2017-18, the budget proposes expenditures of $3.2 billion in Proposition 98 funding and $1.2 billion in federal funds for special education. Unlike other categorical programs, funding for special education was not rolled into the funding for local educational agencies under the LCFF. LEAs are required to operate as, or be a member of, a Special Education Local Plan Area (SELPA). The majority of funding for special education is provided to the SELPAs which distribute funds to member LEAs agencies based on a locally-determined formula. The Governor's budget notes that stakeholder conversations would be centered on principles aligned with the LCFF, including equity, transparency, flexibility, local control and focus on the needs of students.

- **K-12 School Facilities**. In November, 2016, the voters passed the Kindergarten through Community College Facilities Bond Act of 2016 (Proposition 51), which authorizes the state to sell $9 billion in general obligation bonds with the proceeds to be used for K-12 and community college facilities. The K-12 share of the proceeds, $7 billion, would be subject to the rules of the state's existing school facilities program and could be used for new construction, modernization, career technical education facilities, and charter school facilities. The Administration notes concerns with the proper expenditure of funding from prior facilities bonds and proposes to strengthen program oversight and accountability prior to expenditure of the Proposition 51 bond funds. The Administration plans to accomplish this in two ways: (a) supporting the State Allocation Board and the Office of Public School Construction on revising and creating policies and regulations; and, (b) introducing legislation requiring that the annual K-12 Audit Guide include facility bond expenditures.

- **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 $168.9 million in 2016-17, as a result of a decrease in the projected average daily attendance (ADA), compared to the 2016 Budget Act. For 2017-18, the Governor's proposed budget reflects a decrease of $63.1 million to reflect a projected further decline in ADA for the budget year. (For charter schools, the Governor's proposed budget funds an estimated increase in charter school ADA , as discussed below.) The proposed budget also provides $58.1 million to support a 1.48 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.

Other K-12 Education Budget Proposals. Additional proposals contained within the budget related to K-12 education include the following**:**

- **Career Technical Education Incentive Grant.** The budget includes $200 million in Proposition 98 funding for career technical education grants to local educational agencies. This is the final installment of funding for a three-year grant program adopted in the 2015 Budget Act.

- **Proposition 39 Energy Efficiency Investments**. The budget proposes to allocate $422.9 million in Proposition 39 energy funds available in 2017-18 to K-12 school districts and charter schools for energy efficiency project grants. Funds for Proposition 39 flow from a change made to the corporate income tax code in 2013-14. Under the Proposition, half of the General Fund revenue gained as a result of the tax changes are to be used for clean energy projects in schools for the first five years. 2017-18 is the fifth and final year that funds must be used for this purpose.

- **Charter Schools**. The budget proposes an increase of $93 million in Proposition 98 funds to reflect a projected increase in charter school ADA.

- **Special Education**. The budget proposes a decrease of $4.9 million in Proposition 98 funds to reflect a projected decrease in special education ADA.

- **Proposition 56.** The budget proposes $29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools. This funding is the result of an increase in taxes on tobacco products as a result of the passage of Proposition 56 in November 2016, which requires a percentage of the revenues to be available for school-based tobacco prevention programs.

- **Proposition 47.** The budget proposes $10.1 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. SB 527 (Liu), Chapter 533, Statutes of 2016 and AB 1014 (Thurmond), Chapter 397, Statues of 2016, created a program for the expenditure of K-12 Proposition 47 funds. Pursuant to this legislation, the Department of Education will award grants to LEAs and provide training and technical assistance to grantees on pupil engagement, school climate, truancy reduction, and supporting pupils who are at risk of dropping out of school or are victims of crime. This is a slight increase from the $9.9 million estimate from this funding source included in the 2016 Budget Act.

- **Mandate Block Grant.** The budget provides $8.5 million in Proposition 98 for the mandate block grant to reflect the addition of the Training for School Employee Mandated Reporters program.

- **Child Care and Development**. The budget provides nearly $3.8 billion total funds ($1 billion federal funds; $1.7 billion Proposition 98 General Fund; and $1 billion non-Proposition 98 General Fund) for child care and early education programs. However, the Governor does not include scheduled increases in rates and state preschool slots that were scheduled to be included for the 2017-18 year as part of the 2016-17 budget agreement. This saves $226.8 million in 2017-18 ($121.4 million in non-Proposition 98 General Fund and $105.4 million in Proposition 98.)

California Community Colleges Proposition 98 Budget Proposals.

- **Apportionments –** The budget assumes a decrease of $27.1 million Proposition 98 General Fund, which reflects: (1) an increase of $94.1 million for a 1.48 percent cost-of-living adjustment, (2) an increase of $79.3 million for enrollment growth (1.34 percent), (3) an increase of $3.8 million as a result of decreased offsetting student enrollment fee revenues, (4) a decrease of $56.6 million to reflect unused growth provided in 2015-16, and (5) a decrease of $147.7 million as a result of increased offsetting local property tax revenues.

- **Guided Pathways –** The budget provides $150 million one-time Proposition 98 General Fund for grants to community colleges to develop an integrated, institution-wide approach to student success. Trailer bill language largely delegates program design to the Chancellor's Office. Additionally, about 90 percent of funding will go directly to colleges based on a college's share of the state's Pell Grant-eligible students, share of full-time equivalent students, and a fixed base grant for each college. About ten percent will be for statewide assistance and programmatic support.

- **Operating Expenses –** The budget provides an increase of $23.6 million Proposition 98 General Fund to support community college operating expenses, such as employee benefits, facilities, professional development, and other general expenses.

- **Online Education Initiative –** The budget provides an increase of $10 million Proposition 98 General Fund to provide system-wide access to the initiative's course management system. The proposal would increase implementation of the Canvas course management system, and cover the subscription costs for all colleges indefinitely.

- **Integrated Library System –** The budget provides an increase of $6 million one-time Proposition 98 General Fund to develop an integrated library system that would allow for students to access a cloud-based library system.

- **Deferred Maintenance –** The budget proposes a $43.7 million one-time Proposition 98 General Fund increase for deferred maintenance, instructional equipment, and specified water conservation projects. Community colleges will not need to provide matching funds for deferred maintenance.

- **Proposition 39 –** The budget proposes an increase of $3 million Clean Energy Job Creation Fund for community college energy efficiency projects, consistent with Proposition 39.

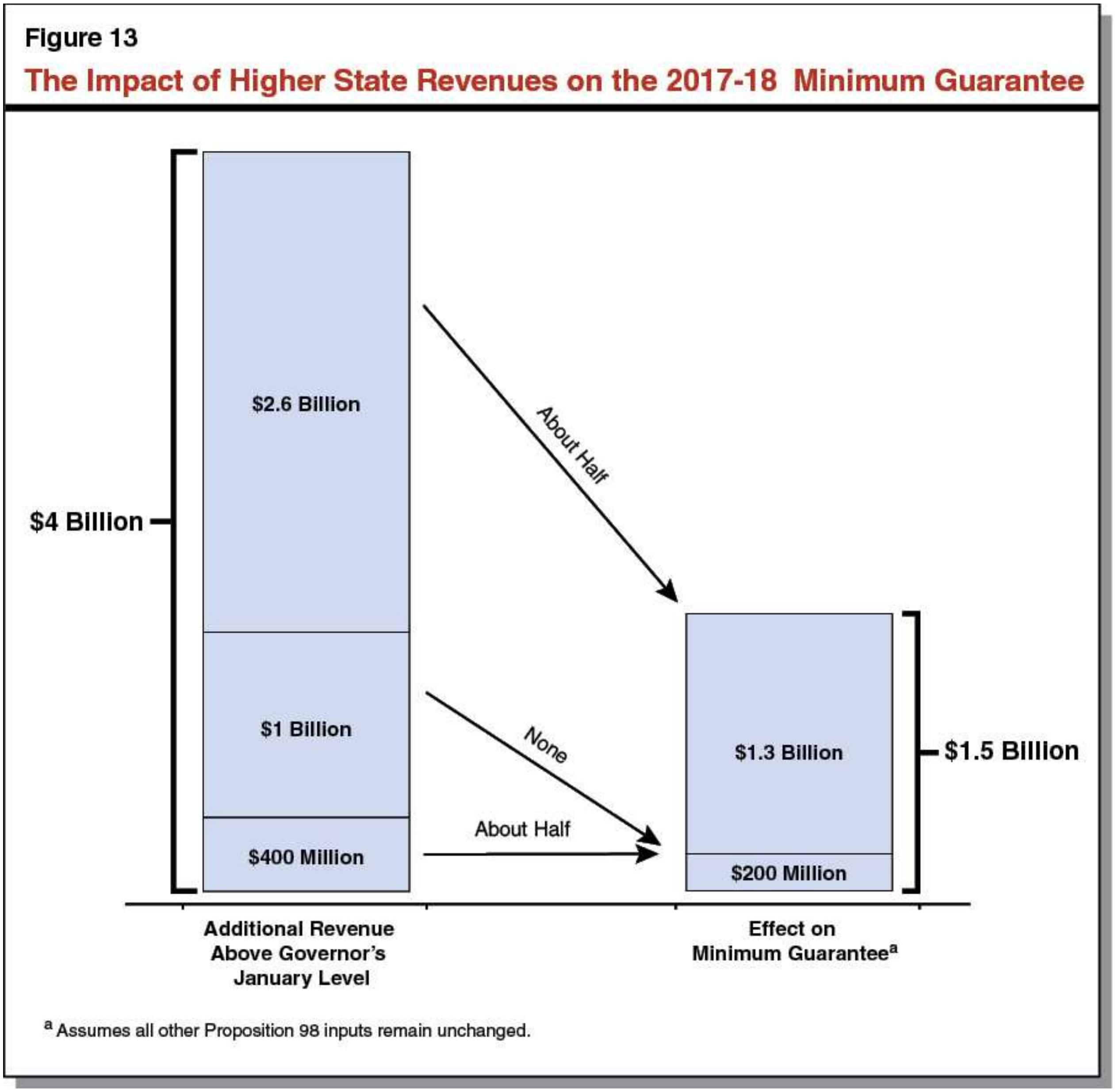
- **Innovation Awards –** The budget proposes $20 million one-time Proposition 98 General Fund for innovation awards for the development and implementation of innovative practices as determined by the Chancellor's Office. The Chancellor's Office indicated that it would prioritize applicants that focus on addressing needs like improving adult learning and better serving veterans.

- **Strong Workforce Program –** The budget proposes to move $48 million from the Career Technical Education Pathways program, which is scheduled to sunset on July 1, 2017, into the Strong Workforce Program.

LAO Analysis and Recommendations

The LAO recently released "The 2017-18 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.

The LAO notes that the 2015-16 minimum guarantee is somewhat insensitive to revenue changes and likely will remain unchanged without large revenue swings. The 2016-17 minimum guarantee would change with revenue changes, a change in revenue of one dollar (either higher or lower than estimates) would result in a 50 cent change to the guarantee. In the budget year, the impact of new revenue to the guarantee would be somewhat different based on the amount. In the chart below, the LAO shows that for the first $400 million in revenue gains, the guarantee would increase by $200 million, or 50 cents on the dollar. At that point, the minimum guarantee calculations would switch from a Test 3 to a Test 2. Further increases in revenue would have no impact until the maintenance factor requirement is triggered, at about $1.4 billion in additional revenue above current DOF estimates, anything above that point would again result in a 50 cent on the dollar increase to the guarantee, up to a total of $4 billion above current estimates.



Source: Legislative Analyst's Office

Under the LAO's revenue estimates, higher General Fund Revenues would increase the minimum guarantee by approximately $1 billion in 2017-18. Both the LAO and the DOF will update their estimates of General Fund Revenues for the May revision of the budget.

Subcommittee Questions

1. What rate of growth are LAO and the DOF estimating for the Proposition 98 guarantee in the out years (2018-19 and later)? How does this impact the ability of the state to meet Proposition 98 funding obligations?

2. The Governor proposes to reduce over-appropriations of the Proposition 98 guarantee in 2015-16 and 2016-17 through shifting some one-time expenditures from 2015-16 to 2016-17 and

deferring a portion of LCFF payments from 2016-17 to 2017-18. Can DOF comment on the practical impact of these changes to local educational agencies?

3. In the Budget Summary released by the Governor, the Administration is proposing to hold a series of stakeholder meetings on Special Education funding. Can DOF expand on the outcomes that are expected from the stakeholder meetings? Will there be a related proposal in the May Revision? What problems is the Governor hoping to address?

Staff Recommendation

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

6100 DEPARTMENT OF EDUCATION

Issue 2: Federal Funding and Every Student Succeeds Act Update (Information Only)

Panel:

- Natasha Collins, Legislative Analyst's Office
- Marguerite Ries, California Department of Education

Federal Funding of K-14 Education:

In addition to state and local sources of funding for education, K-12 schools also receive federal funding, which makes up about 10 percent of all total K-12 funding. The Governor's budget includes an estimated $7.5 billion in federal funding for 2017-18. This funding is provided through a variety of programs, including:

- Child nutrition programs totaling $2.6 billion; includes the National School Lunch program and the School Breakfast program.

- Low-income student support programs totaling almost $2 billion; supports schools educating low-income children under Title I of the Every Student Succeeds Act.

- Students with disabilities programs totaling $1.2 billion; supports direct services for the education of students with disabilities.

- Other programs include support of English learners, after school programs, early childhood education, and career technical education.

Finally, federal funding makes up $161 million of the state operations budget of the Department of Education, or about 70 percent of the department's total budget.

ESSA Background:

On December 10, 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.

Funding for Every Student Succeeds Act

Proposed 2017-18[a] (In Millions)

Support for:	
Low-income students (Title I)	$1,958
Teachers and administrators (Title II)	238
English learners (Title III)	145
After-school programs and charter schools (Title IV)	164
Rural schools (Title V)	1
American Indian education (Title VI)	7[b]
Schools on federal lands (Title VII)	85[b]
Total	**$2,598**

[a]Does not include various competitive grant awards. In 2016, we estimate California educational entities received a total of $60 million in competitive grant funding.

[b]LAO estimates.

Source: Legislative Analyst's Office

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 one percent for state administration. For the 2017-18 year, California anticipates receiving almost $2 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 seven percent for school improvement interventions and technical assistance. The majority of these funds must be used to provide four-year grants to LEAs. States may also set aside three 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 yhat fail to graduate more than one-third of their students, 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. Title II also prohibits the Secretary of Education from requiring or controlling teacher evaluations, definitions of effectiveness, standards, certifications, and licensing requirements.

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. Accountability for English Learners is included in the new accountability system under Title I.

Timelines. The Legislature can expect that ESSA funding changes will impact the state's budget process for the 2017-18 fiscal year. In addition, new ESSA for accountability takes effect in 2017-18. Generally, programs may finish out existing grant funds and requirements before transitioning to new ESSA requirements. Federal regulations that provide additional detail and guidance for the implementation of ESSA have been underway since, 2016; however the new federal Administration and Congress may make changes that impact ESSA regulations. For example, the previous Administration issued regulations around the ESSA accountability requirements in November; however the House of Representativesrecently voted to overturn the regulations and similar action is anticipated from the Senate. If the regulations are overturned, Congress is barred from issuing "substantially similar" regulations on these issues before lawmakers reauthorize ESSA. States would then rely only on the plain language of the ESSA statute for moving forward.

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 has been underway since 2016 through the California Practitioners Advisory Group (CPAG). The CDE and the State Board of Education (SBE) have been working to align ESSA planning requirements with the new statewide accountability system under the LCFF to establish a single coherent local, state, and federal accountability and continuous improvement system. At the March 2017 SBE meeting, CDE staff will update the SBE on continued development of the state plan and the federal assurances the state must agree to in order to receive federal funding.

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

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 2, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

PART B

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

Issue 1: Overview of the Governor's 2017-18 Budget Proposal – Information Only

Panel

- Christian Osmena, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California

Background

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 chairman 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, $3.26 billion in 2015-16, $3.54

billion in 2016-17, and $3.53 billion in 2017-18 are contributed 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)

	2015-16	2016-17	2017-18
Personal Services	$12,314	$13,332	$13,330
Operating Expenses and Equipment	$18,258	$18,588	$19,429
Total Expenditures	**$30,573**	**$31,920**	**$32,759**
Positions	**100,312**	**103,322**	**103,322**

Governor's Proposal

- **Unrestricted Base Increase.** Provides an $82.1 million unrestricted base increase, plus $50 million in funds from Proposition 56 (Cigarette and Tobacco Products Surtax Fund) for graduate medical education.

- **Enrollment.** The budget does not provide additional funds for enrollment growth, however, it does assume UC meets enrollment expectation set forth in last year's budget. Specifically, the Administration assumes UC will (1) enroll 2,500 more resident undergraduates in 2017-18 and (2) receive an $18.5 million ongoing augmentation in 2016-17.

- **One-Time Funding.** The budget provides $169 million, funded from a one-time Proposition 2 payment, for the third and final installment to help pay down the UC Retirement Plan's unfunded liability.

- **Assumes No Increase in Resident Undergraduate Tuition**. The budget's only assumed increases in systemwide charges for resident undergraduate students is a $54 (five percent) increase in the Student Services Fee, and a five percent increase in nonresident supplemental tuition. However, the regents voted in its January board meeting to increase tuition by 2.5 percent, or $282.

- **Eliminates Academic Sustainability Plan Requirement.** As with CSU, the Governor proposes to eliminate budget language that directs UC to develop an annual Academic Sustainability Plan. Under this plan, UC sets performance targets for eight specific measures, including graduation rates and degree completion. Additionally, the plan also includes revenue and expenditure assumptions, and enrollment trends.

- **Eliminates Sunset Dates for Two Programs.** Trailer bill legislation propose eliminating sunset dates for the California Health Benefits Review program (sunsets July 1, 2017) and Umbilical Cord Blood Collection program (sunsets January 1, 2018). Both programs are funded from special funds.

- **Capital Outlay.** Trailer bill legislation proposes to include deferred maintenance as an eligible capital expenditure for UC's capital outlay process. UC will have the ability to pledge its state support appropriations to issue bonds for eligible projects, as well as use general fund to pay for debt service of these projects.

The Legislative Analyst's Office developed the following chart that displays UC's spending plan based on the Governor's General Fund proposal, as well as other core funds, such as tuition and fee revenue, and nonresident enrollment growth, available for the UC to spend.

UC's Spending Plan for 2017-18[a]
(Dollars In Millions)

	Increase
Compensation	
General salary increases[b]	$112
Faculty merit increases	32
Health benefit cost increases	19
Pension cost increases	18
Retiree health benefit cost increases	8
Subtotal	($189)
Undergraduate Enrollment Growth	
Resident students (1.4 percent)	$45
Nonresident students (3 percent)	16
Subtotal	($62)
Academic Excellence	$50
Financial Aid	$49
Facilities	
Deferred maintenance	$15
Debt service for previously approved projects	15
Subtotal	($30)
Other	
Operating expenses and equipment	$27
Student mental health	5
Subtotal	($32)
Total	$412

[a] Excludes spending items that assumed additional state funding above the Governor's proposal.
[b] Includes a 3 percent increase for faculty and unrepresented staff and a 3.9 percent increase for represented staff.

Capital Outlay. Prior to 2013-14 for UC, 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 in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013 and SB 860 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014, 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. UC and CSU are required to manage its capital program so that no more than 15 percent and 12 percent, respectively, of its General Fund support appropriation, less general obligation bond payments and State Public Works rental payments, is used for its capital program. 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 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 (DOF) 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 review the projects and respond 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.

On February 3rd, DOF submitted its list of preliminarily approved capital outlay to the Legislature. The list includes six projects which would correct seismic and life safety deficiencies for academic facilities, one project would entail construction of a new science facility at the Irvine campus. Additionally, UC requests $35 million in bond funding for deferred maintenance, and $15 million to conduct an assessment of the conditions of academic facilities. For 2017-18, UC is requesting $161 million in bond authority for capital outlay and deferred maintenance projects. UC estimates that the maximum projected percentage will be approximately 5.5 percent of UC's General Fund support (less general obligation bond payments

and State Public Works rental payments), based on all prior projects approved and this request. Moreover, the Administration is proposing trailer bill language to include the cost of deferred maintenance of academic facilities as a part of the allowed capital expenditures under the AB 94 process.
Due to a lack of resources, UC notes that campuses have not performed a comprehensive facility condition assessment as a part of their ongoing maintenance programs. Instead, campuses have only been able to collect limited deferred maintenance information as it is encountered during preventative and corrective maintenance visits. According to UC, this approach only identifies emergency and critical items, rather than providing for the systematic and comprehensive approach that a new facility conditions assessment would require.

Staff Comments

Access. Whereas the state traditionally has set enrollment targets for the budget year, it recently began setting UC's enrollment target for the subsequent academic year. This change was intended to give UC more time to respond to legislative direction. In the 2015-16 budget, the state set a goal for UC to enroll 5,000 more resident undergraduate students by 2016-17 (than the 2014-15 level) and allocated an associated $25 million in ongoing funding for the growth. The state continued this practice in 2016-17, setting an expectation that UC enroll 2,500 more resident undergraduate students in 2017-18 than in 2016-17. It provided an associated $18.5 million, contingent on UC providing sufficient evidence by May 1, 2017, that it would meet this goal. The funding also is contingent on UC adopting a policy by the same deadline that limits nonresident enrollment. The Governor's 2017-18 budget assumes UC will meet these requirements and includes these funds. Because the amount provided in 2016-17 would be released to UC in May or June 2017, UC intends to carry forward this amount into 2017-18.

While the Governor's 2017-18 budget does not specify funding for enrollment growth, the UC's budget spending plan notes that they would increase resident undergraduate enrollment growth 1.4 percent. The Legislative Analyst's Office (LAO) recommends the Legislature continue its recent approach and set enrollment expectations now for 2018-19, however not fund the enrollment until 2018-19. Additionally, the LAO recommends the Legislature use upcoming reports on UC's degree production and freshman eligibility study to inform enrollment decisions.

Tuition. In 2015-16, the Administration and the UC developed a multi-year budget framework to hold tuition flat for two years. By 2017-18, tuition will have remained flat for six consecutive years, and in the 2015-16 May Revision, the Administration noted that it is reasonable to expect that tuition will begin to increase modestly and predictably at around the rate of inflation. The CSU did not have such an agreement.

In January 2017, the UC Regents again voted for a tuition increase of 2.5 percent, or $282, for a total annual tuition of $11,502. Additionally, the UC Regents voted to increase the student services fee by five percent, a $54 increase for a total of $1,128 annually, and nonresident supplemental tuition by five percent, or $1,332, for a total of $28,014. Though the Administration does not assume tuition increases for resident students, the budget reflects five percent increases in both the Student Services Fee and the undergraduate nonresident supplemental tuition charge.

Capital Outlay. The LAO notes that it is unclear UC could not regular assess the condition of facilities, and why it cannot use staff in existing plant and facility divisions, and that knowing facility conditions and system life spans seems a key responsibility of these divisions. The LAO and staff also question using bonds, which are intended to spread major infrastructure costs over many years, for a one-time facility assessment. Moreover, existing law does not provide UC with authority to use bond financing to conduct such an assessment. The subcommittee may wish to request additional information regarding the one-time assessment, prior to the Department of Finance's final approval, and whether $15 million is an appropriate amount for such an assessment.

Staff notes that in the Administration's preliminarily approved list of capital outlay projects, UC and the Administration are proposing $35 million of General Fund supported financing for deferred maintenance; however, existing law does not provide UC with such authority. However, the Administration is proposing trailer bill language to provide UC with this authority. Staff notes that it may be premature for the state to provide approval of the deferred maintenance proposal, with trailer bill still pending in the Legislature.

The LAO notes that UC lacks a plan to eliminate its $3.17 billion backlog and improve ongoing maintenance practices. The LAO recommends the Legislature to require UC to develop a comprehensive maintenance plan to include (1) an estimate of the backlog based upon available data; (2) a multiyear expenditure plan for eliminating the backlog of projects, including proposed funding sources; and (3) a plan for how to avoid developing a maintenance backlog in the future.

6610 CALIFORNIA STATE UNIVERSITY

Issue 2: Overview of the Governor's 2017-18 Budget Proposals – Information Only

Panel
- Christian Osmena, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University

Background

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, $3.01 billion in 2015-16, $3.32 billion in 2016-17, and $3.37 billion in 2017-18 are contributed 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)

	2015-16	2016-17	2017-18
Personal Services	$4,357	$4,598	$4,598
Operating Expenses and Equipment	$5,091	$4,964	$5,017
Total Expenditures	**$9,449**	**9,562**	**9,616**
Positions	**46,014**	**48,093**	**48,093**

Governor's Proposal

- **Unrestricted Base Increases.** The Governor's budget proposes a $157.2 million increase as follows: (1) a $131.2 million unallocated augmentation and (2) an additional unallocated $26 million increase associated with savings from changes to the Middle Class Scholarship program made in 2015-16.

- **Other Allocations.** The proposed budget provides (1) a $5.1 million increase to CSU's support budget for lease-revenue bond debt service and (2) an additional $22.6 million above revised current-year levels for CSU retiree health benefit costs, which is budgeted separately from CSU's support budget.

- **Assumes No Increases in Tuition.** While the budget does not assume any increases in tuition levels, the Chancellor's Office has proposed increasing resident and nonresident tuition charges for 2017-18. The trustees are expected to vote on this proposal during their March meeting, after concluding a statutorily required consultation process with students. In March, the CSU Board of Trustees is also scheduled to vote on an up-to five percent tuition increase, or $270, for a total annual tuition price of $5,742. Additionally, tuition for nonresidents and resident graduate students would increase by about 6.5 percent.

- **Eliminates Sustainability Plan Requirement.** The Governor proposes eliminating budget language pertaining to academic sustainability plans, which requires CSU to develop an expenditure plan and set performance targets under revenue assumptions developed by the Department of Finance.

CSU's Spending Plan. CSU proposes to spend the vast majority of its unrestricted base increase on compensation commitments. Of the $157 million unrestricted base increase proposed by the Governor for 2017-18, CSU indicates that it intends to spend $139 million (88 percent) for collective bargaining agreements ratified by the CSU Board of Trustees in spring 2016. CSU indicates that the remaining $18 million would fund basic cost increases, such as higher medical and dental premiums for current employees and additional pension costs (on payroll exceeding the 2013-14 level).

Capital Outlay. Similar to UC, SB 860 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014 revised the CSU's capital outlay procurement method, which authorized CSU 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. Details regarding this legislation and process are described in the previous section.

CSU's 2017-18 capital outlay request includes 27 projects totaling $1.6 billion. Of these 27 projects, 17 were previously approved by the state but have not yet been funded by CSU. The other 10 requests are new submissions. At its November 2016 meeting, the Board of Trustees approved a multi-year plan for CSU to finance up to $1 billion of the $1.6 billion in submitted capital projects using university revenue bonds. Using this bond authority, the Chancellor's Office would fund 12 of the previously approved capital projects. The associated annual debt service is estimated to be about $50 million. CSU indicates it would support this associated debt service using existing core funds. This is possible because a like amount of monies were "freed up" from expiring debt from former projects as well as restructuring of outstanding State Public Works Board debt.

Staff Comments

Access. According to a recent PPIC report, in 2030, 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. As a result, California will have a shortage of 1.1 million workers holding a bachelor's degree. The 2016-17 budget sets an expectation for CSU to increase resident enrollment by 1.4 percent (an additional 5,194 FTE students) over 2015-16. Based on preliminary data from CSU, fall 2016 FTE student enrollment is about 1.3 percent higher than the previous fall, and the LAO states that campuses appear to be on track to meeting the enrollment expectation. However, the past several years CSU has reported denying admission to some eligible transfer students. Given this development, together with statute that requires CSU campuses to prioritize eligible transfer applicants over freshman applicants, the LAO suggest that the Legislature may want to consider targeting enrollment growth funding for transfer students in 2017-18. Additionally, given that a freshman eligibility study is currently underway, and that CSU must report by March 2017 on recommended budget or policy changes to produce more bachelor's degrees, the LAO recommends that any decision on freshman enrollment growth should wait till May Revision.

Tuition. While CSU resident tuition charges have been flat for the past six years, the LAO notes that a five percent increase might be considered high for one year. In addition, a five percent increase in 2017-18 would be notably higher than anticipated inflation. If the Legislature were to consider tuition increases, LAO suggests it signal to CSU that a more modest rate increase would be acceptable.

Graduation Initiative. The state and CSU currently are funding a Graduation Initiative to boost graduation rates for freshmen and transfer students, as well as eliminate achievement gaps for low-income and other traditionally underrepresented students. Currently, the CSU's four-year graduation rate for freshman entrants is 19 percent, and six-year graduation rate of 57 percent. Similarly, the two-year graduation rate for transfer students is 31 percent, and the three-year graduation is 62 percent. CSU reports spending $48 million of its base funds on the Graduation Initiative strategies, these strategies include, increasing the faculty-to-student ratio, and enhancing student support services**.** CSU maintains it will need additional resources to carry out campus plans and achieve the segment's performance goals.

While the Graduation Initiative may be assisting students graduate in a more timely manner, LAO notes that CSU could improve its assessment and placement policies. Currently, CSU primarily uses placement tests to assess college readiness. Based on these test results, CSU deems more than 40 percent of its admitted freshmen are unprepared for college-level math, English, or both. Students who do not demonstrate college-level skills are required to enroll in remedial coursework. A growing amount of research is finding that a better way to assess college readiness is to use multiple measures (including data from students' high school records) to place students. Additionally, CSU continues to have a problem with excess unit-taking by both freshman entrants and transfer students. Students who accrue more units that their degree requires generally take longer to graduate, generate higher costs for the state and themselves, and crowd out other students. LAO believes that CSU would make more progress in student success if it were to modify its assessment methods and placement policies as well as address the issue of excess units.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 9, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

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 helps 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 2017-18 budget maintains funding for FCMAT at $5.3 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools and $570,000 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 2017 and identified three LEAs with negative certifications. These LEAs will not be able to meet their financial obligations for 2016-17 or 2017-18, based on data generated by LEAs in Fall 2016, prior to release of the Governor's January 2017-18 budget. The first interim report also identified 28 LEAs with qualified certifications. LEAs with qualified certifications may not be able to meet their financial obligations for 2016-17, 2017-18 or 2018-19.

Second Interim Report. The second interim report, which covers the period ending January 31, 2016, has not been verified and released by CDE at this time.

Negative Certification	
First Interim Budget Certifications	
County:	District:
Placer	Colfax Elementary
San Luis Obispo	San Miguel Joint Union
San Mateo	San Bruno Park Elementary

Qualified Certification	
First Interim Budget Certifications	
County:	District:
Alameda	Newark Unified
Alameda	Oakland Unified
Butte	Bangor Union Elementary
Butte	Feather Falls Union Elementary
Calaveras	Calaveras Unified
Contra Costa	Knightsen Elementary
El Dorado	Black Oak Mine Unified
El Dorado	Gold Trail Union Elementary
Inyo	Lone Pine Unified
Los Angeles	Covina-Valley Unified
Los Angeles	Inglewood Unified
Los Angeles	Los Angeles Unified
Los Angeles	Montebello Unified
Madera	Yosemite Unified
Marin	Sausalito Marin City
Marin	Union Joint Elementary
Orange	Saddleback Valley Unified
Riverside	Temecula Valley Unified
Sacramento	Galt Joint Union High
San Bernardino	Baker Valley Unified
San Bernardino	Colton Joint Unified
San Bernardino	Rim of the World Unified
San Diego	Julian Union High
San Diego	San Diego Unified
Santa Barbara	Hope Elementary
Santa Clara	Lakeside Joint
Sonoma	Santa Rosa Elementary
Sonoma	Santa Rosa High
Somona	West Sonoma County Union High
Tuolumne	Curtis Creek Elementary
Tuolumne	Sonora Union High

Source: California Department of Education

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

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 the only district under state administration and both Inglewood Unified School District and Oakland Unified School District are on the qualified certification list in the first 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 $12,000,000 $10,000,000 $29,000,000 ($55 million authorized)	2.307%	$3,663,968	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 $3,000,000 $8,000,000 $13,000,000	2.307%	$6,722,196	October 2028 I-bank
Vallejo City Unified	Administrator Trustee	06/23/04 08/13/07	$50,000,000 $10,000,000 $60,000,000	1.5%	$40,313,820	January 2024 I-bank 08/13/24 GF
Oakland Unified	Administrator Trustee	06/04/03 06/28/06	$65,000,000 $35,000,000 $100,000,000	1.778%	$71,525972	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 No Balance Outstanding	12/31/10 GF
Emery Unified	Administrator Trustee	09/21/01	$1,300,000 ($2,300,000 authorized)	4.19%	$1,742,501 No Balance Outstanding	06/20/11 GF
Compton Unified	Administrators Trustee	07/19/93 10/14/93 06/29/94	$3,500,000 $7,000,000 $9,451,259 $19,951,259	4.40% 4.313% 4.387%	$24,358,061 No Balance Outstanding	06/30/01 GF
Coachella Valley Unified	Administrators Trustee	06/16/92 01/26/93	$5,130,708 $2,169,292 $7,300,000	5.338% 4.493%	$9,271,830 No Balance Outstanding	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 $7,525,000 19,000,000 $28,525,000	1.532% 2004 refi rate	$47,688,620 No Balance Outstanding	05/30/12 I-bank

Source: California Department of Education

Staff Comments:

The General Fund revenue projections in the Governor's Budget mark a departure from the past few years. Since 2013-14, LEAs have received funds each year, mostly through LCFF allocations, in large amounts, reflecting the state's strong revenue growth. The proposed budget for 2017-18 includes estimates for much slower revenue growth, resulting in allocations for LCFF and other programs that grow only by COLA. In addition, LEAs are absorbing increases in costs, such as contributions to the State Teachers Retirement System and rising healthcare and minimum wage costs. The Legislature should continue to closely monitor the fiscal health of LEAs as these local cost pressures continue to roll out over the next few years with slowing Proposition 98 growth.

Suggested Questions:

1) What trends does FCMAT see across the state for LEAs that need assistance in managing their financial responsibilities? What does FCMAT see as the most important challenge LEAs currently face?

2) One of FCMATs responsibilities is to complete audits of school districts in special circumstances as requested by county offices of education. Has the need for these type of audits changed over time?

3) How has the work of FCMAT changed over the past few years to support LEAs as they align their management and budget systems with the requirements of the LCFF?

Staff Recommendation: Information only

Issue 2: K-14 Education Mandates

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Ed Hanson, Department of Finance
- Kim Leahy, Department of Finance
- Debra Brown, Department of Education

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 and the 2016-17 Budget Act provided $1.4 billion. In each 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 Backlog Payments

	2014-15	2015-16	2016-17
K-12 Education (In millions)	**$400**	**$3,205**	**$1,281**
Per ADA Rate (In whole dollars)	$67	$529	$214
Community Colleges (In millions)	**$50**	**$632**	**$106**
Per FTES Rate (In whole dollars)	$45	$556	$91
Total (In millions)	**$450**	**$3,837**	**$1,387**

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 2016-17 payments are applied to the mandates backlog, the remaining balance of unpaid claims totals approximately $1.6 billion for K-12 mandates and $264 million for the California Community College mandates. This includes an estimate that the $1.4 billion provided in 2016-17 reduces mandate claims by approximately $802 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 $1.3 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 2016-17 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 per student in grades K-8 and $56 per student in grades 9-12 for students 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 2016-17, the LEAs participating in the block grant serve about 95 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 2014, AB 1432 (Gatto), Chapter 797 was enacted to require school districts to train staff in the detection and reporting of child abuse. This law was introduced to ensure that individuals in specified professions, including many school staff members, who are “mandatory reporters” (those who must report child abuse or neglect to law enforcement or county welfare agencies) as a result of an earlier law, are given the tools to properly carry out their required duties. No additional funding was provided to school districts for this training when the law was enacted and mandate claims were subsequently filed. In 2015, the CSM determined that the training of mandatory reporters, reporting to the school's governing board upon completion of training, and reporting to the CDE if alternate materials other that the state's online training module were used, were activities that constitute a reimbursable state mandate. The CSM subsequently released a statewide cost estimate for annual costs of $32.4 million for employee training, $5.4 million for reporting to CDE, and $2.7 million in indirect costs, a total of $40.5 million. CSM staff generated these numbers by identifying the total number of school employees statewide (589,320), the average hourly compensation of these employees ($55) and the average amount of time to complete training (1 hour). For reporting and indirect costs, CSM staff reviewed 19 submitted claims.

<u>Governor’s Proposal</u>:

The Governor proposes to provide $287 million for school districts, county offices, and charter schools in one–time discretionary Proposition 98 funds. These funds would offset any existing mandate claims for LEAs. Similar to prior years, this funding would be allocated on a per ADA basis. 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.

Providing funds on a per ADA basis means that all LEAs, including charter schools, 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 $287 million will not offset the mandates backlog, but rather some lesser portion of the total, as determined by the SCO. The LAO estimates this offset amount to be approximately $102 million.

The Governor provides $226.5 million for the K-12 mandates block grant and $32 million for the community colleges mandates block grant. The Governor's proposed funding for the K-12 mandates block grant includes the addition of the new mandatory reporters training and reporting requirements mandate to the mandates block grant with an annual increase to the block grant of $8.5 million (approximately 20 percent of the statewide cost estimate developed by the CSM.) The Administration estimate differs from the CSM, based on the Administration's review of claims, with the largest difference adjusting the average time of training to 15 minutes per employee. The Governor did not provide a COLA for the mandates block grant.

LAO Analysis and Recommendations

The LAO's recent report, *The 2017-18 Budget: Proposition 98 Education Analysis*, analyzes the mandates backlog. The LAO continues to have concerns, as in past years, that the Administration is not effectively paying down the mandates backlog. The LAO notes that because many LEAs no longer have claims, paying off mandates by providing a per-ADA payment to all LEAs would be an exceptionally costly way to eliminate the mandates backlog. In the LAO's 2016-17 analysis of Proposition 98, the LAO proposed a different approach to paying off the claims, which would require one-time payments to all LEAs with the requirement that those who received funds wrote off all remaining claim balances, The LAO continues to recommend that the Legislature take a more strategic approach to reducing the mandates backlog.

The LAO also notes that the Governor's proposal to add the mandatory reporter training mandate to the mandates block grant is underfunding the mandates costs. The LAO recommends instead adding this new mandate and $41.9 million to the mandates block grant, $33.4 million more than is included in the Governor's budget. The LAO's estimate is based on the CSM statewide costs estimate, but is adjusted to better capture all school employees affected by this mandate. The LAO notes that these mandated activities are important to ensuring child abuse and neglect are properly identified and can lead to an improvement in a child's welfare. Based on the available data that led to the passage of the legislation that required the training, many districts were not providing training for mandatory reporting before it was required.

The LAO also recommends adding a second mandate, for activities related to the California Assessment of Student Performance and Progress (CAASPP) and $25 million to the mandates block grant. The CAASPP is the suite of assessments the state has developed to assess students on the new statewide academic content standards. The new assessments are computer-based and require a computing device and internet access at appropriate speeds. The state has provided significant one-time funding to offset the costs of transitioning to the CAASPP. In 2013-14, the state provided $1.25 billion to LEAs to be used for professional development, standards-aligned instructional materials, and technology. LEAs reported spending $577 million of this funding on technology, including computing devices and technology infrastructure. In addition, the one-time funds provided for mandate backlog reduction in each of the past three years could be used for any purposes, including to implement new assessments. Finally, the state created a program in 2014-15 called the Broadband Infrastructure Investment Grant program. The state has provided $77 million for the program thus far and funds are used to assist schools who were unable to administer the statewide tests or had low internet capacity in upgrading their systems. The CSM determined that test claims filed for a CAASPP mandate did constitute a reimbursable mandate for the following activities: compliance with new minimum technology requirements for giving the exam, oversight of computer-based testing, scoring, and reporting among other administrative tasks. The CSM estimates 2015-16 costs for the mandate to be $77 million. The LAO estimate takes into account that nearly all schools had the minimum internet access required if testing was done across the whole testing window and adjusts the cost of computing devices to come to their $25 million estimate. The LAO also recommends moving the CAASPP-associated apportionment funding to the block grant, totaling approximately $12.8 million. This is funding provided to LEAs per test-taking student to offset the costs of testing students. This funding is currently provided through the testing budget item and includes language that specifies that funds are to offset any mandated costs. The Administration has not proposed adding the CAASPP to the mandates block grant at this time.

<u>Staff Comments</u>

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. The Legislature may wish to consider whether to continue to provide unrestricted funds that count towards paying off the mandate backlog, or whether, since the percentage of leakage means that the majority of those funds do not reduce the mandates backlog, they should be instead specifically targeted to priority areas.

For the LEAs (95 percent) that participate in the mandates block grant, upfront funding, albeit reduced funding, for mandated activities makes sense from an operations standpoint rather than waiting for claims to be paid on an unknown schedule. In the past, the Administration and Legislature have negotiated and added new mandates and funding to the block grant on a case-by-case basis. As the discussion above reports, there are two potential mandates that may be added to the block grant. Ensuring that an adequate amount of funding is provided for mandated activities will continue to ensure the near-universal participation in the block grant process continues and that the build-up of mandate claims continues to slow. Adding the CAASPP mandate in a timely manner would also help prevent claims building up on the state's books. Finally, the Legislature may wish to add a COLA to the mandates block grant to ensure that the block grant retains its purchasing power.

Subcommittee Questions

1) Why did the DOF not apply a COLA to the mandates block grant to retain the purchasing power of the grant?

2) What factors did the DOF consider in determining the amount of funding to add to the K-12 mandates block grant for the mandatory reporter training?

3) Is the DOF considering adding the CAASPP mandate to the block grant in the May Revision? What are the pros and cons of adding the mandate at this point in time versus waiting another year?

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 2017-18 expenditure of funds.

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Cheryl Ide, Department of Finance
- Drew Bohan, California Energy Commission
- Debra Brown, Department of Education
- Carlos Montoya, 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 2016-17 the state provided $1.4 billion in Proposition 39 revenue for K-12 energy efficiency projects and planning, $165.4 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 2017, 1,646 LEAs have received planning funds and 1,070 have received energy project funds and the Energy Commission has approved $861 million in projects. As shown below, through 2016-17, of the total appropriated, $478 million is still unspent. In 2017-18, the Governor projects that an additional $423 million will be available. The Energy Commission is requiring LEAs to submit expenditure plans for this final amount of funding by August 1, 2017 to ensure projects can be approved in time for LEAs to encumber funds by the statutory date of June 30, 2018.

Proposition 39: Clean Energy Jobs Act
Summary of Annual Appropriations, Payments, Recoveries, and Energy Expenditure Plans (EEP) Approvals as of January 2017

Annual Budget Appropriation, Funds Paid, and Balance Available by FY					
Year	Budget Authority	Planning Funds Paid	EEP Funds Paid	Funds Returned	Budget Authority Available
2013	$381,000,000	$ 153,337,778	$ 171,457,712	$1,464,859	$ 57,669,369
2014	279,000,000	239,212	205,284,975	154,210	73,630,023
2015	313,421,000	222,519	193,020,358	0	120,178,123
2016	398,800,000	501,811	171,497,820	0	226,800,369
2013–16 Subtotal	***$1,372,221,000***	***$154,301,320***	***$741,260,865***	***$1,619,069***	***$478,277,884***
2017 Proposed	422,900,000	0	0	0	422,900,000
Total	***$1,795,121,000***	***$154,301,320***	***$741,260,865***	***$1,619,069***	***$901,177,884***

EEP Approvals and Funds Paid by LEA Type			
By LEA Type	EEP Approved	EEP Funds Paid	LEA Count
County Offices of Education	$ 9,132,671	$ 6,208,659	31
School Districts/State Special Schools	779,580,654	677,311,931	705
Charter Schools	72,385,819	57,740,275	334
Total	***$ 861,099,144***	***$ 741,260,865***	***1,070***

Funds Invoiced and Returned by LEA Type			
By LEA Type	Invoiced	Returned	LEA County
County Offices of Education	$ -	$ -	-
Charter Schools**	$2,489,855	1,456,027	52
School District	$214,436	163,042	3
Total	***$ 2,704,291***	***$ 1,619,069***	***55***
*** 42 out of the 52 charter schools invoiced are closed (81 percent).*			

Source: Department of Education

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

Project Type	Count	Percentage of Total
Lighting	7,895	50%
Lighting Controls	1,813	11%
HVAC	2,484	16%
HVAC Controls	1,593	10%
Plug Loads	862	5%
Generation (PV)	347	2%
Pumps, Motors, Drives	325	2%
Building Envelope	237	1%
Domestic Hot Water	164	1%
Kitchen	81	1%
Electrical	49	0%
Energy Storage	42	0%
Pool	13	0%
Power Purchase Agreements	27	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, $28.61 per FTES in 2015-16, and $36.55per FTES in 2016-17. 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 2016-17, $19.5 million of the $49.3 million in funding has been allocated for 74 projects. The Chancellor's Office estimates annual system-wide cost savings of about $1.34 million from these projects. About 65 percent of the projects were related to upgrading lighting systems to make them more energy efficient 18 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 past four years of Proposition 39.

The Chancellor’s office reports that in the last four years, community colleges have spent $172.5 million on these projects and have achieved the following savings:

- $14.9 million in annual energy costs savings
- 78.3 million kilowatt-hours annual savings
- 1.5 million therms annual savings

The the system spent $22 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, 5,409 certificates, degrees, and energy certifications were awarded in energy-related fields, such as construction, environmental controls technology and electrical and electronics technology. Moreover, 67 colleges have received Proposition 39 workforce development funds. The display below provides a breakdown of where workforce development funds were distributed.

	Prop 39 Year 1 Projects		**Prop 39 Year 2 Projects**		**Prop 39 Year 3 Projects**		**Prop 39 Year 4 Projects**	
Project Type	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**	**Count**	**% of Total Projects**
Lighting	168	56.38%	103	44.02%	95	54.60%	48	64.86%
HVAC	57	19.13%	65	27.78%	49	28.16%	13	17.57%
Controls	44	14.77%	42	17.95%	12	6.90%	9	12.16%
MBCx/RCx	13	4.36%	18	7.69%	11	6.32%	1	1.35%
Tech Assist	3	1.01%	0	0.00%	0	0.00%	0	0.00%
Self-Generation	2	0.67%	2	0.85%	2	1.15%	1	1.35%
Other	11	3.69%	4	1.71%	5	2.87%	2	2.70%
Total	**98**	**100%**	**234**	**100%**	**174**	**100%**	**74**	**100%**

Region	Number of Colleges Receiving Prop. 39 Funding (Workforce Development) Funds
Northern Coastal, Northern Inland, Greater Sacramento	8
Bay Region	11
Central Valley, Mother Lode, South Central	19
San Diego, Imperial, Desert/Inland Empire	14
LA County, Orange County	15
Total	67

The Governor’s proposed budget provides $52.3 million in Proposition 39 funding for community colleges in 2017-18. The Chancellor’s Office reported that a call for projects was issued to community college districts on January 20, 2017, and 58 of 72 districts have responded and provided preliminary project lists. The deadline to submit project applications with detailed costs and scope information for 2017-18 is April 7, 2017. The Chancellor’s Office notes that in the fifth year of projects, they will focus on large scale projects such as self-generation.

California Energy Commission Energy Conservation Assistance Act − Education Subaccount: Loan and Technical Assistance Grant Program. In each of 2013-14 and 2014-15, $28 million was appropriated to the Energy Commission for the Energy Conservation Assistance Act − Education Subaccount for a total of $56 million. 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 $968 million in Proposition 39 revenue, based on projections by the Franchise Tax Board. Of this amount, one-half ($484 million) is dedicated, primarily to schools and community colleges, as follows:

- $423 million and $52 million to K−12 school and community college districts, respectively, for energy efficiency project grants.

- $5.8 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.

Staff Comments

As the Proposition 39 Clean Energy Grant Program nears completion, the Legislation may wish to monitor final allocations, particularly in regards to K-12 projects as the process for approving projects has been slower than that for community colleges and significant funding remains available. To ensure funds are expended as intended and all LEAs have the opportunity to participate, the statutory dates for encumbrance of funding and subsequently the timelines established by the CEC for project approvals may need to be re-examined and potentially adjusted.

Subcommittee Questions

1) What types of projects have yielded the most energy savings for K-12 schools or community colleges?

2) How many LEAs have not applied for Proposition 39 funding to date and does the CEC and CDE anticipate these LEAs will apply by the end of the grant progam?

3) How much in funding does the CDE and CEC anticipate will remain unspent at the end of 2017-18 based on current trends/ projections?

4) What percentage of school sites have been improved with Proposition 39 funds?

5) 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
- Ian Johnson, Department of Finance
- Debra Brown, California Department of Education
- Donna Wyatt, 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 and 2016-17 Career Technical Incentive Grant Program Funding. The 2015-16 and 2016-17 Budget Acts included $400 and $300 million, respectively, in one-time Proposition 98 funding for the Career Technical Education Incentive Grant Program. The majority of the funds are allocated to program applicants and one percent, will be used for technical assistance activities.

The CDE identified and the state board of education approved 365 applicants for grantees in 2015-16. In 2016-17, the CDE has identified and is taking the state board of education for approval, 362 renewal applications. In addition, new grantees for the 2016-17 year were approved by the state board of education in September of 2016.

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 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 third year of Proposition 98 funds for the career technical incentive grant program, $200 million in one-time funds.

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. While the roll-out of the program in 2015-16 was slower than anticipated, the overwhelming majority of applicants met the renewal criteria and applied for grants in year two. The Legislature may wish to continue to monitor the success of the program and how grantees used the funds and plan to sustain local programs after the funding expires in the coming year.

Subcommittee Questions

1) What are the most common uses of grant funding? How many grantees established new programs versus funded existing programs?

2) What are some examples of the technical assistance provided in the regions identified for grant funding?

Staff Recommendation. Hold open pending May Revision.

Issue 5: Career Technical Education Pathways Program

Panel:

- Natasha Collins, Legislative Analyst's Office
- Ian Johnson, Department of Finance
- Debra Brown, California Department of Education
- Donna Wyatt, California Department of Education

Background:

SB 70 (Scott), Chapter 352, Statues of 2005 created the Career Technical Education (CTE) Pathways program. The bill required the California Community Colleges Chancellor's Office (CCCCO) and the CDE work together in an effort to create seamless pathways for students from middle school through the community college system and beyond. Projects and work were developed based on six themes including 1) Career Pathways and Articulation for CTE Students 2) Career Planning and Development 3) Programs for Underserved Students 4) Business and Industry Engagement in CTE 5) CTE Teacher Recruitment and Professional Development and 6) Capacity Building, Research, and Evaluation. The program was later reauthorized through SB 1070 (Steinberg), Chapter 433, Statutes of 2012.

The CDE has been provided with $15,.4 million annually of the total program appropriation of $48 million. The CDE has used these funds for a variety of programs to support CTE in the state, including the following:

1) Over 125 California Partnership Academies throughout the state, providing direct services to high risk students (approximately 25,000) who have successfully completed CTE and academically integrated pathways.
2) CTE Online: California's repository for CTE curriculum designed by CTE teachers for CTE teachers and has been vetted through academic partners.
3) CTE TEACH: California's CTE teacher induction and mentoring program for new CTE teachers just entering the classroom.
4) Career Technical Student Organizations (approximately 140,000 students) providing students with leadership development and the ability to test their skills with industry based on their classroom instruction.
5) Leadership Development Institute (LDI) training new and aspiring CTE leaders in CTE program administration.
6) UC a-g In-service Workshops provides workshops for CTE and academic teachers to produce CTE courses meeting the UC a-g requirements for admission.
7) Virtual Counselor which combines California Career Resource Networks's existing online resources including the California Career Center and California CareerZone.
8) Health Science Capacity Building Pathways in grades 7-14

CDE Project	Status	Amount

California Partnership Academies	Continuation	$50,000
UC A-G	Continuation	$600,000
CTE Online	Continuation	$1,000,000
CTE Teach	Continuation	$1,000,000
Leadership Development Institute	Continuation	$300,000
CTE Student Organizations	Continuation	$1,350,000
Virtual Counselor	Continuation	$125,000
CPA Grants	Continuation	$9,230,000
Health Science Grants	Continuation	$1,025,000
Teacher Pipeline	New	$340,000
Teacher Certification	New	$340,000
Total		**$15,360,000**

Source: California Department of Education

<u>Governor's Proposal</u>

The Governor includes the funding for CDE's portion of the SB 1070 funds ($15.4 million) into the community colleges strong workforce program. Under this program, the efforts previously funded through CDE are no longer required to be funded, however the community colleges must consult with education and community partners, including K-12 education, when planning how to expend funds.

<u>Subcommittee Questions</u>

1) What programs do CDE, DOF, or LAO see as priorities for maintaining resources for the CTE system? Under the Administration's Proposal how would these programs be incorporated into the Strong Workforce Program?

<u>Staff Recommendation.</u> Hold open pending May Revision.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 16, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

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.

6600 HASTINGS COLLEGE OF LAW

Issue 1: Governor's Budget Proposal

Panel
- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- David Seward, Hastings College of Law

Background

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 (UC) 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 2016-17 budget provided $1 million in ongoing funding for Hastings operational costs to support the four-year investment plan in higher education, which began in 2013-14. The 2015-16 budget authorized $36.8 million in state lease-revenue bonds to build a new academic facility on vacant land owned by Hastings. The new facility is intended to replace an existing academic facility whose building systems are reaching the end of their useful lives. Hastings will use a design–build procurement method for the project. The 2016–17 budget increased funding for the project by $18.8 million due to higher–than–expected construction costs. Additionally, the 2016-17 budget included $2 million one-time for deferred maintenance.

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 915 FTE resident JD students in 2016-17 and an estimated 898 FTE resident JD students in 2017-18. Hastings argues that it has reduced JD 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. In addition to its JD program, Hastings also offers a Masters of Law (LL.M) in U.S. Legal Studies. In 2016-17 Hastings enrolled 25.5 students, and in 2017-18, it estimates 30 FTE students. 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.

Hastings does not receive funding from the University of California, instead Hastings has a separate budget line item. While Hastings contracts with UC for payroll, police services, investment management and reprographic services, and it is a passive participant in UC's retirement and health benefits program. As stand-alone institution, Hastings states that it does not enjoy the economic benefits of integration with a larger institution with extensive economies of scale or substantial endowment. 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. Hastings relative small size means relatively high fixed costs that do not fluctuate with enrollment.

Tuition at Hastings is $44,218 in 2016-17, and it expects to keep tuition flat in 2017-18. 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). While Hastings is proposing to hold tuition fees flat, it anticipates tuition revenue to decline by $600,000 due to a projected decrease in enrollment.

Governor's Budget

The 2017-18 budget proposes a $1.1 million General Fund ongoing unallocated increase to Hastings budget. The charts below describes Hastings total budget.

Hastings Core Budget
(Dollars in Millions)

	2015-16 Actual	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Reserve at start of year	**$26.1**	**$24.9**	**$18.5**	**-$6.4**	**-25.8%**
Funding					
General Fund—ongoing	$10.6	$11.7	$12.7	$1.1	9.2%
General Fund—one time	0.0	2.0	0.0	-2.0	—
Subtotals	**($10.6)**	**($13.7)**	**($12.7)**	**(-$0.9)**	**(-6.8%)**
Gross tuition and fee revenue	$40.3	$41.7	$41.1	-$0.6	-1.3%
Other core[a]	1.6	1.6	1.6	—	2.8
Totals	**$52.5**	**$56.9**	**$55.5**	**-$1.4**	**-2.5%**
Spending					
Instruction	$21.2	$21.8	$22.1	$0.3	1.2%
Tuition discounts	12.1	16.0	18.9	2.9	17.9
Institutional support	10.9	12.7	12.4	-0.3	-2.1
Student services	4.4	4.9	4.9	-0.0	-0.2
Law library	2.8	3.0	3.1	0.0	0.8
Facility maintenance	2.4	4.9	2.5	-2.5	-49.6%

Totals	**$53.7**	**$63.4**	**$63.8**	**$0.4**	**0.7%**
Annual Deficit	**-$1.2**	**-$6.4**	**-$8.3**	**-$1.9**	**29.2%**
Year-end reserve	**$24.9**	**$18.5**	**$10.2**	**-$8.3**	**-45.0%**
[a]Includes funding from auxiliary programs for overhead, investment income, income from scholarly publications, and state lottery.					

Legislative Analyst's Office Comments

In order to attract additional higher-performing students, Hastings proposes to augment spending on tuition discounts by $2.9 million (17.9 percent) over current year levels. In so doing, Hastings indicates that it hopes to boost its competitiveness and national ranking among law schools. (According to the U.S. News and World Report, Hastings is ranked 50th in the nation's top law schools.) Tuition discounts typically are awarded based on merit rather than need, this increased aid likely is benefitting applicants who would attend law school anyway, rather than targeting resources toward the school's neediest applicants.

The Legislative Analyst's Office (LAO) notes that Hastings is on track to spend $63.4 million in core funds in 2016-17, while only receiving $56.9 million in revenues—reflecting a $6.4 million operating deficit. Under Hastings' 2017-18 spending plan, this gap between spending and revenues would grow to $8.3 million. The school plans to use their reserve (core funding, which generally consists of tuition and other non-state funds) to cover its anticipated operating deficits. Under its proposed spending plan, Hastings' reserve would drop from $25 million at the start of 2016-17 to $10.2 million by the end of 2017-18.

Hastings has developed a plan to bring spending in line with projected revenues by (1) reducing spending on tuition discounts beginning in 2018-19, and (2) increasing tuition by 10 percent in 2019-20, followed by an additional seven percent increase in 2020-21. By 2020-21, Hastings indicates it hopes to end its deficit spending and start building back a reserve.

The enhanced discounts would only be offered to students for one additional year, and the LAO states that Hastings' proposed approach likely would not accomplish any long-term policy goals. Instead, it would provide a short-term benefit to one cohort of students while creating a deficit that likely will be paid down by future students through tuition increases. In addition, the LAO notes that Hastings' budget shortfall also could put pressure on the Legislature to provide additional funding to help stabilize the school's financial condition.

Staff Recommendation: Hold Open.

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		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
5755	Financial Aid Grants Program	72.4	64.5	64.5	$2,015,997	$2,079,007	$2,107,315
9900100	Administration	32.5	32.5	32.5	3,716	3,855	3,854
9900200	Administration - Distributed	-	-	-	-3,716	-3,855	-3,854
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**104.9**	**97.0**	**97.0**	**$2,015,997**	**$2,079,007**	**$2,107,315**

FUNDING		**2015-16***	**2016-17***	**2017-18***
0001	General Fund	$1,479,016	$1,130,082	$1,152,832
0995	Reimbursements	535,525	943,823	943,323
3263	College Access Tax Credit Fund	1,456	5,102	11,160
TOTALS, EXPENDITURES, ALL FUNDS		**$2,015,997**	**$2,079,007**	**$2,107,315**

Issue 2: Governor's Budget Proposal

Panel:

- Bijan Mehryar, Department of Finance
- Lupita Alcalá, Executive Director, California Student Aid Commission
- Paul Golazewski, Legislative Analyst's Office

The Cal Grant program is the primary financial aid program run directly by the state. In 1955, the Legislature established a merit-based, competitive State Scholarship program for financially needy students attending either public or private institutions. In the late 1970s, the Legislature consolidated the State Scholarship program and other aid programs that it had created over the years into the Cal Grant program. In 2000, the Legislature restructured the Cal Grant program into an entitlement program for students meeting certain financial and merit-based eligibility criteria, as well as a competitive program for students not meeting all the entitlement criteria.

There are three types of Cal Grant awards: 1) the Cal Grant A covers full systemwide tuition and fees at the public universities and up to a fixed dollar amount toward costs at private colleges; 2) the Cal Grant B is designed for students with the lowest household income. It provides stipends, known as access awards, to help pay for books, supplies, and transportation as well as covers tuition in all but the first year of college; and 3) the Cal Grant C provides up to a fixed amount for tuition and fees and other costs for eligible low-and middle-income students enrolled in career technical education programs. The following chart displays the various Cal Grant award amounts and eligibility criteria.

Cal Grant Award Amounts and Eligibility Criteria

Award Amounts

Cal Grant A
- Tuition awards for up to four years.
- Full systemwide tuition and fees ($12,294) 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 $1,678 toward books and living expenses for up to four years.
- Tuition coverage comparable to Cal Grant A award for all but first year.

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.

Financial Eligibility Criteria (for Dependent Students)

Cal Grant A and C
- Family income ceiling: $81,300 to $104,600, depending on family size.
- Asset ceiling: $70,000.
- Financial need: varies by institution.[a]

Cal Grant B
- Family income ceiling: $38,000 to $57,500, depending on family size.
- Asset ceiling: $70,000.
- Financial need: at least $700.[a]

Nonfinancial 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)
- Not eligible for entitlement award.
- Minimum high school GPA of 3.0 for Cal Grant A award and 2.0 for Cal Grant 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.

[a]Financial need is the difference between (1) total cost of attendance (including living expenses) and (2) the expected family contribution, as calculated based on the Free Application for Federal Student Aid. For Cal Grant A and C awards, the minimum

financial need a family must have is linked to tuition at UC and CSU and Cal Grant award levels at private, nonprofit and for-profit institutions.
WASC = Western Association of Schools and Colleges and GPA = grade point average.

In addition to Cal Grants, CSAC administers various other financial aid programs, including:

- **The 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. Below is a chart from CSAC displaying Dream Act award offers and payments by segments.

Dream Act Award Offers & Payment by Segment

	2015-16			2016-17 (not final)			2017-18
	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees	Paid Recipients	Paid Rate	Offered Awardees
Community College	4,085	2,235	55%	4,592	1,986	43%	1,186
UC	1,078	983	91%	1,346	1,046	78%	656
CSU	2,392	1,866	78%	3,233	1,970	61%	1,836
Private Non-Profit	188	113	60%	253	143	57%	254
For-Profit	35	13	37%	54	16	30%	16
Total	**7,778**	**5,210**	**67%**	**9,478**	**5,161**	**54%**	**3,948**

- **The Middle Class Scholarship Program.** In 2014-15, the Legislature established the Middle Class Scholarship (MCS) program, which students with household incomes and assets each under $156,000 may qualify for an award that covers their tuition (when combined with all other public financial aid). The program is being phased in, with awards in 2016-17 set at 75 percent of full award levels, increasing to 100 percent at full implementation in 2017-18. CSAC provides these scholarships to eligible students who fill out a federal financial aid application, though the program is not need-based according to the federal government's financial aid formula. Unlike Cal Grants, the program is not considered an entitlement, with program funding levels capped in state law. If funding were insufficient to cover the maximum award amounts specified in law, awards would be prorated downward. Current state law appropriates $74 million for 2016-17, increasing to $117 million in 2017-18 to reflect the phase in of award coverage.

Governor's Budget

The Governor proposes a $28 million (1.4 percent) increase for CSAC over the revised 2016-17 level. The two main fund sources for CSAC are state General Fund and federal Temporary Assistance for Needy Families (TANF) funds. Under the Governor's proposal, General Fund spending increases by $23 million, while TANF funds remain flat. In spring 2016, the state revised 2015-16 Cal Grant spending to $1.9 billion, based on CSAC's spring estimates. The Governor's 2017-18 budget assumes the same level of spending.

The Administration proposes to reduce the statutory appropriation for the MCS for 2017-18 from $117 million to $74 million due to lower than expected participation and also to phase out the program and funding only renewal awards for prior-year recipients. The Governor also proposes to set the program statutory funding level at $45 million in 2018-19, $28 million in 2019-20, and $2 million in 2020-21. The Administration notes that this phase out is intended to address a state budget shortfall, while prioritizing state aid for financially need students served through the Cal Grant program.

The Governor revises down estimated Cal Grant costs in 2016-17 by $52 million to reflect an estimated three percent drop in recipients from 2016-17 Budget Act assumptions. Compared to the revised 2016-17 level of spending, he projects a $34 million increase in 2017-18. The increase primarily is due to a projected two percent increase in participation, offset by savings from a scheduled decrease to the award for students attending private, nonprofit colleges.

The Governor's estimate for 2017-18 does not assume any changes in tuition and fees except for a $54 increase (five percent) in UC's Student Services Fee. The LAO chart on the following page displays the CSAC budget, including program expenditures and funding source.

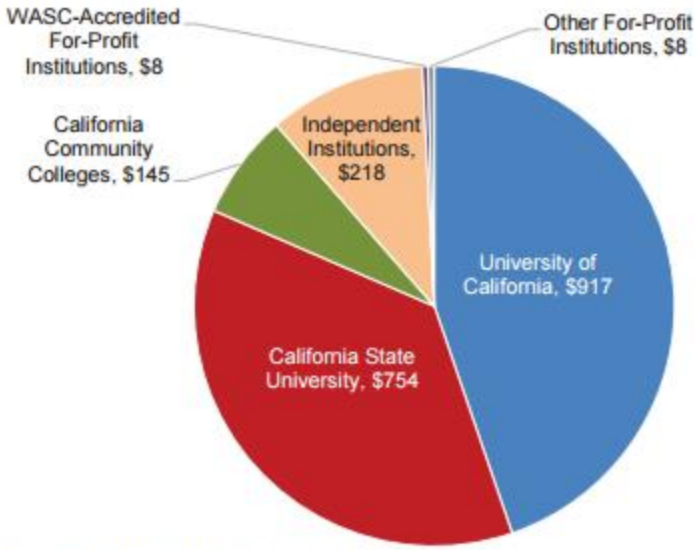
California Student Aid Commission Budget
(Dollars in Millions)

	2015-16 Revised	2016-17 Revised	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Expenditures					
Local Assistance					
Cal Grants	$1,916[a]	$1,952	$1,986	$34	1.7%
Middle Class Scholarships	48	74	74	—	—
Assumption Program of Loans for Education	14	10	7	-3	-33
Chafee Foster Youth Program	11	14	14	—	—
Student Opportunity and Access Program	8	8	8	—	—
National Guard Education Assistance Awards	2	2	2	—	—
Other Programs[b]	1	1	1	—[c]	3.7
Subtotals	**($2,002)**	**($2,062)**	**($2,093)**	**($31)**	**(1.5%)**
State Operations	$14	$17	$14	-$2	-14%
Totals	**$2,016**	**$2,079**	**$2,107**	**$28**	**1.4%**
Funding					
State General Fund	$1,479	$1,130	$1,153	$23	2%
Federal TANF	521	926	926	—	—
Other federal funds and reimbursements	15	18	18	-1	-2.8
College Access Tax Credit Fund	1	5	11	6	119

[a]Reflects amount assumed in the Governor's budget. The California Student Aid Commission estimates expenditures to be $56 million lower.
[b]Includes Cash for College, Child Development Teacher/Supervisor Grants, Graduate Assumption Program of Loans for Education, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education for Nursing Faculty.
[c]Less than $500,000.
TANF = Temporary Assistance for Needy Families.

Additionally, the Department of Finance chart below displays the 2017-18 distribution of financial by institution type.

Figure HED-02
Distribution of Financial Aid by Institution Type, 2017-18
(Dollars in Millions)



Includes the Cal Grant and Middle Class Scholarship programs.
"WASC" is the Western Association of Schools and Colleges, a regional accrediting agency recognized by the U.S. Department of Education.

Legislative Analyst's Office Comments

The state budget funds Cal Grant costs assuming full tuition coverage for students attending UC and CSU. This means that Cal Grant costs increase when the universities raise tuition. Tuition increases also can affect Middle Class Scholarships, as state law sets those awards to equal a percentage of tuition, though this program's costs are capped in state law. The Governor assumes no changes to UC and CSU tuition, aside from a $54 (five percent) increase in UC's systemwide student services fee. The budget assumes the increase in the UC student services fee in turn increases Cal Grant spending in 2017-18 by $3.8 million. The LAO estimates that UC's and CSU's tuition increases would increase state Cal Grant spending by $20.2 million and $27.2 million, respectively, in 2017-18.

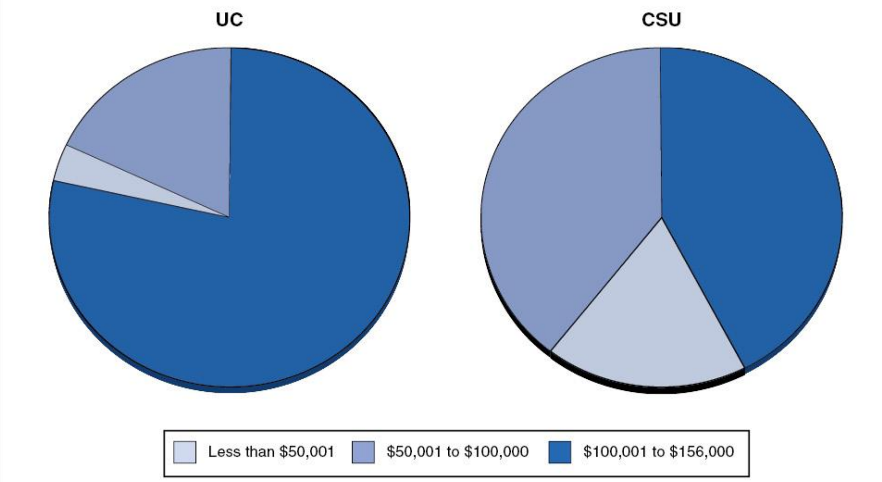
In September 2016, CSAC revised its estimate of 2015-16 Cal Grant spending down by $56 million. Historically, at that point in time, almost all of Cal Grant payments have been made for the prior fiscal year. The LAO recommends the Legislature recognize CSAC's updated estimate of 2015-16 program costs, which would increase the state's incoming General Fund balance by $56 million compared to the Governor's budget. Additionally, CSAC will update its current-year and budget-year estimates in April for inclusion in the May Revision. As these estimates will be based on more recent trends in paid recipients, the LAO recommends the Legislature revisit CSAC's estimates at that time.

Middle Class Scholarship. In 2016-17, about five percent of UC students and 12 percent of CSU students are expected to receive a MCS. This difference between the segments is likely due to differences in student populations and institutional aid programs, with CSU having less grant aid available per student. Students with household income of $50,000 or less make up only a small share of UC recipients but comprise nearly one‑fifth of CSU recipients. The LAO display below provides a breakdown of MCS by household income at UC and CSU.

Figure 29

Middle Class Scholarships by Household Income

2016-17



Typically, students with household income at or below $50,000 have their tuition covered through Cal Grants or institutional aid programs and therefore would not qualify for a MCS. According to CSU, many of the lowest‑income students receiving a MCS have exceeded the time limits for other sources of aid. A time limit for MCS is taking effect for the first time starting in 2016‑17. The vast majority also are considered independent—meaning they are over age 24, married, or have dependents. These independent students generally require a very low-income to receive other forms of grant aid.

Students with household income between $50,001 and $100,000 also might have exceeded time limits for other programs or be considered independent for financial purposes. Additionally, many students in this income bracket might not meet the eligibility requirements for other aid programs. For instance, students in this bracket could be excluded from the Cal Grant program because they exceed that program's income ceiling, which varies depending on the student's family size and high school grade point average. Moreover, most students in this income bracket would not qualify for CSU's institutional aid and some at the higher end might not qualify for UC's aid program. Additionally, in order to receive a Cal Grant, students must meet certain grade point averages (GPA), whereas the MCS does not have a GPA requirement.

Staff notes that Senate Bill 81 (Committee on Budget and Fiscal Review), Chapter 22, Statutes of 2015, implemented several reforms to the MCS. These changes include implementing a four- or five-year participation time-limit for the program similar to limits imposed in the Cal Grant program, asset limit, and allows income and asset limits to increase with the Consumer Price Index.

The LAO notes that prioritizing aid for financially neediest students is the most effective approach to providing access to higher education. In particular, research indicates that grants provide greater improvements in persistence and completion for lower-income students as compared to middle- and upper-income students.

The LAO notes that prioritizing aid is difficult due to patchwork of financial aid programs, which have different financial need criteria as well as nonfinancial requirements, such as GPA and age. The LAO notes that the Legislature may wish to consider ways to restructure aid programs. One potential restructuring approach is to consolidate existing aid programs into a single state grant. Alternatively, the Legislature could retain the current array of programs but establish a core set of uniform and coordinated eligibility requirements across them. Under either approach, the Legislature would be better positioned to assess ways to prioritize aid among students.

Staff Comments

According to the National Bureau of Economic Research, low-income students are much less likely than higher income students to enroll in or complete college, and in recent decades, income gaps have grown. Cal Grants are a critical tool to help low-income students attend college and graduate. Cal Grants provide the possibility of upward mobility for low-income California students.

The 2017-18 FAFSA allowed high school seniors and college students to complete a FAFSA, or CADAA beginning on October 1, 2016, rather than begging on January 1, 2017. This earlier submission date is a permanent change, allowing students to complete and submit a FAFSA earlier. Additionally, students and their families will now be required to report income and tax information from an earlier year. For example, on 2017-18 FAFSA, students or their parents will report their 2015 income and tax information, rather than their 2016 information.

The California Dream Act application allows students who qualify under AB 540 (Firebaugh), Chapter 814, Statutes of 2001, to apply for various forms of state-funded financial aid, such as the Cal Grant Program, MCS, board of Governor's Fee Waiver at California Community Colleges, and institutional aid. Additionally, under AB 540, these students would be eligible to pay for resident tuition. Senate Bill 68 (Lara), pending in Senate Education Committee, seeks to expand eligibility for students to qualify under AB 540. These students are not eligible for federal financial aid, and cannot complete the FAFSA, and instead fill out the CADAA. Similar to the FAFSA, the CADAA is now available for students to complete on October 1^{st}, rather than January 1^{st}.

Earlier this year, concerns were raised that the number of submitted Dream Act applications appeared to be significantly lower than in previous years. In mid-February, the commission had received about 60 percent of the number of applications it had received in 2016. High school counselors, college financial aid officials and higher education experts reported that concerns regarding changes in federal immigration practices were causing reluctance among some undocumented students to apply for state financial aid.

After a significant publicity campaign, CADAA submission numbers improved dramatically. The chart below indicates applications were received this year and last year as of March 3, 2017.

2017	Total	Renewals	New
On time	35,882	22,727	13,155
Late	0	0	0
Total	35,882	22,727	13,155

2016	Total	Renewals	New
On time	34,169	20,965	13,204
Late	12,985	5,387	7,598
Total	47,154	26,352	20,802

As shown above, the number of on time CADAA in 2017 is higher than are higher than last year. While 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. As shown in a previous chart, though not finalized, the 2016-17 paid rates for community college students is about 43 percent, whereas the paid rate for UC students is about 78 percent. Most recent data provided by CSAC, as of March 10th, shows the 2016-17 paid rate for CCC students is about 46 percent, whereas the paid rate of UC and CSU students is about 86 percent and 68 percent, respectively. Students are given 15 months to take action on their Cal Grant awards before being withdrawn. The subcommittee may wish to ask CSAC why community college students paid rate is significantly lower than other institutions, even though they account for the largest number of students offered who were offered grants. Additionally, the subcommittee may wish to ask CSAC if they anticipate the paid rate for CCC students to increase, and what methods CSAC may use to increase the paid rate for these students.

Staff Recommendation. Hold Open.

Issue 3: Cal Grants for Students at Private Nonprofit and Private For-Profit Institutions

Panel

- Bijan Mehryar, Department of Finance
- Paul Golazewski, Legislative Analyst's Office
- Lupita Alcalá, Executive Director, California Student Aid Commission
- President Ann McElaney-Johnson, Mount Saint Mary's College
- Rudy Amaya, Student, University of La Verne

Background. California has about 175 nonprofit colleges and universities and more than 1,000 for-profit institutions. California's share of students in nonprofit colleges is lower than the rest of the nation, whereas its share in for-profit colleges is similar to the rest of the nation. Based on fall 2015 estimates, California's private nonprofit institutions enrolled about 279,000 full-time equivalent (FTE) students, and its private for-profit institutions enroll about 261,000 FTEs. Moreover, in 2016-17, students attending private nonprofit institutions received about $229 million, and students attending private for-profit institutions received about $17 million in Cal Grant funding.

As noted in the previous section, the maximum tuition award for Cal Grant A and B recipients is equal to the mandatory systemwide tuition and fees at the UC and CSU. The award at private nonprofit institutions and private, for profit institutions that are accredited by the Western Association of Schools and Colleges (WASC) and the award at private, for profit institutions that are not WASC-accredited are determined in the budget. As a savings measure, the 2012 Budget Act put in place reductions to the Cal Grant award amounts for independent nonprofit and accredited for-profit institutions from $9,084 to $8,056 starting in 2014-15. However, subsequent actions have postponed the reduction. Recently, the 2015-16 budget delayed the reduction until 2017-18. The reduction is set to apply prospectively to new award recipients only.

Governor's Budget. The Governor's proposes to allow the scheduled reduction to go into effect. CSAC estimates the reduction will affect about 8,500 new Cal Grant recipients in 2017-18 and projects an associated $7.4 million in savings. The number of recipients affected and the associated savings will more than triple over the following three years as recipients "grandfathered" in at the higher rate exit the program.

Staff Comments. Throughout its history, the Cal Grant program has provided aid to students attending either public or private institutions, thereby providing low-income students a choice over their postsecondary education. The Association of Independent California Colleges and Universities notes that 42 percent of their Cal Grant recipients are Latino, 16 percent are Asian/Pacific Islander, and seven percent are African American. Moreover, about 45 percent of their Cal Grant recipients are first generation college students. The LAO notes that prior to the restructuring of the Cal Grant program in 2000, state law called for the maximum private award to be set by adding together (1) 75 percent of the General Fund cost per CSU student, and (2) the average of the tuition and fees charged by UC and CSU. The policy served as an aspirational goal against which to measure state funding. As part of the Cal Grant program restructuring in 2000, the Legislature removed these provisions from state law. The LAO recommends the Legislature establish a statutory policy for private awards similar to the one in effect prior to 2000. If the Legislature were to use the same policy from back then, the LAO calculates the award amount would be $16,500. This award would be higher than the current maximum Cal Grant award for students attending the state's public universities, with $12,294 at UC and $5,472 at CSU.

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 23, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee

Items for Discussion Only

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
- Mollie Quasebarth, Department of Finance
- Debra Brown, California Department of Education
- Christian Nelson, California Department of Education
- Mario Rodriguez, California Community Colleges
- Javier Romero, California Community Colleges

Background:

Adult Education Block Grant. The Adult Education Block Grant (AEBG) was created in 2015-16 and provides $500 million in ongoing Proposition 98 funding annually for the provision of adult education through the K-12 and community college systems and their local partners. This new program was 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. The program has restructured the provision of adult education through the use of regional consortia, made up of adult education providers, 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 have developed regional plans to coordinate and deliver adult education in their regions. Only formal consortia 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.

Adult Education Areas of Instruction. 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.

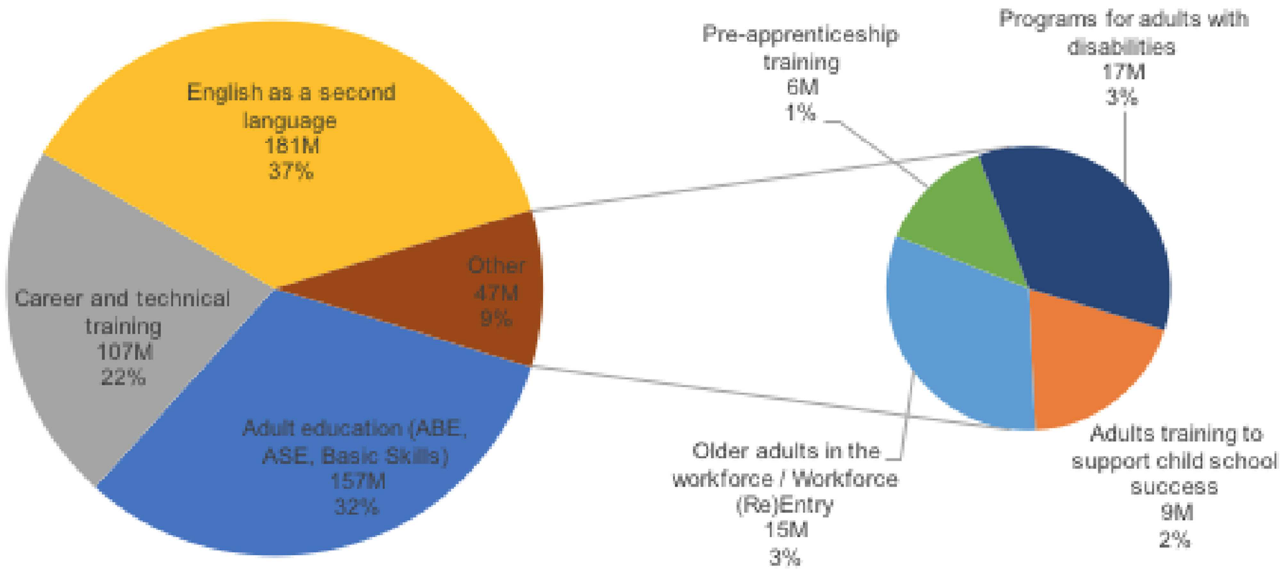
Consortia Funding. The first year of funding (2015-16) was designed as a transition year. Of the $500 million total grant; $337 million was distributed based on a maintenance of effort amount for school districts and COEs that operated adult education programs in 2012-13, and subsequently became members 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.

In 2016-17, and future years, the CCC and CDE 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 2016-17 fiscal year allocation provided the same amount of funding to each consortia as was provided in the 2015-16 fiscal year. Preliminary allocations for 2017-18, and 2018-19, maintain this same distribution.

Each consortium may choose a fiscal agent to receive state funds and then distribute funding to consortium members, or opt out and have members receive funds directly. Statute recently clarified that fiscal agents must disburse funds to consortium members within 45 days of receipt.

Progress in Serving Adult Students. Consortia are in their second year of providing services under the AEBG, and the CCC and CDE have just released a progress report on the use of funds and outcomes in each region as required by statute. The report notes that consortia have a combined enrollment of 2.1 million in all adult education programs statewide. The three largest program areas in terms of enrollment are Basic Education (which includes basic education, basic skills, and secondary education at approximately one million adults enrolled, English as a Second Language (ESL) and Civics at almost 683,000 enrolled, and Career and Technical Training at 314,000 enrolled. This is generally reflected in the expenditures by program area shown below, although some consortia are using a large portion of the AEBG funds for ESL support and expansion

20015-16 Estimated Expenditures by Program Area



Source: CCC and CDE

At this point, data on student outcomes, such as improved literacy skills, completed high school diplomas or certificates, degrees, and training programs, job placement, and improved wages are not yet available, however the CCC and CDE are continuing to build a system to collect and report this data as discussed in the next section.

As part of the effort to align systems, the original statute required the CCC and CDE to examine and make recommendations in several areas for potential streamlining and alignment across systems. These include:

- Data systems and data elements. A new data system is currently underway as discussed below. Over the past year, the CCC and CDE identified data elements for consortia to report and have aligned these data elements with those required under the federal Workforce Investment Opportunity Act (WIOA).

- Student Identifiers. 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. Some progress has been made in aligning identifiers and there is potential to match records through the data system under development.

- Common Assessments. Within consortia, local providers are aligning assessments to ease the transition between programs or into the workforce. The CCC and CDE have identified the assessments used by both the adult education and the CCC system, additional alignment of assessments at the statewide level has not been undertaken at this point.

- Memorandums of Understanding (MOUs). 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 have also completed MOUs with the Employment Development Department to enable the identification of wage data.

- Other potential areas include adult education placement policies, local fees, curriculum alignment, bridge courses, articulation agreements, and teacher credentialing, among others.

One-Time Funding. 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. 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. Consortia were allocated funding based on their share of total block grant funding, upon completion and approval of an expenditure plan. As of this hearing, 65 plans have been approved and generally include funding for technology upgrades, updated data collection processes and procedures, professional development, and local-specific research among other uses.

The remaining 15 percent of the grant is being used to update the state data system for the AEBG. For the 2015-16 year, the AEBG used a temporary data collection system that uploaded reporting tables via the AEBG website to collect student data as required for Legislative reports. In 2016-17, the AEBG is using the TOPSPro Enterprise System to collect student data and outcomes. In addition, the AEBG will utilize data matching to track student outcomes in the Community College Chancellor's Office data system (MIS), the Employment Development Department Base Wage File System, and the CDE-High School Diploma Equivalent Match. In cases where students will not disclose information (undocumented students, no social security number, declined to state, etc.), AEBG will be collecting self-reported student outcomes. The student data and outcomes will be displayed via a dashboard tool called "Adult Education Launchboard" on the AEBG website.

AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, a trailer bill to the 2016-17 budget act appropriated $5 million in one-time funding to the Chancellor of the Community Colleges to provide to a community college, school district, COE, or adult education consortium to provide statewide leadership activities including; collecting and disseminating best practices, providing technical assistance and professional development, maintaining a website, and reporting on the effectiveness of the block grant among other things. Funds may be expended over a three year period (2016-17 through 2018-19). The contract for these activities has been awarded to the Sacramento County Office of Education.

Coordination of Other Adult Education Fund Sources. The CCC and CDE were also required to coordinate funding of two federal adult education programs, the Adult Education and Family Literacy Act, also known as 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. In a report required by the Legislature in January of 2016, the CCC and CDE examined the funds and recommended they continue to be allocated in the same way as in past years, although raised the potential of forming an advisory committee to assist in the development of alternative methods of allocating multiple funding streams in future years.

Governor's Budget Proposal

The Governor's budget proposal includes $500 million in ongoing Proposition 98 for the AEBG. The Governor does not provide a COLA for the program.

The Governor also proposes technical clean-up language on the use of Adult Education funds.

Staff Comments

Staff notes that the first two years of the adult education block grant have been positive in terms of consortia establishment and the maintenance and expansion of adult education services. In general funding is flowing to the greatest areas of need (basic skills education and English as a second language). The ultimate goal of the adult education block grant however, was to ensure that through regional coordination adult students had access and opportunities to continue their education, including in the community college system, or to lead to better paying jobs. The Legislature should continue to encourage the CCC and CDE to make stronger recommendations on what can be done at the state level to ensure the kind of alignment that supports outcomes across the state. Without student outcome data, it is difficult to tell if these positive outcomes are happening and the Legislature should continue to monitor the AEBG with the anticipated outcomes in mind.

Staff also notes that while there is evidence from the provision of adult education from before the recession and the demographic indicators used to determine consortium funding that the current program funding likely does not meet local need for these types of programs. The Legislature may wish to continue to ask the CDE and CCC to refine the collection of data so that remaining need may be more clearly quantified to inform decisions around the funding level for the AEBG in future years.

Subcommittee Questions

1) When will student outcome data be available? What should the Legislature be looking at to measure success of the program?

2) How are the CCC and CDE continuing to work on alignment of all parts of the adult education system?

3) How are consortia directing programs to meet the needs of their regions? What indicators of need are most useful for local planning purposes?

4) Have the CCC and CDE further contemplated or initiated a working group to look at alignment of funding streams now that federal WIOA regulations have been released?

Staff Recommendation. Hold open pending May Revision funding projections.

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 three year expenditures and positions for the CCCs. Of the amounts displayed in the table, $5.3 billion in 2015-16, $5.4 billion in 2016-17, and $5.5 billion in 2017-18, is from Proposition 98 General Fund; and $10.7 million in 2015-16, $21.2 million in 2016-17, and $12.76 million in 2017-18 is from non-Proposition 98 General Fund. The remainder of funding comes from local property tax revenue, fee revenue and various special and federal fund sources.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2015-16	2016-17	2017-18	2015-16*	2016-17*	2017-18*
5670	Apportionments	10.3	10.3	11.6	$7,284,829	$7,446,911	$7,589,194
5675	Special Services and Operations	92.1	92.9	132.9	1,165,283	1,565,198	1,568,186
5685	Mandates	-	-	-	225,153	32,436	32,404
9900100	Administration	39.3	39.3	-	6,179	6,327	-
9900200	Administration - Distributed	-	-	-	-6,179	-6,327	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**141.7**	**142.5**	**144.5**	**$8,675,265**	**$9,044,545**	**$9,189,784**

Below is a Legislative Analyst's Office (LAO) chart which summarizes the Governor's proposed CCC Proposition 98 changes, which will be discussed in later in the agenda.

2017-18 California Community Colleges Proposition 98 Changes

2016-17 Revised Proposition 98 Spending	**Dollars in Millions**
Technical Adjustments	
Remove one-time spending	-$177
Other technical adjustments	-32
Subtotal	**(-$209)**
Policy Adjustments	
Fund guided pathways initiative (one time)	$150
Provide 1.48 percent COLA for apportionments	94
Fund 1.34 percent enrollment growth	79
Provide unallocated base increase	24
Fund Innovation Awards (one time)	20
Augment Online Education Initiative	10
Develop integrated library system (one time)	6
Provide 1.48 percent COLA for select categorical programs[a]	4
Subtotal	**($387)**
Total Changes	**$179**
2017-18 Proposed Proposition 98 Spending	**$8,424**

[a]Applied to Extended Opportunity Programs and Services, Disabled Student Programs and Services, CalWORKs student services, and support for certain campus child care centers.
COLA = cost-of-living adjustment.

Issue 2: Guided Pathways Program

Panel 1

- Chancellor Eloy Oakley Ortiz, California Community Colleges

Panel 2

- Maritza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office
- Dr. Sonya Christian, President, Bakersfield College

Background.

For years, the Legislature has expressed concern about the low completion rates of CCC students. In an effort to promote better results, the Legislature passed legislation and made significant investments in student support services and programs. In 2010, the Legislature enacted legislation directing the CCC Board of Governors (BOG) to develop a comprehensive plan for improving student success. To this end, the board formed a task force that ultimately produced a report containing 22 related recommendations. The Legislature subsequently passed the Student Success Act of 2012, Senate Bill 1456 (Lowenthal), Chapter 624, Statutes of 2012, which provided the statutory authorization required to implement some of these recommendations. Most notably, SB 1456 required the BOG to establish policies intended to ensure that every incoming student received assessment, orientation, and education planning support. In a companion reform effort, the Legislature also enacted the Student Transfer Achievement Reform Act, SB 1440 (Padilla) Chapter 428, Statutes of 2010, which required community colleges to create 60-unit associate degrees for transfer that streamlined and expedited transfer to CSU. SB 1440 also required CSU to ensure entering transfer students could graduate from a bachelor's degree program requiring no more than 60 additional units.

Additionally, SB 860 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014, codified the regulatory requirement that each CCC district maintain a student equity plan to help ensure that historically underrepresented students have equal opportunity for access, success and transfer at colleges. Colleges are required to develop plans to examine specific student populations, determine if they are achieving access, success and transfer rates at the same level as other students, and develop strategies for improving these results, as needed.

The state increased annual funding for various CCC student success programs from $243 million in 2012-13 to $820 million in 2016-17—an increase of $577 million. The bulk of new spending ($391 million) has been for the Student Success and Support Program (SSSP) and student equity. In addition to the funding shown in the figure below, the state has provided $500 million annually beginning in 2015-16 to improve adult education outcomes and $200 million beginning in 2016-17 to improve career technical education outcomes, which will be discussed in this agenda. Both of these new programs emphasize creating streamlined pathways for students.

Ongoing State Funding for CCC Student Success Programs
(In Millions)

	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Revised	2016-17 Enacted	Increase From 2012-13
Student Success and Support Program	$49	$85	$185	$285	$285	$236
Student Equity Plans	—	—	70	155	155	155
Extended Opportunity Programs and Services	74	89	89	123	123	49
Disabled Student Program and Services	69	84	114	115	115	46
Basic Skills Initiative	20	20	20	20[a]	50	30
CalWORKs Student Services	27	35	35	35	44	17
Institutional Effectiveness	—	—	3	18	28	28
Technology Projects[b]	—	14	14	14	14	14
Fund for Student Success[c]	4	4	4	4	6	2
Totals	**$243**	**$331**	**$604**	**$769**	**$820**	**$577**

[a] In addition to the ongoing funding shown, the state provided $85 million in one-time funding—$60 million for the Community Colleges Basic Skills and Outcomes Transformation Program, $15 million for the College Promise Innovation Grant Program, and $10 million for the Basic Skills Partnership Pilot Program.
[b] Consists of the Common Assessment Initiative, Education Planning Initiative, and electronic transcripts.
[c] Supports the Mathematics, Engineering, and Science Achievement program; Middle College High School program; and Puente Project.

The LAO released four progress reports regarding SSSP between 2012 and 2016, and notes that the CCC system has made significant progress implementing recent student success and transfer reforms. It has implemented policies to increase the number of students receiving orientation, assessment, and education plans and developed clearer statewide transfer pathways in more than 40 majors. Colleges have hired more counselors and other student success personnel, boosted student support services and student equity efforts, and adopted evidence-based models of basic skills assessment and instruction. Many colleges also have started implementing technology systems that help students explore careers and develop education plans; access counseling, tutoring, and student services; and track their progress toward completion. Additionally, colleges are developing streamlined CTE pathways, support services, and contextualized basic skills instruction under the new workforce program created in 2016.

Despite progress in these areas, the LAO notes that significant problems remain. At many colleges, campus decision making related to the various student success programs resides in separate organizational units (such as academic affairs or student services) or is directed by separate groups within a single unit. This lack of coordination results in duplication of services, gaps in services, and inefficient resource allocation.

In addition, little agreement sometimes exists across the system regarding how best to pursue the goals of the various student success programs. For basic skills programs, state law lists a number of evidence-based practices and requires colleges to implement them, but other programs, such as SSSP and student equity, have no such requirement in state law. As a result, some colleges allocate small amounts of funding to numerous unconnected and sometimes experimental projects rather than concentrating their funds on larger-scale implementation of evidence-based practices.

Another concern of the LAO is that existing student success programs are not reaching a large proportion of students. Specifically, many students still do not complete "mandatory" orientation, assessment, and education planning, and many colleges have not sufficiently aligned their course offerings with students' education plans. This suggests that, despite receiving funding for the state's student success initiatives, some colleges have not fundamentally changed how their student support and instructional services are organized for students. This may be due to weak incentives to change established practices and lack of broad-based support on campuses for such changes.

Guided Pathways Model. The Guided Pathways Model relies on work of the Community College Research Center at Columbia University based on 20 years of community college research. Due to this plethora of choices when selecting academic programs and courses, students often end up taking excess units, extra years in college, or even dropout. Researchers contend that colleges need to fundamentally redesign their approach to student services, instruction, and administrative practices.

The four key elements of guided pathways are:

- Academic program maps detailing the courses students must complete each semester to earn a credential as efficiently as possible (often including default course selections and schedules).

- An intake process that helps students clarify their college and career goals, choose a program of study, and develop an academic plan based on a program map.

- Close monitoring of student progress paired with proactive student support services and feedback to help students stay on track.

- Institutional and program-specific student learning outcomes that are aligned with requirements for transfer and careers.

In addition, students are typically required to choose an exploratory major (also called a meta-major) in a broad area such as business, health sciences, or arts and humanities. Early courses in the meta-major are designed to (1) help students select a specific major and (2) count toward all majors within the broad area. Another feature of guided pathways is basic skills instruction that is integrated into college-level, program-relevant courses, often accompanied by required tutoring sessions or other academic support. Colleges implementing these elements have documented significant improvements in certain measures of student progress and success.

To date, a number of national organizations and state higher education systems have initiated guided pathways demonstration projects. The largest of these is the Pathways Project led by the American Association for Community Colleges (AACC), launched in 2015 with 30 community colleges in 17 states (including three in California). Participating colleges attend six three-day institutes over two years to help them design and implement structured academic and career pathways for all their students. Colleges receive professional development and technical assistance from AACC and seven partner organizations, but no direct funding from the project. In 2016, the Foundation for California Community Colleges announced the California Guided Pathways Project, closely modeled on the AACC project, that will assist 15 to 20 California community colleges to develop and implement guided pathways.

Governor's Proposal

The Governor proposes $150 million one-time Proposition 98 General Fund for colleges to implement a guided pathways program. The goal of the Administration's proposal is to integrate colleges' many separate student success programs (shown above) into a coherent system based on the guided pathways model. The administration expects that better organizing and coordinating these existing programs, as well as modifying them as needed, will significantly improve student outcomes.

The proposed trailer legislation establishes the CCC Guided Pathways Grant Program and tasks the Chancellor's Office with administering it. The language directs the Chancellor's Office, to the extent feasible, to leverage the work of the California Guided Pathways Project, which already has developed programmatic requirements.

Unlike other pathways initiatives that devote all of their funding to centralized professional development and technical assistance for colleges, the Governor's proposal would provide at least 90 percent of funding directly to colleges. Of this amount, the Chancellor's Office would allocate 45 percent based on each college's share of the state's Pell Grant-eligible students, 35 percent based on each college's share of full-time equivalent enrollment, and 20 percent as a fixed base grant for each college. To receive funding, colleges would have to demonstrate their commitment toward implementing guided pathways by (1) submitting a commitment letter signed by the governing board president, chief executive officer, and Academic Senate president; (2) attending a workshop; and (3) submitting an implementation plan that integrates existing student success programs. The remaining funding proposed by the Governor (up to 10 percent) would be for statewide assistance and programmatic support.

The trailer legislation requires the Chancellor to submit a report by July 1, 2018 and annually thereafter for four more years. The first report is to detail the funding allocations, the second to summarize colleges' guided pathways implementation plans, and the three remaining reports to summarize each district's progress toward implementing its plan. In addition, the Chancellor is to include in each of the five reports any statutory or regulatory changes it believes are needed to facilitate colleges' further implementation of guided pathways.

Legislative Analyst's Office Comments

Existing large-scale guided pathways initiatives have retained funding centrally to provide professional development and technical assistance to colleges, rather than funding colleges directly. Under these existing initiatives, only colleges with a strong interest in developing guided pathways and a willingness to reallocate existing resources choose to apply. The Governor's proposal takes a notably different approach, giving substantial grants directly to colleges and setting aside a relatively small share (10 percent) for centralized support. Such a decentralized approach could have the unintended effect of funding colleges that do not have a strong, broad-based commitment to the work, while shortchanging colleges on the professional development and technical assistance component.

The LAO notes that the Governor's proposal has potential, however, it does not contain many important details about how the initiative would work. In addition to providing no justification for his different approach to encouraging guided pathways, the Governor provides no explanation for his proposed funding amount. The Administration has indicated colleges likely would use their funding mainly for release time (or summer pay) for faculty, staff, and administrators to work on developing maps and other components. The Administration, however, has not indicated the amount of release time envisioned or how it would be apportioned over the five-year implementation period, and neither are mentioned in the trailer bill language.

Colleges that have implemented guided pathways indicate that doing so requires a high level of commitment from college leaders, faculty, and staff. This is because the types of changes required often challenge longstanding patterns of organizational behavior and pedagogy. Building commitment takes time and is not always possible in all institutions. The Governor's proposal, however, would fund all colleges, even those that likely are not fully committed to or prepared for the associated work.

The Legislature could ask the Chancellor—who ultimately would be responsible for leading such an effort—to share his vision for how it should be structured, implemented, and led, including how existing CCC resources (such as the Institutional Effectiveness Partnership Initiative and CCC Success Center) would contribute to the effort. The Chancellor could discuss the outcomes the state could expect from colleges receiving funding. The Chancellor also could address what changes might be needed in how the state organizes and funds CCC student success efforts, and how he would ensure that the proposed initiative does not become yet another programmatic silo. The Legislature also could ask the Administration to present a rationale for its proposed dollar amount and timeline.

As noted above, the various existing programs often operate in silos. The LAO recommends that in order to foster better coordination the Legislature could combine and streamline their requirements, and fund them through one allocation formula. The Legislature also could change state law to (1) provide more guidance to colleges regarding their use of SSSP and student equity funds for evidence-based practices and (2) strengthen incentives for students and colleges to adopt these practices. Alternatively, the Legislature could require the Board of Governors to adjust these policies through regulations to more effectively implement existing law.

Staff Comments

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. Additionally, the PPIC also notes that if current trends in the labor market persist, by 2030 California will have a shortage of 1.1 million workers holding a bachelor's degree. CCCs are a critical piece in eliminating the project shortfall of bachelor's degree and associate degrees. More CCC students must transfer to a four year university or complete a career pathway way that will enable them to earn a higher paying job. Currently, less than 50 percent of CCC students complete a degree or transfer.

Student success and completion is a priority of the Senate, however, staff shares the concerns of the LAO and notes that the proposal contains few details about how colleges could use their funds, what would be expected of them, or how the program would operate. Furthermore, the Governor's proposal lacks mechanisms to monitor progress, provide feedback for midcourse corrections, or contribute to the research on guided pathways implementation. Additionally, the Chancellor's Office notes that it plans to use this funding over five years, however trailer bill language does not specify this, nor does it mention specific timelines or benchmarks of expectations for how funding is spent.

A recent report by the Institute for College Access and Success (TICAS) highlights the lackluster completion rates of CCC students and how the students' lack of financial resources impacts their ability to complete a degree program, associate degree for transfer, or career pathway. If a student does not enroll full-time (12 units or more), it takes them longer to complete, and delays their ability to enter into the workforce. California is one of the lowest in the nation for the number of full-time enrolled students at CCC. Specifically, in the fall of 2013, only 32 percent of CCC students were enrolled full-time. According to a recent survey by TICAS, most students said that their need to work for pay kept them from enrolling in as many courses as they wanted to take. Moreover, the student survey responses also stated additional financial aid program would allow them to enroll in more classes and spend more time toward completing school. TICAS further argues that enrollment status is a key driver of student success, as students who enroll full-time are more likely to graduate than those who do not. Senate Bill 539 (De León), currently pending in Senate Education Committee, would create the Community College Completion Incentive Grant, which would provide an additional $4,000 in financial aid to CCC students with financial need, and who enroll in 15 units per semester or the applicable quarter unit equivalent to be considered on track to obtain an associate degree, or to otherwise transfer to a four-year university, in two academic years. Additionally, the proposal would require greater integration of existing student success programs, require use of multiple measures to determine each student's course placement and appropriate coursework needed to complete a guided pathway, and require students complete a comprehensive education plan.

Staff Recommendation. Hold open pending May Revision funding projections.

Issue 3: Apportionment

Panel

- Maritza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

Community colleges receive most of their state funding through apportionments, which provides funding for basic college needs and largely based on enrollment. Colleges also receive a portion of their funding through categorical programs for specific purposes. The state projects enrollment growth systemwide based on population changes, the economy (specifically, an add-on if the unemployment rate is high), and prior-year enrollment demand. It then examines whether any districts have experienced recent enrollment declines or "restorations." Regarding declines, the state allows districts to claim the higher of their current-year or prior-year enrollment levels—effectively a one-year hold harmless provision. After one year, the state lowers base funding for the affected districts but gives those districts three years to earn back (restore) funding associated with enrollment declines. Each year, some of these districts earn restoration funding. Technically, districts receive restoration funding first, then growth funding. That is, a district receives growth funding only if its actual enrollment exceeds its restoration target.

The 2014-15 budget package required the Chancellor's Office to develop a new district allocation formula for enrollment growth funding. The purpose of the new formula is to direct a larger share of enrollment funding to certain districts, and considers local educational attainment, unemployment, and poverty rates, as well as current enrollment and recent enrollment trends; whereas, previous district allocations largely were based on year-to-year changes in the local high school graduation and adult population rates.

During the recession, the state required community colleges to prioritize core educational programs (including basic skills, transfer preparation, CTE, and English as a second language) over recreational and avocational courses. In 2014, the state codified these enrollment priorities and began requiring the Chancellor's Office to report annually on course sections and enrollment within and outside of these priority areas.

The 2015-16 budget provided a $125 million unallocated base increase for CCC in recognition of the increased operating costs in the areas of facilities, retirement benefits, professional development, converting part-time faculty to full-time, and other general expenses. Additionally, the 2016-17 budget provided $75 million ongoing Proposition 98 General Fund for the same purpose. Budget bill language did not specifically direct this increase to those issues, which provides colleges with wide discretion as to how they use the increase funds.

Governor's Proposals

The Governor's budget package includes a reduction of $56 million to account for unused 2015-16 enrollment funding. The budget carries the lower base forward into 2016-17, achieving a similar amount of savings in the current year relative to the 2016-17 budget act.

The Governor proposes $79 million for 1.34 percent CCC enrollment growth (an additional 15,500 FTE students) for 2017-18. The Governor's budget makes an adjustment for districts experiencing enrollment declines and restorations. Altogether, the Governor's budget funds a net increase of one percent (about 11,600 FTE students) compared to the revised 2016-17 level.

The Governor also proposes an increase of $94.1 million Proposition 98 General Fund for a 1.48 percent cost-of-living adjustment. He also proposes to provide an increase of $23.6 million Proposition 98 General Fund to support increase operating expenses in areas such as employee benefits, facilities, professional development, and other general expenses.

The Governor also proposes trailer bill language to repeal the Chancellor's Office authority to allocate excess local revenue. Under current law, if local property tax or student fee revenues exceed budget estimates, the chancellor may allocate the excess amounts to community college districts on an FTE basis for one-time purposes. The administration proposes to repeal this authority, noting that it is unnecessary and rarely applied.

Legislative Analyst's Office Comments

After adjustments for enrollment declines and restoration, the 2016-17 budget funded 2.1 percent net enrollment growth for CCC in 2015-16, and 1.6 percent in 2016-17. Net systemwide growth in 2015-16, turned out to be only 0.4 percent, and preliminary estimates suggest that net systemwide growth in 2016-17 is only 0.2 percent.

About 60 percent of districts are projecting some enrollment growth in 2016-17 compared with 2015-16 enrollment levels. Most of these districts, however, do not expect to reach their growth targets. Of 72 districts, only 14 expect to meet their targets in 2016-17. Current estimates are preliminary, but, historically, the districts' January estimates tend to be even higher than final enrollment numbers.

The LAO recommends the Legislature adopt the Governor's proposed apportionment increases. These apportionment increases can help community colleges cover higher pension costs, as well as meet other local priorities and cost pressures. If additional revenues are available in May, the Legislature may wish to provide an even larger base increase than the Governor proposes. The Legislature, however, likely will want to weigh any ongoing apportionment increases against one-time priorities, as dedicating some CCC funding to one-time priorities can help protect ongoing programs from cuts were the economy to experience a downturn in 2018.

The LAO also recommends approving the Administration's trailer bill language to repeal the Chancellor's Office authority to allocate excess local revenue. According to the Chancellor's Office, it has only exercised its existing statutory authority to use excess local revenues for one-time purposes once in the last 20 years. This is because the state regularly adjusts current-year and prior-year appropriations during the annual budget process. In years when the state initially has underestimated local CCC revenues, it subsequently raises its estimates based on more current data. When local revenues come in below budget expectations, the state provides a General Fund backfill, state fiscal condition permitting. Because the state typically makes these adjustments as part of its regular budget process, repealing the existing authority that allows CCC to redirect excess local revenues to its own local one-time priorities likely would have little to no practical effect. Nonetheless, it would align state law more closely with traditional state practice.

Staff Comments

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.

By the time of the May Revision, the CCC Chancellor's Office will have received some updated 2016–17 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 able to grow in the budget year. The subcommittee may wish to wait for updated data in May regarding the appropriate 2017-18 enrollment growth amount.

The Chancellor's Office notes that foregone COLA during the recession likely cost the community college system $900 million. Upcoming retirement costs, split between the CalSTRS and CalPERS system, will add $400 million annually to college costs. Thus, the Chancellor's Office argues that this proposal for an undesignated funding increase can help colleges handle retirement costs and other mandatory costs, such as utilities, health care, and information technology needs.

Staff acknowledges various local needs for increased funding, particularly for retirement and health care costs. Staff notes that the Governor's budget proposes a 1.48 percent COLA, however last year the budget did not include a COLA. The Governor's budget leaves unaddressed many legislative priorities, such as restoring several categoricals to pre-recession levels, such as campus child care support, part-time faculty compensation and health insurance, and increasing the number of full-time faculty.

Staff Recommendation. Hold open pending May Revision funding projections.

Issue 4: Capital Outlay and Deferred Maintenance

Panel

- Raghda Nassar, Department of Finance
- Maritza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

The state typically issues general obligation bonds to help pay for community college facility projects. A majority of voters must approve state general obligation bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of $4 billion for community college facilities. Virtually no funding remains from these facility bonds. After a ten-year gap, voters approved Proposition 51 in November 2016, which authorizes the state to sell $2 billion in general obligation bonds for community college projects (in addition to $7 billion for K-12 school facilities projects, which will be discussed at a later hearing). The funds may be used for any CCC facility project, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The Chancellor's Office ranks all submitted facility projects using the following five criteria adopted by the Board of Governors (in order of priority):

1. Life-safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
2. Projects to increase instructional capacity.
3. Projects to modernize instructional space.
4. Projects to complete campus build-outs.
5. Projects that house institutional support services.

In addition, projects with a local contribution receive greater consideration. Districts raise their local contributions mainly through local general obligation bonds. Based on these criteria, the chancellor submits capital outlay project proposals to the Legislature and Governor for approval and funding as part of the annual state budget process.

For the 2017-18 budget, the chancellor recommended 29 projects at 24 colleges, and would require $71 million in state funding for planning in the first year and $621 million for construction and equipment in the following years. In addition, districts have committed $438 million in local funding for these projects. Of the 29 priorities, the chancellor ranks three in the highest-priority category, 11 in the second highest-priority category, 11 in the third category, four in the fourth category, and none in the last category.

Governor's Proposal

The Governor's budget proposes funding for five of the 29 projects that were submitted by the Chancellor's Office. The Governor's budget includes $7.4 million in 2017-18, for initial planning costs, with total state costs for the five projects, including construction, estimated to at $182 million. The Governor proposes to fund all three highest-priority projects—those addressing seismic issues and failing utility infrastructure. The other two projects the Governor proposes are from the third priority category—projects to modernize instructional space. In selecting these projects, the administration bypassed 11 new building projects that would expand instructional capacity. According to the Department of Finance, this is because the two selected projects, in addition to modernizing instructional facilities, address significant life safety concerns in those facilities. The LAO chart below describes the five projects in the Governor's budget.

Governor's Proposed CCC Capital Outlay Projects
Reflects State Costs (In Thousands)

College	Project	2017-18 Cost	Total Cost
City College of San Francisco, Ocean Campus	**Utility Infrastructure Replacement.** The project will repair, modify, replace, and/or construct the following infrastructure systems: fire-fighting/fire suppression water systems, potable water, sanitary sewer, storm drainage, natural gas distribution, electrical distribution, data/emergency notification, video surveillance, lighting, boilers/central plant, steam distribution.	$2,978	$76,855
Pasadena City College	**Armen Sarafain Building Seismic Replacement.** The building currently houses both Health and Natural Sciences divisions. The college is in an active seismic zone, with four active faults less than ten miles from campus. The building deficiencies include a weak third floor due to inadequate buckling capacities of brace frame diagonals and inadequate connection capacities. In an event of a major seismic event, the entire third floor will fail, and then collapse on the floor causing a chain reaction that drops the entire building to the ground. Additionally, the building contains asbestos contamination, and is not code compliance with accessibility. The project would demolish and replace the building.	$2,199	$58,287
El Camino College, Compton Center	**Instructional Building 2 Replacement.** The project will replace seismically unsafe buildings with a new two-story instructional building. The mechanical, electrical and plumbing systems of the existing buildings are failing and the structural and life/safety systems do not conform to current standards. The new building will include lecture, lab, office, and library space and will support modern instruction and learning methodologies. The new building will replace portions of three buildings that currently house Biology, Social Sciences, Psychology, Speech Communication, English, Humanities, Spanish, and Vocational English as a Second Language	$765	$16,591
Fullerton College	**Business 300 and Humanities 500 Building Modernization.** The project will renovate the existing buildings, which function as a complex and house	$711	$15,270

	classrooms, labs and offices shared by Business, Computer Information Systems, Communications and Humanities programs The renovation will address the aged building systems, structural concerns, hazardous materials, ADA issues, modernize Instructional space, repurpose vacant space, replace mechanical, electrical, plumbing, telecommunications and structural systems, and remove hazardous materials.		
City College of San Francisco, Alemany Center	**Seismic and Code Upgrades.** The building was constructed in 1911 and does not meet current building code standards for seismic safety. The mechanical, heating and ventilation systems, plumbing, and electrical distribution systems are original to 1911 and failing. Renovation improvements and code upgrades for this building include: mechanical & plumbing, heating & ventilation system, energy efficiency upgrades, and electrical and low voltage communication systems. Repair/replacement of roof, portions of the exterior walls, windows, and exterior doors as required by code. Upgrades also include: strengthening the building parapet structure, seismic retrofit work to strengthen the building, and compliance with current building codes.	$715	$15,148
Totals		**$7,368**	**$182,151**

The City College of San Francisco projects do not include a local funding contribution, however, both address critical life safety issues, and thus were among the chancellor's top three priorities even without a local contribution. The other three proposed projects have substantial local funding contributions; Pasadena City College's project includes $2.3 million in district funds, El Camino Community College Compton Center's project includes $9 million in district funds, and Fullerton College's project includes $14.7 million in district funds.

The Governor also proposes a one-time increase of $43.7 million from Proposition 98 settle-up that community colleges can use for deferred maintenance, instructional equipment, and specified water conservation projects. The system currently reports more than a $5 billion maintenance backlog**.** Funds will be allocated to districts based on FTES.

Legislative Analyst's Office Comments.

The LAO notes that the Governor's proposal is too small relative to voter-approved bond funding. The total state cost of the five proposed projects amounts to nine percent of the CCC bond funding authorized in Proposition 51. If the state were to fund a similar amount each year, it would take more than 11 years to use the full $2 billion approved by the voters. Given a substantial backlog of facility projects at the community colleges, the LAO does not see justification for funding so few projects in the first year.

The LAO recommends the Legislature ask the Administration during spring budget hearings to clarify its plans for rolling out the $2 billion in Proposition 51 bond funding for CCC projects as expeditiously as possible. Based on the information provided by the Administration and the Chancellor's Office, the

LAO recommends the Legislature consider authorizing additional CCC projects in 2017-18. The Legislature's plan for the budget year could be part of a more extensive five-year expenditure plan. One option for such a plan would be to approve projects totaling about one-fifth ($400 million) of the available funding for each of the next five years. Having a multiyear plan for spending Proposition 51 bond monies would (1) help community colleges plan their capital outlay programs, (2) ensure that voter-authorized funds are put to use within a reasonable time, and (3) spread bond sales over several years, thereby allowing more time for the Legislature to review proposed projects.

Staff Comments.

In evaluating capital outlay projects, the Administration provided direction to all departments to focus on the most critical life-safety projects. Based on the Administration's directives, the Chancellor's Office recently surveyed colleges, and notes that 11 projects additional projects have been identified with life-safety components. The Administration notes that they are still reviewing these projects, and will have continued conversations with colleges regarding state and local priorities as well as capacity of campuses to handle such projects. Given these ongoing conversations, staff recommends holding this item open.

Staff Recommendation. Hold Open.

Issue 5: Online Education Initiative

Panel

- Maritza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

The Online Education Initiative includes several projects: a common course management system for colleges, resources to help faculty design high-quality courses, online learner readiness modules, tutoring and counseling platforms, exam-proctoring solutions, and the CCC Online Course Exchange. (The course exchange, which is being piloted in spring 2017, is a system enabling students at any community college to see what degree-applicable online courses are offered at other colleges, enroll in those courses, and have their attendance and associated funding attributed to the appropriate colleges.) The state initially funded the Online Education Initiative with $17 million in 2013-14 and has provided a base amount of $10 million annually thereafter to increase CCC students' access to and success in online courses. In addition, the 2016-17 budget includes $20 million one-time to accelerate progress on the initiative.

All colleges use a course management system for both online and in-person classes. Faculty use the system to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. Students use the system to submit assignments, collaborate with classmates, and communicate with instructors. Historically, each college or district has selected its own course management system from among several vendors. To facilitate online course sharing statewide the CCC selected the Canvas course management system in February 2015. The Chancellor's Office is requiring colleges that want to participate in the Online Course Exchange to use Canvas as their course management system and not maintain their former course management systems. The OEI currently spends about $5 million for Canvas, and covers about 80 colleges that have implemented the management system.

Governor's Budget Proposal

The Governor proposes to provide a $10 million ongoing augmentation to the initiative, bringing the total ongoing annual funding to $20 million. Specifically, the proposal would provide $8 million for continued support of Canvas at all 113 colleges, and $2 million for online test proctoring and plagiarism detection tools, and online tutoring and counseling platforms.

CCC expected interested colleges to adopt the new system over three or four years, however 103 of 113 colleges already have implemented the new system or committed to doing so within the past two years. The initiative also committed to cover all Canvas subscription and implementation costs through 2018-19 (using the state appropriation), and a substantial portion of these costs thereafter. The proposed augmentation instead would permit the initiative to cover full ongoing subscription costs for all colleges indefinitely. In addition, the new funds would support annual subscriptions to an online tutoring platform, additional software that permits students and their academic counselors to meet virtually (over the Internet), and various accessibility, plagiarism detection, and student authentication features.

Legislative Analyst's Office Comments

The common course management system is providing a consistent interface for students enrolled at multiple colleges (about 20 percent of all CCC students). In addition, the system is expanding access for all students to academic support resources (such as the online tutoring and counseling services) through their course web pages. The system also is providing more consistency for faculty who teach at multiple colleges and making the sharing of course materials and best practices easier.

In addition to better serving students and faculty, a common course management system has lower subscription and administrative costs compared to maintaining dozens of college-specific course systems. Moreover, at most colleges, the initiative's shouldering of all Canvas costs to date has freed up funds colleges otherwise would have used toward their own course management systems. Currently, no requirement exists that campuses use freed-up funds for statewide purposes or benefits. As a result, colleges that have implemented Canvas have been able to redirect these funds toward any local priority. The Governor's proposal, by providing ongoing funding for all Canvas costs, would extend indefinitely colleges' ability to use freed-up funds for local purposes.

Instead of redirecting freed-up course management system funds to other local purposes, colleges could contribute a portion of those funds toward ongoing Canvas subscription and maintenance costs. Given lower costs for the new system and the existing state earmark that will cover a substantial portion of these costs (currently estimated at 40 percent once all colleges are at full implementation), most colleges would be able to pay the remaining costs and still have savings to redirect to other local priorities.

Initiative leadership has indicated it wishes to minimize the extent to which it reneges on its commitment to fund 100 percent of Canvas costs through 2017-18, in an effort to avoid diluting the enthusiasm it has generated for CCC technology projects. To mitigate canvas cost increases for colleges, therefore, the initiative would reduce some services if it does not receive the Governor's proposed increase. For example, it likely would reduce the technical support hours it currently funds, requiring colleges needing evening and weekend support to contract for this service separately.

Because most colleges otherwise would be paying for their own course management systems and the new central system is both less expensive and already state subsidized, the LAO recommends the Legislature reject the Governor's proposal to augment the Online Education Initiative. While rejecting the augmentation might result in some colleges changing their budget plans (since they no longer would receive the full subsidy they are anticipating), most colleges still will realize savings from implementing Canvas. The initiative, as currently funded, is achieving its purpose: it successfully began rolling out a common course management system and a suite of related products, with nearly all campuses signing up to implement these statewide resources. The Legislature could redirect the $10 million to other ongoing CCC Proposition 98 costs, such as general apportionments.

Staff Recommendation. Hold open pending May Revision funding projections.

Issue 6: Integrated Library System

Panel

- Maritza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

An integrated library system is software that libraries use to manage their collections and activities. Typical functions include acquisition and cataloging of books and other materials, providing ways for library users to search catalogs and access materials, and tracking the circulation of these materials. All CCC academic libraries have some form of ILS. The CCC Council of Chief Librarians conducted surveys of community college library directors in 2014, and early 2017, to assess the adequacy of their existing ILS and interest in a systemwide ILS. The council found that a large majority of colleges' existing systems were older, locally hosted ones serving a single college. In contrast, the current leading technology is cloud-based, hosted by a vendor, and often serving multiple campuses or institutions. The council also found that more than three-fourths of respondents were interested in pursuing a systemwide ILS.

In addition to using a different architecture, newer ILS have a number of features typically not available in the older systems. These include, for example, comprehensive discovery tools that search across all types of resources—including physical books and periodicals in a library's collection, electronic books and journals, digital archives, and holdings in other participating libraries.

Governor's Budget Proposal

The Administration proposes to provide the CCC Technology Center $6 million one-time Proposition 98 General Fund to support the development of a systemwide ILS. The Technology Center also would assist colleges with local implementation, which generally involves "migrating" existing catalogs and databases to the new system, integrating it with their student information systems (for student authentication) and learning management systems (for seamless access through course websites), and training library personnel and others to use its features.

The chief librarians propose to use $775,000 of the $6 million for a statewide subscription to a service that help students research more than 150 contemporary, controversial issues. This service provides curated resources—15,000 primary and secondary materials selected and validated by educators—that students can compare and analyze for course assignments. Below is an LAO chart that provides a breakdown of costs for the proposal.

Current and Projected Ongoing Costs for CCC Integrated Library System[a]

	Current Costs	Projected Costs		Savings
	(All Local)	Local	Central	Combined
ILS service cost	$4,633,000	—	$2,225,000	-$2,408,000
Hardware/server costs	90,400	—	—	-90,400
Staff costs	4,181,000	$1,921,000	250,000	-2,010,000
Totals	**$8,904,400**	**$1,921,000**	**$2,475,000[b]**	**-$4,508,400**

[a]Estimates from the CCC Council of Chief Librarians.
[b]The Board of Governors has requested the state support this cost beginning in 2019-20.
ILS = Integrated Library System.

Legislative Analyst's Office

The LAO notes an ILS would facilitate sharing of library materials across colleges, and would especially benefit students and faculty at colleges with more limited collections. Moreover, students who attend—and faculty who teach at—multiple community colleges would benefit from having a single user account and a single interface for all their library needs. Additionally, colleges could coordinate their library acquisitions to reduce duplication and expand the depth of their acquisitions in particular subject areas.

As part of its 2014 survey, the Council of Chief Librarians collected information about colleges' existing ILS spending. It then compared existing spending with the projected ongoing cost of a new systemwide ILS. As figure above shows, the council estimates that a systemwide ILS (including the critical thinking tool) would result in about $4.5 million in ongoing savings to CCC overall. In addition to lower ongoing costs for annual licenses to the ILS, the council believes colleges could achieve substantial staff savings, having to devote fewer library and technology staff to maintaining the new system. Much of the "back office" work of adding statewide library acquisitions and installing software updates could be done centrally and more efficiently. Colleges still would need some "front office" staffing to add local acquisitions, keep the system integrated with the campus website and other technologies, and ensure uninterrupted access for users.

Colleges would need to coordinate to pursue a systemwide ILS, and find a way to commit and pool their funds to pay for the new system. Each college also would have to identify one-time funds from reserves or other sources to pay for initial development costs, costs they would incur while simultaneously maintaining their existing ILS systems throughout the conversion process. CCC librarians indicate that these administrative obstacles have prevented the systemwide ILS from moving forward for several years.

Given the cost-effectiveness of a systemwide ILS and the likelihood of it resulting in better and more consistent services for students and faculty across the system, the LAO believes implementing it would be an effective use of one-time funds. Additionally, the LAO notes that in 2013, the CSU Council of Library Deans, with financial support from the CSU Chancellor's Office, began the process of developing a systemwide ILS. The university conducted an extensive vetting process to select a vendor and now is in the process of implementing its new system. The CCC effort, if it proceeds, could benefit from the experience gained by the CSU council. The primary benefit of leveraging CSU's recent adoption in this way is the considerable time it would save in the procurement process.

Staff Recommendation. Hold open pending May Revision funding projections.

Issue 7: Awards for Innovation

Panel

- Martiza Urquiza, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

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 winning institutions will report on the effectiveness of their strategies by January 1, 2018, and January 1, 2020.

In 2015-16, 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.

The 2016-17 budget in $25 million Proposition 98 General Fund for another round of innovation awards. This program differs from the 2014-15 program in four ways: (1) only CCC districts can apply for awards, which are supported by Proposition 98 General Fund; (2) awards are based on proposed activities instead of initiatives applicants already have implemented; (3) awards 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 has more discretion in selecting his appointees to the awards committee. (Members no longer have to represent any of the higher education segments or the State Board of Education.) Applications for these awards were due February 3, 2017. The 2016-17 awards focused on reducing the time it takes students to complete degrees and credentials or reduce the total cost of attendance for students, or both. Applicants must utilize any of the following:

- Redesign of curriculum and instruction, such as implementation of three-year degrees.
- Programs that allow students to make progress toward completion of degrees and credentials based on demonstration of knowledge and competencies, including military training, prior learning, and prior experiences.
- Programs that make financial aid more accessible, including by increasing the number of students who apply for financial aid, or that reduce the costs of books and supplies.

Additionally, the trailer bill notes that the selection committee shall give preference to innovations that do at least one of the following:

- Improve the outcomes described in subdivision for students from groups that are underrepresented in higher education, such as low-income students, underrepresented minority students, first-generation students, students who are current or former foster youth, students with disabilities, and students who are veterans.
- Use technology in ways that are not common in higher education to improve the outcomes.

Governor's Proposal. The Governor's budget includes $20 million one-time Proposition 98 General Fund for innovation awards to community colleges. Whereas the Administration has been closely involved in implementing innovation awards in previous years, the proposal this year provides the Chancellor's Office substantial latitude to set award criteria and select winners, with no requirement to use the existing awards committee. Trailer bill language specifies that awards will be for innovations that improve student success, and that are sustainable and capable being scaled across the state. Trailer bill also notes that the innovations should be focused on programs that support underrepresented students, veterans, adults displaced from the workforce, or are underemployed, programs for incarcerated and formerly incarcerated, and programs that incorporate technology. The Chancellor's Office has indicated it would prioritize applicants that focus on addressing statewide needs like improving adult learning and better serving veterans. The Chancellor's Office also indicates that, as in previous rounds, awards would be competitive and undergo a rigorous selection process.

Legislative Analyst's Office Comments. One of the LAOs most significant concerns is that the awards might provide relatively large sums to a small number of community colleges to implement local initiatives that would not necessarily have statewide impact. This is because the proposal does not provide for dissemination of innovations to other colleges across the state nor does it do anything to promote buy-in among colleges to implement the innovations.

The LAO is also concerned that the proposal would add yet another program to the state's numerous existing efforts to improve CCC student outcomes, and further fragments efforts to improve student outcomes. The current plethora of programs, detailed earlier in the discussion of guided pathways, already are challenging for colleges and the state to coordinate. Moreover, compared to the innovation awards, these existing programs are designed to have much broader statewide impact, with funds going to all colleges to implement already well-documented student success strategies. Rather than funding another round of generous awards to a small number of colleges, the LAO believes the state should focus on ensuring that existing CCC student success programs are implemented effectively. For these reasons, the LAO recommends the Legislature reject this proposal. The Legislature could instead target the funding to other priorities, like deferred maintenance, that are one-time in nature.

Staff Comments. In addition to the concerns raised by the LAO, staff notes that the Legislature will not receive a report on the effectiveness of the 2014-15 awards until January 1, 2018, and questions whether the state should fund additional rounds of innovation awards if it does not have outcomes from previous awards. Moreover, the new proposal is not clear on expected outcomes or goals. For instance, previous awards focused on reducing time-to-degree, or to reduce the total cost of attendance, however, the Governor's proposal notes broad program areas that may be funded. The Chancellor's Office notes that it would prioritize improving adult learning and better serving veterans, however trailer bill language has broad categories. Additionally, the Chancellor's Office indicates applications would undergo a rigorous selection process, however, it is unclear what the process is, and trailer bill language does not specify what the structure would be. Additionally, the Chancellor's Office notes new and existing innovations that colleges are already implementing will be eligible for funding. The subcommittee may wish to consider whether the state should fund programs and practices that colleges are already doing independently, or if this is something that could be locally funded or through private funding. Lastly, in recent years, colleges have expressed concerns about grant fatigue, and the subcommittee may wish to consider whether there is demand from colleges for these grants, or if there are other one-time priorities that colleges that these funds may be utilized for.

Staff Recommendation. Hold open pending May Revision funding projections.

Issue 8: Career Technical Education and Workforce Development

Panel

- Mollie Quasebarth, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

Career Technical Education (CTE) Pathways Program. SB 70 (Scott), Chapter 352, Statues of 2005, created the CTE Pathways Program. The bill required the Chancellor's Office and CDE work together to create seamless pathways for students from middle school through the community college system and beyond. Projects and work were developed based on six themes including 1) career pathways and articulation for CTE Students 2) career planning and development 3) programs for underserved students 4) business and industry engagement in CTE 5) CTE teacher recruitment and professional development and 6) capacity building, research, and evaluation. The program was later reauthorized through SB 1070 (Steinberg), Chapter 433, Statutes of 2012. The specifics of the K-12 portion of the program were discussed at the subcommittee's March 9th hearing. Below are examples of programs that CTE Pathways Program provided funding for:

- **The California Community College CCC Maker initiative**: This initiative seeks to drive innovation in education and prepare students for success in STEM/STEAM careers that demand 21st Century skills. 35 participating colleges will build makerspace communities, faculty will embed making into curriculum and employers will provide internships, all supporting students to explore, create and connect with opportunities.

- **Network of K-14 Pathway Technical Assistance Providers:** These grants support a network of K-14 Pathway Technical Assistance Providers across the regions. Their current scope is to 1) help colleges and their high school partners understand the dual enrollment toolkit element of guided pathways; 2) support data collection on dual enrollment thru the CATEMA system, which feeds our LaunchBoard; 3) increase early career exploration thru student participation in Get Focused Stay Focused, a best practice, and 4) support professional development for K-14 counselors to provide early career exploration thru Pathways to Paycheck, a best practice. About 80,000 high school students have completed Get Focused Stay Focused and 16,600 dual enrollment courses (13,920 students) have been logged.

- **Early Career Exploration:** The Get Focused/Stay Focused curriculum has been effectively tested in high schools by several community colleges in all 7 regions in the state for use with over 80,000 secondary level students. Career Choices and Changes, and My10yearPlan help students facilitate a planning process that: 1) Matches pathway selection to future student goals; 2) Development of a skills-based education plan; 3) Leads to a 10-year Plan focused on successful completion and workforce entry. This is a 3 unit curriculum that will ensure students become college completers and help reduce attrition and increase completers.

Economic and Workforce Development Program. In 1991, the Economic and Workforce Development (EWD) Program was established to advance California's economic growth and global competitiveness, and in 2012, California law reauthorized EWD until January 1, 2018. EWD provides grant funding to help community colleges become more responsive to the needs of employers, employees and students. Grantees funded by EWD assist community colleges in collaborating with other public institutions in an effort to align resources, foster cooperation across workforce education and service delivery systems, and build well-articulated career pathways.

EWD grantees are education and/or industry specialists who use their subject matter expertise to provide an expanded breadth of services. These services include: developing industry-aligned curriculum; providing training and work-based learning opportunities; conducting labor market research; and connecting colleges with business, industry and other education providers. Additionally, EWD is one of the main programs that support the Chancellor's Office Doing What Matters for Jobs and the Economy (DWM) framework, which provides structure for a system of service to community colleges, employers, workers and students aimed at supporting the growth of California's regional economies. EWD provides grants for sector navigators, deputy sector navigators, technical assistance providers and industry-driven regional collaboratives for the DWM framework.

Sector navigators are first contacts for employers and the community college system in a given priority sector. Sector navigators develop an advisory structure for their sector and work across regions (or statewide) to coordinate work plans and communications between deputy sector navigators. Sector navigators partner with regional consortia and technical assistance providers to align community college and other workforce development resources with the needs of industry. They track industry trends with workforce development implications and assist the colleges in connecting to industry associations and major employers. Sector navigators facilitate the spread of information by identifying and disseminating curriculum models and effective practices and alerting and mobilizing regional consortia to pursue contract and grant opportunities.

The March 2016, the EWD Program Annual Report notes that in 2014-15, EWD funded 93 grants over five major initiatives, totaling $22.9 million. The largest allotment of funds ($13.4 million) was awarded to deputy sector navigators via 66 grants. The remainders of funds were distributed to 10 sector navigators ($3.8 million), seven grants for industry-driven regional collaboratives ($3.2 million), grants for seven Centers of Excellence ($1.1 million), and $1.3 million to capacity building, training, and technical assistance providers supporting grantees' work. Additionally, the report notes that EWD delivered training for 24,639 people and provided 2,456 students with work-based learning opportunities via internships and apprenticeships. In total, 1,105 EWD-supported students obtained employment and 9,850 employees retained their jobs. The program also served 11,364 businesses. Subsequently, these businesses hired 1,628 people and created 74 new products or services.

Current law requires the Chancellor's Office to annually submit a report by March 1 regarding the expenditures for EWD and data summarizing outcome accountability performance measures. As of March 20, 2017, the annual report for 2016-17 has not been submitted to Legislature.

Strong Workforce Program. The 2016-17 budget provided $200 million ongoing Proposition 98 General Fund for the Strong Workforce Program to improve the availability and quality of CTE and workforce programs leading to certificates, degrees, and other credentials. The ongoing funding is consistent with recommendations of the Task Force on Workforce, Job Creation, and a Strong Economy, a group established by the Board of Governors (BOG) in late 2014.

AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016 requires community colleges to coordinate their CTE activities within seven existing regional consortia. Each consortium, consisting of all community colleges in the region, is to ensure that its offerings are responsive to the needs of employers, workers, civic leaders, and students. To this end, each consortium must collaborate with local workforce development boards, economic development and industry sector leaders, and representatives from civic and labor organizations within its region. Each consortium also must collaborate with LEAs, adult education consortia, and interested California State University and University of California campuses to improve program alignment.

Consortia must meet at least annually to develop or update four–year program plans based on analyses of regional labor market needs. Each plan must include: regional goals aligned with performance measures under the federal Workforce Innovation and Opportunity Act (WIOA); a work plan, spending plan, and budget for regionally prioritized projects identifying the amounts allocated for one–time and ongoing expenditure; and a description of the alignment of the plan with other CTE and workforce plans in the area, including the regional WIOA plan. The Chancellor's Office will review the plans and provide technical assistance to consortia not meeting their goals. The Chancellor's Office is to post regional plans on the CCC website and, beginning January 1, 2018, annually submit a report to the Governor and the Legislature on performance outcomes, disaggregated for underserved demographic groups.

The budget directs the chancellor to provide 40 percent of program funds to the seven CTE regional consortia and 60 percent directly to community college districts. Both pots of funding are for supporting regionally prioritized initiatives aligned with their CTE program plans. The legislation prohibits districts from using the new funds to supplant existing support for CTE programs. The legislation permits the chancellor to allocate up to five percent of the funds to a community college district for statewide activities to improve and administer the program.

For 2016–17, each region's and district's funding allocation will reflect its share of (1) the state's unemployed adults, (2) FTE students enrolled in CTE courses, and (3) projected job openings. Each of these factors will determine one–third of that year's allocation. Beginning in 2017–18, unemployment and CTE enrollment each will comprise 33 percent of the allocation, job openings will comprise 17 percent, and successful workforce outcomes (as evidenced by the WIOA performance measures) will comprise 17 percent. The Chancellor's Office will provide its recommended funding allocation to DOF and the Legislative Analyst's Office by August 30 of each year. Release of funds is subject to DOF's approval. In the fall of 2016, the Chancellor's Office established the 17 percent committee to make recommendations to the structure of 17 percent of workforce outcomes and incentive based funding. This work will culminate in a set of recommendations by May 2017.

AB 1602 also requires the Chancellor's Office to submit a plan by July 1, 2017, to (1) reduce the time required to gain local and state approval for a new course or program to no more than one academic year and (2) ensure portability of approved courses and programs across colleges and districts. In addition, the legislation directs the Chancellor's Office to eliminate barriers to hiring qualified instructors for CTE courses, including reevaluating the required minimum qualifications for CTE instructors. The legislation directs the Chancellor's Office to consult with various stakeholders, including the CCC Academic Senate and the California Workforce Development Board, in developing these policies. Legislation also directs the Academic Senate to establish a CTE committee, with at least 70 percent of members consisting of CTE faculty, to provide recommendations on CTE issues. The subcommittee may wish to ask the Chancellor's Office to provide an update regarding the status of the July 1, 2017 report regarding the course and program approval process, and CTE faculty minimum qualifications.

Governor's Budget Proposal.

As discussed in the subcommittee's March 9th hearing, the Governor proposes to fold funding for CDE's portion of the SB 1070 funds ($15.4 million out of $48 million) into the community colleges strong workforce program. Under this program, the efforts previously funded through CDE are no longer required to be funded, however the community colleges must consult with education and community partners, including K-12 education, when planning how to expend funds.

The Administration also proposes trailer bill to extend the sunset date for the Economic and Workforce Development Program from January 1, 2018, to January 1, 2023. Additionally, the budget proposes to continue funding for the program at $23 million Proposition 98 General Fund.

Staff Recommendation. Hold Open.

Issue 9: Apprenticeship Programs

Panel

- Mollie Quasebarth, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

Apprenticeship programs help prepare individuals for careers in skilled crafts and trades by providing classroom or online instruction and on the job training. Classroom and online instruction give apprentices an understanding of the theoretical aspects of their crafts or trades, while on the job training lets them put into practice what they learn under the supervision of an experienced journeyman. Apprenticeship programs cover a wide range of crafts and trades, but most apprentices participate in programs related to the construction industry. Individual employers, joint employer and labor groups, and employer associations sponsor apprenticeship programs. The Department of Industrial Relations apprenticeship division has primary responsibility for overseeing apprenticeship programs, and state law requires division to foster, promote, and develop the welfare of the apprentices and the industry. The apprenticeship division distributes grants to apprenticeship programs to train apprentices.

The Chancellor's Office and local education agencies (LEAs) also allocate state funding for the classroom portion of apprenticeship training. The State's budget includes appropriations for minimum annual funding levels set by Proposition 98 for K–12 schools and community colleges. Included in Proposition 98 funds are apportionments for apprenticeship instruction funds, which are used to reimburse apprenticeship programs for providing what is known as *related and supplemental instruction* to apprentices. Before fiscal year 2013–14, the California Department of Education (CDE) was responsible for allocating apprenticeship instruction funding to apprenticeship programs that were administered by K–12 LEAs, while the Chancellor's Office was responsible for allocating this funding to programs administered by community college LEAs. However, state law shifted the responsibility of allocating apprenticeship instruction funding for all LEAs to the Chancellor's Office, beginning in fiscal year 2013–14. The Chancellor's Office allocates this funding directly to LEAs that have contracts with apprenticeship programs that have been approved by the apprenticeship division. The Chancellor's Office reimburses LEAs based on the number of hours of teaching time reported; these hours should not include time that apprentices spend on homework assignments. The Chancellor's Office and the Department of Education provided $78.5 million to more than 260 other apprenticeship programs throughout the state during the same period.

In November 2016, the California State Auditor released a report, *Trade Apprenticeship Programs,* which found that the state needs to better oversee apprenticeship programs, such as the Air Conditioning Trade Association (ACTA). Specifically, the report noted that ACTA claimed homework assignment hours for reimbursement from Central Unified School District, however such claims are not allowed for reimbursement under state law. The Chancellor's Office was unaware that ACTA had claimed these hours, and notes that it does not provide guidance to K-12 LEAs to verify attendance hours. The State Auditor noted, that as a result, between 2010-11 through 2014-15, nearly $51,000 of the $142,000 reimbursements to Central Unified was unallowable because those funds were used for homework assignments. The Chancellor's Office does have regulations and accounting procedures for community college attendance records, however they argued that they did not have statutory authority to implement similar requirements on K-12 LEAs or to audit their attendance records. As a result, the State Auditor's report recommended that in order to ensure accountability, the Legislature should amend state law to clarify that the Chancellor's Office has the authority to provide accounting guidance to and conduct audits of K-12 LEAs' oversight of apprenticeship funding training.

Governor's Budget Proposal

The Administration proposes trailer bill language to provide the Chancellor's Office the ability to audit and verify hours for related and supplemental instruction reported to each community college district by a participating apprenticeship program sponsor. Additionally, trailer bill language provides the Chancellor's Office the authority to provide guidance regarding procedures for verifying if the hours for related and supplemental instruction. This trailer bill seeks to address the State Auditor's recent recommendations.

Staff Recommendation. Hold Open

Issue 10: State Operations

Panel

- Mollie Quasebarth, Department of Finance
- Judy Heiman, Legislative Analyst's Office
- Mario Rodriguez, California Community College Chancellor's Office

Background

The 17-member CCC Board of Governors, appointed by the Governor, sets policy and provides guidance for the 72 districts and 113 colleges that constitute the CCC system. The board selects a chancellor for the system, and under state law, it may delegate its duties and powers to the chancellor. In practice, the board relies on the Chancellor's Office to conduct a formal consultation process with CCC stakeholder groups and bring recommendations to the board for action. The Chancellor's Office also carries out oversight required by statutes and regulations, manages the day-to-day operations of the system, and manages implementation of statewide programs. In addition, the Chancellor's Office provides technical assistance to districts and colleges and conducts regional and statewide professional development activities—a role that has expanded in recent years with state funding for the Institutional Effectiveness Partnership Initiative.

The Chancellor's Office has an executive office led by the chancellor, executive vice chancellor, and deputy chancellor, as well as ten divisions. The executive vice chancellor position currently is not used. Other than Legal Affairs and Human Resources, which are led by a general counsel and a director, respectively, each of the remaining divisions is headed by a vice chancellor. Altogether, the Chancellor's Office has 166 authorized positions, of which between 85 percent and 90 percent typically are filled.

Senior Leadership Positions

	Position	Exempt	Status
Executive Office	Chancellor	Yes	Filled
	Executive Vice Chancellor	Yes	Vacant since 2014
	Deputy Chancellor	Yes	Filled
Divisions			
Academic Affairs	Vice Chancellor	Yes	Filled
Workforce and Economic Development	Vice Chancellor	Yes	Filled
Institutional Effectiveness	Vice Chancellor	Yes	Filled
College Finance and Facilities Planning	Vice Chancellor	Yes	Filled
Governmental Relations	Vice Chancellor	Yes	Filled
Communications and Marketing	Vice Chancellor	No	Filled
Technology, Research, and Information Systems	Vice Chancellor	No	Filled
Human Resources and Internal	Director	No	Filled

Operations			
Legal Affairs	General Counsel	No	Vacant
Student Services and Special Programs	Vice Chancellor	No	Vacant since 2014

The Governor, with the recommendation of the Board of Governors, appoints an executive vice chancellor, deputy chancellor, and four of the eight vice chancellors. The deputy chancellor appoints one additional vice chancellor. These appointees are exempt from state civil service. The three other vice chancellor positions are within the state civil service, in the career executive assignment (CEA) classification.

Governor's Proposal

The Governor's budget includes funding for two additional exempt vice chancellor positions and $378,000. The Governor proposes to make conforming changes to statute to authorize the two additional Governor's appointments. The Administration indicates that the additional positions are to assist the Chancellor's Office's efforts to improve student success, address disparities in outcomes for disadvantaged groups, and develop the proposed guided pathways program.

In the Governor's Budget Summary, the Governor notes that the Department of Finance will collaborate with the Chancellor's Office throughout spring 2017 to revise the office's organizational framework. According to the Administration and the Chancellor's Office, a goal of the review is to enable the new chancellor to shift the emphasis of the office from primarily conducting regulatory oversight toward primarily helping colleges meet statewide goals.

Legislative Analyst's Office Comments

The Chancellor's Office representatives note that the current structure does not provide sufficient capacity to drive the system toward improvement. Such work is more difficult in a decentralized system like the community colleges than within a more centralized or hierarchical organization. They believe the organization is tasked with myriad mandates and expectations without adequate staffing and expertise to meet those requirements. They also believe few resources are available for work unrelated to compliance, including the more supportive work of improving systemwide outcomes. Moreover, the office has had a difficult time attracting and maintaining senior leadership, in part due to compensation levels that are significantly below those typically available at districts and colleges. As one example, the vice chancellor for student services position has not had a permanent occupant since late 2014.

As one of his early actions, the new chancellor conducted a survey of CCC faculty, staff, and other stakeholders to gauge their perceptions of the office's role. In the survey, the Chancellor asked about the office's level of regulatory oversight. A large majority (79 percent) of respondents generally agreed that the current level of oversight is reasonable, given the office's responsibility to report to the Legislature, Governor, and taxpayers. Among other notable findings, three-quarters of respondents generally agreed that the policy changes implemented by the Chancellor's Office over the last five years (such as new student success regulations) are having a positive impact on student outcomes, and 81 percent agreed that improving staffing and resources at the Chancellor's Office could lead to better support for colleges.

According to the LAO, the addition of more vice chancellors would not necessarily best address the shortcomings identified by the Chancellor's Office and the Administration. It could turn out that the office needs greater capacity among research analysts, program specialists, or deans. Moreover, the proposed new positions would not necessarily address the office's difficulty in attracting and retaining senior leaders. Additionally, given the field's general agreement on the importance of existing oversight provided by the Chancellor's Office, as well as the state's reliance on this oversight to ensure the effective use of state funds, a notable shift away from this oversight role—as proposed by the Governor—may not be warranted.

Given the Administration and the chancellor are in the midst of reviewing the organizational framework of the Chancellor's Office, it would be premature to add more vice chancellor positions at this time. The LAO believes the Governor's staffing and organizational proposal is in effect a placeholder, pending conclusions from the review.

Staff Comments. Staff concurs with the LAO as it is unclear what the justification is and where these additional positions may be placed. DOF indicated that they are still conducting the review, but the positions will likely be placed in the Division of Technology, Research and Information Systems, and the Division of Workforce and Economic Development. The subcommittee may wish to consider if additional positions are warranted, and whether these are the appropriate divisions. The subcommittee may wish to ask the administration and the Chancellor's Office to report on the status and results of their review, and provide justification for any proposal to add positions or funding to the office. The Chancellor's Office also could identify lower-value oversight activities that could be curtailed without adverse effect, thereby freeing up existing staff for higher priority work, including better supporting system wide improvement.

Staff Recommendation. Hold Open.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 30, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

Public Comment

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6100 Department of Education

Item 1: Uniform Complaint Procedures Audit (Information Only)

Description:

In January 2017, the California State Auditor (auditor) presented an audit report on the Uniform Complaint Procedures, as requested by the Joint Legislative Audit Committee. For the purposes of this hearing the auditor will focus primarily on the role of the California Department of Education (CDE) in this process.

Panel:

- Ryan Anderson, Legislative Analyst's Office
- Tammy Lozano, California State Auditor's Office
- Kris Patel, California State Auditor's Office
- Debra Brown, California Department of Education
- Ed Hanson, Department of Finance

Background:

The Uniform Complaint Procedures (UCP) was established in 1991 to provide a standard process for investigating complaints that schools or school districts have violated federal or state laws and regulations. Generally, local educational agencies (LEAs) are required to investigate UCP complaints; however, complainants may appeal a decision to the CDE. The areas covered under the UCP have changed over time and are handled by a variety of different offices within the CDE.

CDE Programs Covered Under the UCP as of June 30, 2016

CDE Office or Division that Processes UCP	Education Program or Subject Area	First Covered Under the UCP
Career and Transition Division	Agricultural Vocational Education	1991
Career Tech Ed Leadership and Instructional Support Office	Adult Education and Regional Occupation Centers and Programs	1991
Categorical Program Complaints Management Office	No Child Left Behind Act (2001) Programs (Titles I-VII)	2005
	Pupil Instruction: Course Periods Without Educational Content or Previously Completed Courses	2016
	Unlawful Pupil Fees	2013
Coordinated School Health and Safety Office	Education Rights of Foster and Homeless Students	2016
	Tobacco-Use Prevention Education	2002
Coordinated Student Support Division	American Indian Education Centers and Early Childhood Education Program Assessments	2007
Early Education and Support Division	Child Care and Development	1991
Educational Equity UCP Appeals Office	Discrimination; harassment; intimidation; bullying; student lactation accommodations; and lesbian, gay, bisexual, transgender, and questioning resources	1991 (Lactation 2016)
Expanded Learning Division	After School Education and Safety	1998
Local Agency Systems Support Office and School Fiscal Services Division	Local Control Funding Formula (LCFF)	2013
	Local Control and Accountability Plans (LCAP)	2013
Nutrition Services Division	Child Nutrition	1991
School Facilities and Transportation Division	School Facilities (Williams Complaints)	2004
Science, Technology, Engineering, and Mathematics Office	Physical Education: Instructional Minutes	2015
Special Education Division	Special Education	1991

Source: California State Auditor

LEAs are required to follow all state and federal laws, and generally UCP complaints are required through regulation to be first filed with the LEA. LEAs are required to adopt policies and procedures to process UCP complaints and ensure staff take appropriate actions. For most complaints, LEAs have 60 days to complete an investigation and issue a decision; however some complaints have shorter time frames.

A complainant has the option of appealing to the CDE within 15 days of receiving a decision, identifying for the CDE whether they are alleging the facts were incorrect or the law was misapplied. When the CDE receives an appeal, it requests the related files from the LEA. The CDE reviews whether the LEA followed UCP procedures, the evidence supports the fact finding for the decision, and the LEA applied the law correctly. If the CDE determines an appeal has merit, it may issue a decision, require the LEA to investigate further, or conduct its own investigation. The CDE may also deny appeals, return the decision to the LEA for the correction of deficiencies, and forward any new issue back to the LEA for investigation. Each of these actions, requires the CDE and the LEA to respond according to regulations and may have its own set of requirements and timelines. In addition, both LEAs and complainants may request reconsideration of the CDE's decision.

To further add to the complexity, both state and federal law govern the UCP process and generally one or the other specifies the timelines for the CDE in responding to appeals (often the requirement is 60 days), although in some subject areas there are no timelines. Finally, there are some areas and circumstances in which the CDE must directly intervene or investigate the complaint itself, rather than serving as the appeal body. These direct intervention areas include subjects such as special education and nutrition services, and when a complainant requests anonymity because they fear retaliation or other harm if they file a UCP complaint with the LEA.

The CDE is also required to monitor LEAs to ensure compliance with the UCP as part of their federal compliance monitoring. As part of this monitoring, the CDE samples LEAs from different areas of the state for on-site or desk reviews, rotating the sample and the type of review each year.

Auditor's Findings. The auditor's report found that the UCP process within CDE is in itself complex; fourteen different divisions or offices within the CDE handle UCP issues. The CDE does not have department-wide policies and procedures in place; when the wrong division receives a complaint, this can impede the identification and passage of the complaint to an appropriate division in a timely manner. The CDE does not track UCP appeals and complaints centrally, instead each division or office receives UCP workload and follows its own process. While in some cases this may be appropriate, in others it has led to delay of claims being resolved or being resolved inconsistently. This process can also be difficult for LEAs and claimants who may be dealing with different rules and different offices or divisions when trying to utilize the UCP process.

The auditor recommends that the Legislature codify UCP regulations and prescribe consistent timelines for filing, investigation, and reviewing of UCP complaints and appeals.

The auditor specifically recommends that the CDE should designate a central office to receive complaints and appeals with the following duties:

- Distribute complaints and appeals to the appropriate division as soon as they are received.
- Establish a single database for tracking purposes.
- Track progress of divisions in meeting UCP procedures and timelines.
- Work with divisions to establish and align department policies and procedures for UCP.
- Establish a standard investigation report format for division use.
- Monitor divisions' decisions and reports to ensure compliance with requirements.

The auditor also recommends that:

- CDE initiate regulations to include a 6o-day timeline for investigation of complaints and reviews of appeals, unless otherwise specified in statute or federal regulations.

- Allow the Nutrition Services division to investigate all complaints as direct intervention and that Nutrition Services should provide complainants with investigation reports, even when the complainant requests anonymity from the LEA.

The auditor made some additional recommendations around the extension of investigations when necessary and additional oversight of charter school UCP complaints as well as recommendations specific to LEAs local processes.

The CDE responded to the auditor's recommendations and concurred with recommendations to provide UCP information to complainant if the issue is confidential, include charter schools in UCP reviews under federal monitoring, and revise UCP monitoring criteria. The CDE partially concurred with recommendations to allow direct intervention of all Nutrition Services-related complaints, revise regulations around extending UCP investigations if warranted, review LEA extensions for investigations as part of federal program monitoring, and establish in regulations a uniform timeline for filing all complaints. The CDE did not concur with the recommendations to establish a central office and align regulations with state and federal programs.

Staff Comments:

Staff notes the UCP system is complex for all involved: individuals filing complaints and appeals, LEAs processing complaints and the CDE as the appeal and oversight body, and sometimes the investigator of complaints. The UCP system was created by layers of federal and state law that were not aligned in their conception and no major system alignment has taken place since it was introduced. The auditor's report has revealed shortcomings in the current system; the Legislature may wish to monitor efforts to ensure a more efficient process for agencies involved and their stakeholders.

Suggested Questions:

- Does the CDE have any recommendations for alignment of timelines for UCP complaints and appeals?

- How is the CDE working to ensure that UCP complaints and appeals are appropriately tracked and assigned?

Staff Recommendation: Information only.

Item 2: K-12 School Facilities

Panel:

- Dan Kaplan, Legislative Analyst's Office
- Cheryl Ide, Department of Finance
- Juan Mireles, Department of Education
- Lisa Silverman, Office of Public School Construction

Background:

The State Facilities Program was created in 1998 for the purpose of allowing the state and school districts to share the costs of building new school facilities and modernizing existing facilities. Between 1998 and 2006 there were four-voter approved bonds for the school facilities program (totaling $35.4 billion) which funded the program through 2012.

Key Components of School Facilities Program

- ***New Construction Eligibility Based on Enrollment Projections.*** Districts submit specific new construction projects for approval and receive a grant based on their number of current and projected unhoused students. The state awards funding on a first–come, first–served basis. The state and school districts share project costs on a 50–50 basis. Districts are required to submit progress reports, expenditure reports, and project information worksheets. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.

- ***Modernization Eligibility Based on Age of Building.*** Districts submit specific modernization projects for approval and receive a grant based on the number of students housed in buildings that are at least 25 years old. The state awards funding on a first–come, first–served basis. The state and school districts share costs on a 60–40 basis. Districts are required to submit progress reports and expenditure reports. Districts that receive grants also are required to set aside three percent of their annual budget for routine maintenance.

- ***Financial Hardship Program Targeted to School Districts With Inadequate Local Resources.*** The state covers part or all of project costs for districts unable to meet the local match requirement for new construction and modernization projects. Districts have to levy the maximum developer fee allowed (typically 50 percent of project costs), demonstrate local effort (typically through placing a bond measure on the ballot), and certify they are unable to contribute the full match.

- ***Several Categorical Programs Targeted to Specific State Priorities.*** The four state bond measures enacted since 1998 have authorized various categorical facility programs. These have included programs for reducing class sizes; alleviating overcrowding; building and renovating charter schools; integrating career technical education into high schools; mitigating seismic safety issues; and promoting projects with "high performance attributes" such as energy efficiency, enhanced natural lighting, and use of recycled materials.

Source: Legislative Analyst's Office

In 2016, voters passed Proposition 51, which authorized the state to sell $7 billion in general obligation bonds to fund the existing school facilities program (the bond total was $9 billion, with $2 billion designated for community colleges facilities.) Of this total, $3 billion is for new construction projects, $3 billion is for modernization projects, and the remaining $1 billion is split between charter school and career technical education projects. After bond funds are approved by the voters, the State Treasurer sells the bonds and the state repays the general obligation bonds using General Fund dollars. The state generally times the sale of bonds to coincide with the amount of shovel-ready projects to avoid paying interest on funds that are not immediately used.

LEAs have other options for financing school facilities related projects, the most common of which are local general obligation bonds, which can be passed with 55 percent of voter approval and are repaid by increasing local property tax rates. LEAs can also levy developer fees that may cover up to a portion of the cost to build a new school, or use other local funding sources.

Project Funding and Accountability.

The process for an LEA to apply for funding through the school facilities program is complex and involves multiple state agencies. LEAs building new schools must work with CDE on selecting an appropriate site. LEAs who are building new schools or modernizing old schools must also have their plans approved by the Division of the State Architect (DSA) to ensure they are field act compliant and meet all other required standards. These steps must be done whether or not a LEA is applying for state funding. With approved plans, a LEA can apply to the Office of Public School Construction (OPSC) who will calculate the LEA's eligibility and check approvals, including certifying local matching funds are available and the project is shovel ready, before moving the project to the State Allocation Board (SAB) for approval and a release of cash. Currently there are approximately $370 million in unfunded projects (have already been through the approval process and are waiting for state financing) at the SAB. In addition, there are $2 billion worth of projects that are on an acknowledged list (have not gone through the approval process with OPSC). This backlog accumulated as funding from prior bond sales was exhausted in 2012.

Accountability for projects funded under the school facilities program also lies with the OPSC. LEAs must submit annual summary reports of state facilities expenditures to OPSC, which audits a sample of the reports based on risk factors and project size, but does not do site based audits. LEAs that are found to have misspent funds are required to repay funds to the state or have future apportionments of funds reduced. In 2015, the Office of State Audits and Evaluations (OSAE) audited funding provided to LEAs under the 2006 bond and found that 41 percent had not been audited, and when sampling those expenditures found that one percent was spent on ineligible items.

As workload at OPSC reduced when bond funding was exhausted, the state reduced staffing at the OPSC. OPSC historically has averaged around 130 staff, and today, is at a low point of approximately 50 staff.

Governor's Proposal:

The Governor's budget includes the assumption that the state will issue approximately $655 million in school bonds in 2017-18 ($594 million from the 2016 bond and $61 million from prior bonds.) This amount would cover the unfunded list ($370 million) and the remaining $285 million could be used to process applications on the acknowledged list based on the capacity of OPSC staff. The Administration has also noted that they are timing the sale of bonds to manage debt service payments over the coming years. The Governor did not provide a schedule of bond sales in the out years.

The Governor has also proposed to add state facility bond expenditures to the local school audit requirement that already exists for most LEA expenditures. The proposal has two parts: first, LEAs would complete front-end grant agreements that outline the terms, conditions, and accountability requirements of the school facilities program: second, expenditures would be audited through the annual local audit process. The new grant agreements would be put into place through regulations by the State Allocation Board and the Administration has proposed trailer bill language to add school facilities funding to the audit guide. The audit trailer bill language would apply to all LEAs that receive funding going forward.

The Governor also proposes other technical trailer bill changes to ensure remaining unencumbered funds in the State School Deferred Maintenance Fund are transferred to the State School Site Utilization Fund and that balances from the School Facilities Emergency Repair Account are transferred to the General Fund, as of July 1, 2018.

Legislative Analyst's Office Analysis:

The Legislative Analyst's Office (LAO) reviewed the Governor's facility proposals in their publication, *The 2017-18 Budget: Proposition 98 Education Analysis*. The LAO notes that the Governor's planned bond sale in 2017-18 will only cover a small portion of projects on the acknowledged list and OPSC is likely to receive more projects in response to the new bond sale (in the first two months after the approval of Proposition 51, OPSC reported receiving $158 million in project requests.) The LAO recommends the Legislature ask the Administration to provide information on how the backlog of projects will be handled, as well as to provide information on the size and timing for future bond sales. The LAO also recommends the Legislature ask the OPSC to report on how many applications they are able to process on an annual basis, given current staff levels, to inform a decision on staffing OPSC going forward.

The LAO analysis recommends adopting the Administration's proposals related to accountability, the proposals would ensure each LEA was subject to audit for the state facilities program, rather than a sample of LEAs, shift accountability to the local level and treats facility expenditures similar to other LEA expenditures. The LAO also recommends the Legislature determine whether this change in OPSC audit workload will free up positions that may be used to process LEA funding applications.

Staff Comments:

Many LEAs are operating with aging infrastructure, and the list of projects waiting for OPSC review and fund approval provides an indication that there is real need in the state for facilities funding. The Legislature should continue to monitor the plan to sell and allocate bond funds to meet state needs over the next few years and adjust staffing at the OPSC appropriately. The Legislature should also work with the Administration to determine the appropriate level of debt service the state should bear each year from the sale of Proposition 51 bonds as part of determining an annual state budget.

Suggested Questions:

- When will the Administration provide an estimate of planned bond sales in future years?

- Has the Administration considered increasing staffing at the OPSC considering the impending bond sales?

- How many applications does the OPSC estimate it can annually process with current staffing levels? Will a reduction in workload based on audit changes create additional staff capacity to process applications?

- What resources or assistance does the CDE and OPSC provide for LEAs as they apply for funding from the school facilities program?

Staff Recommendation: Hold open.

6360 COMMISSION ON TEACHER CREDENTIALING

Item 3: Commission Budget Overview (Vote)

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
- Dan Kaplan, Legislative Analyst's Office

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 2015-16, the CTC processed approximately 250,522 candidate applications for credential and waiver documents, a 5.6 percent increase over the prior year. 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.

The CTC is also responsible for 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 Item 4 of this agenda.

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 and the Teacher Credentials Fund. Of the CTC's $26 million state operations budget proposed for 2017-18, about $22 million is from credential and accreditation fees, which are revenue sources for the Teacher Credentials Fund and $4 million is from educator exam fees, which fund the Test Development and Administration Account. The CTC also received one-time General Fund (both Proposition 98 and non-Proposition 98) in 2015-16 and 2016-17 for some one-time activities and grant programs.

- **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 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 the 2015-16 budget trailer bill, AB 104 (Committee on Budget and Fiscal Review), Chapter 13, Statutes of 2015, the credential fee, paid every five years, was increased from $70 to $100 per applicant, with the additional revenue generated intended to support processing of teacher misconduct caseload. In addition to credential application fees, the CTC assesses fees on teacher preparation programs to cover the cost of accrediting these programs. As of the Governor's budget, it is projected that the Teacher Credentials fund will have a balance of $9 million at the end of 2017-18. Much of this is anticipated to be used as the misconduct backlog caseload backlog is addressed.

- **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 for reviewing and approving the examination fee structure, as needed, to ensure that the examination program is self-supporting.

Commission on Teacher Credentialing Expenditures and Positions
(Dollars in thousands)

Fund Source	**2015-16**	**2016-17**	**2017-18 Proposed**
General Fund (non-Proposition 98)	$6,757	$12,533	$0
General Fund (Proposition 98)	20,000	0	0
Teacher Credentials Fund	18,555	23,496	21,745
Test Development and Administration Account	4,665	4,168	4,316
Reimbursements	788	458	308
Total Expenditures (All Funds)	**$50,765**	**$40,655**	**$26,369**
Positions	**141.3**	**139.6**	**141.6**

Source: Commission on Teacher Credentialing

One-Time Activities

The CTC has been funded for a variety of one-time activities in the past few budget acts, including:

- **Teacher and Administrator Test Development.** The 2015 Budget Act provided $5 million over two years ($4 million in 2015-16 and $1 million in 2016-17) in non-Proposition 98 General Fund for the CTC to update the California Teacher Performance Assessment and develop an Administrator Performance Assessment aligned to the new state standards.

- **Accreditation Data System.** The 2015 Budget Act included $5 million over two years ($3.5 million in 2015-16 and $1.5 million in 2016-17) in non-Proposition 98 General Fund for the development of a new accreditation data system. The CTC continues to work on this project, it is currently on time and on budget. On the CTC website there are five data dashboards currently available (more under development) that provide information in institutions offering credentialing programs, teacher shortage, and assignment of teachers. The CTC anticipates that dashboards will be available in 2017-18. The CTC will also use this data system to streamline the accrediting system for institutions.

- **Align Assessments with New Science Standards.** The 2015 Budget Act also included $600,000 from the Test Development and Administration Account to align the California Subject Examinations for Teachers (CSET) with the Next Generation Science Standards (NGSS).

The CTC was also provided funding for a variety of teacher shortage initiatives; these will be discussed later in this agenda.

Governor's Proposal:

In addition to technical workload adjustments, the Governor's budget proposes to fund three state operations proposals in 2017-18:

- Provides ongoing expenditure authority of $310,000 ($256,000 Teacher Credentials Fund and $54,000 Test Development and Administration Account) to provide ongoing support for the data warehouse and dashboard system that enables and tracks teacher preparation program accreditation. This accreditation system was recently rebuilt (as discussed above) and will require ongoing funding for new system software, data services, and web hosting beyond what was required to support the previous data system.

- Provides additional expenditure authority of $509,000 (Teacher Credentials Fund) for two permanent special investigator positions, two temporary special investigator positions, and a temporary retired annuitant attorney. This proposal is included in Issue 4 of this agenda for discussion.

- Provides additional expenditure authority of $277,000 (Teacher Credentials Fund and the Test Development and Administration Account) to address an increase in rent with the signing of a new building lease and to address ongoing increases in costs charged to the CTC from the Department of General Services (DGS) for contracted fiscal services. While the CTC does not currently have a final cost for the lease renewal, DGS has indicated that the cost per square foot could rise from the current $1.70 per square foot to as high as $2.20 per square foot. The total square footage of the building is 36,800 square feet. Assuming the lease cost increases to $2.20 per square foot, facility costs would increase by $220,800 per year. Additionally, DGS has increased their contracted fiscal services by $56,000 ongoing.

Legislative Analyst's Office Analysis:

The LAO has no concerns with the Governor's proposals to provide additional expenditure authority for additional teacher misconduct investigators and for higher rent and accounting costs. However, the LAO has concerns regarding the Governor's accreditation data system proposal. The LAO notes that the state provided $5 million in one-time funding for the CTC to develop an online dashboard to monitor outcomes of teacher preparation programs, the CTC identified increased costs associated with this new data system, but also asserted the new dashboard would streamline its program monitoring and reduce associated accreditation workload. The CTC has indicated that it has not yet achieved saving from streamlining this process. However, the LAO recommends providing the $310,000 in one-time funding to cover the year-one costs, and believes the CTC should start realizing savings to cover these costs in the out-years.

Staff Comments:

Staff notes that the new accreditation data is system is currently on time and on budget and provides useful data for state administrators and policymakers, institutions that provide teacher credentials, teachers and potential teachers, LEAs, and the public. This project has been rolled out in phases and the cost and funding for ongoing support of the system should be monitored by the Legislature in determining an appropriate level of funding, including potential savings from streamlining of processes within the CTC as a result of the new system.

Suggested Questions:

- How have stakeholders been utilizing the new accreditation data systems? What feedback has the CTC received on their development of the dashboards?

Staff Recommendation: Approve the following proposals as budgeted:

- $310,000 to provide ongoing support for the data warehouse and dashboard system.

- $277,000 to address an increase in rent and an increase in DGS's contracted fiscal services.

Vote:

6360 COMMISSION ON TEACHER CREDENTIALING

Item 4: Teacher Misconduct Workload (Vote)

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 for these purposes.

Panel:

- Kimberly Leahy, Department of Finance
- Dr. Mary Sandy, Executive Director, Commission on Teacher Credentialing
- Robert Sumner, Director of Legislative Affairs, Office of the Attorney General
- Dan Kaplan, Legislative Analyst's Office

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, the 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.

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,

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.

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.

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. The 2016 Budget Act included $8.5 million to address this backlog, including $2.4 million in carryover from the 2015 Budget Act. In addition in September of 2016, the CTC submitted a budget revision request that was approved by the Department of Finance, and provided to the Joint Legislative Budget Committee, that requested $650,000 in funding designated for the Office of the Attorney General, be instead retained at the CTC for purposes on investigation and completion of files to a higher standard before they are provided to the Office of the Attorney General. With additional "front end" work, the CTC is helping to prevent the backlog at the Office of the Attorney General from increasing. However, although in 2016-17, $7.8 million was available for Office of the Attorney General workload, the misconduct caseload backlog has yet to decrease.

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	280	281	279	278
2016-17	282	283	283	287	290	286	297					

Source: Commission on Teacher Credentialing

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 and that caseload has been transferred to a division within the Office of the Attorney General that specializes in credentialing issues and is better suited to this type of caseload.

Governor's Proposal:

The Governor's budget provides additional expenditure authority of $509,000 (Teacher Credentials Fund) for two permanent special investigator positions, two temporary special investigator positions, and a temporary retired annuitant attorney. These staff will assist the Office of the Attorney General and the CTC's existing investigative staff in investigating and preparing educator discipline cases for administrative hearing. This is a continuation of the system created under through the budget revision approved in 2016.

Legislative Analyst's Office Analysis:

The LAO has no concerns with the Governor's proposal; however, the LAO recently completed an analysis of staffing at the Office of the Attorney General for these activities. The LAO notes that based on their review, the credential fee increase enacted in 2015-16 will likely generate more revenue than is needed for workload in this area. As a result, the LAO recommends the Legislature monitor the issue and revisit it during the 2018-19 budget process to determine whether any available funding could be used for other CTC activities or whether the credentialing fee should be lowered.

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 over the past few years, the Legislature should expect to see results in the next year.

Suggested Questions:

- When does the Office of the Attorney General estimate that teacher misconduct caseload will return to a "normal" level? What can the subcommittee expect to see in terms of progress at this time next year?

- Does the Administration or CTC have an estimate of whether the funds generated from the credentialing fee will be sufficient to cover teacher misconduct workload?

Staff Recommendation: Approve the following proposal as budgeted:

- $509,000 (Teacher Credentials Fund) for two permanent and two temporary special investigator positions and a temporary retired annuitant attorney to assist in investigating and preparing educator discipline cases for administrative hearing.

Vote:

Item 5: 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.

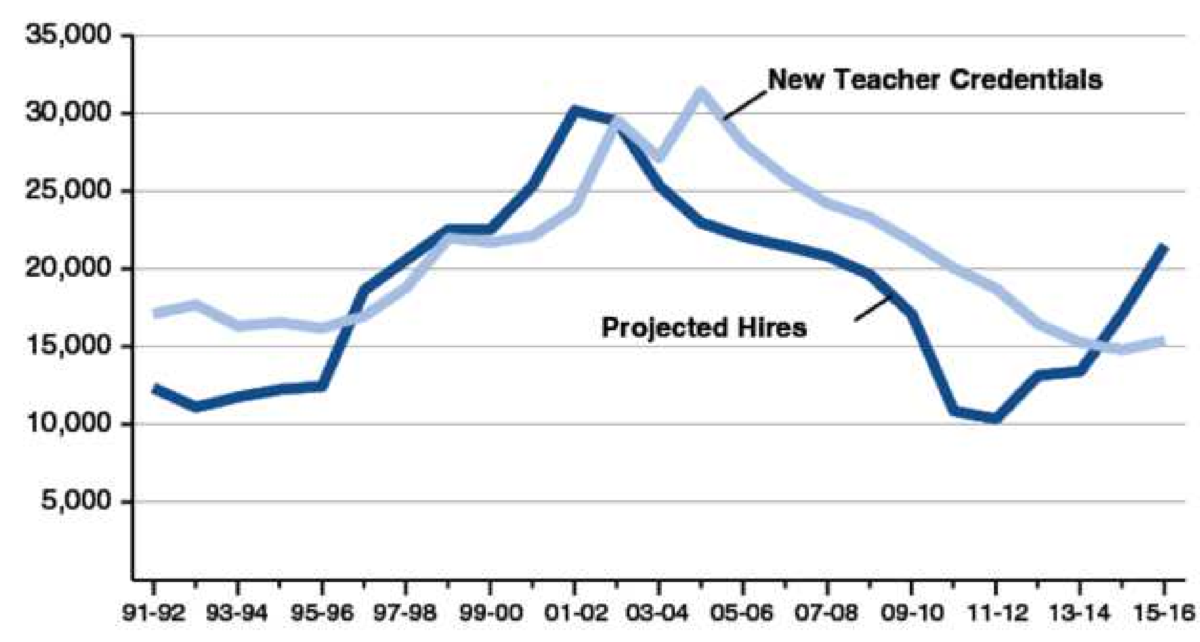
For a clear credential, new teachers generally must complete a CTC-approved General Education Induction Program. Induction programs are most often sponsored by, or in partnership with, the school district or county office of education employing the teacher; however, colleges and universities, and other 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. 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 and the 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 remain. 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. Also with the passage of Proposition 58, which repealed an English-only immersion requirement, California will likely see an increase in bilingual education programs and a growing demand for bilingual education teachers.

Another area of concern related to the current teacher shortage is the number of underprepared teachers in the classroom. In 2015-16, California issued more than 10,000 substandard credentials and permits, more than double the number issued in 2012-13. The greatest growth has been in emergency permits known as Provisional Intern Permits (PIPs) and Short-Term Staff Permits (STSPs). Other factors that affect the teacher workforce include: teacher turnover rates, class size reduction efforts, credentialing requirements, the overall desirability of the teaching profession, and the availability of state funding, among other factors.

Reducing the Teacher Shortage. Efforts have been made by the state in the past two years to increase the quality and availability of teachers in the state, including the following:

- **Educator Effectiveness.** The 2015 Budget Act provided $500 million in one-time Proposition 98 funding to enhance educator effectiveness. Of this amount, $490 million was provided to school districts, county offices of education and charter schools in an equal amount, per certificated staff. The funding could be used for the following purposes:
    - Beginning teacher and administrator support and mentoring.
    - Professional development, coaching, and support services for teachers who have been identified as needing improvement or additional support.
    - Professional development for teachers and administrators that is aligned to the state academic content standards.
    - Promote educator quality and effectiveness, including, but not limited to, training on mentoring and coaching certificated staff and training certificated staff to support effective teaching and learning.

  As a condition of receiving funds, local educational agencies must develop and adopt a plan for expenditure of funds. Funds may be expended through the 2017-18 fiscal year. Local educational agencies must also report to the CDE on how the funds were used on, or before July 1, 2018, and the CDE must submit a report to the Legislature detailing these expenditures by January 1, 2019.

- **California Classified School Employee Teacher Credentialing Program.** The 2016 Budget Act provided $20 million in Proposition 98 funding (to be used over five years) to create the California Classified School Employee Teacher Credentialing Program. School districts, county offices of education and charter schools are eligible to apply for funding to recruit classified employees to become credentialed teachers in their district. The funding allocated provides 1,000 grants, over five years, of up to $4,000 per year for applicants that meet certain criteria. The CTC received 61 proposals requesting a total of 5,582 slots for classified employees under the grant program. The CTC awarded all 1,000 slots to 24 local educational agencies.

- **Integrated Teacher Preparation Program Grant**. The 2016 Budget Act provided $10 million in one-time non-Proposition 98 General Fund for the CTC to award one or two year grants of up to $250,000 to postsecondary institutions to create or improve existing four-year integrated teacher preparation programs. In December, the CTC awarded a total of 34 grants, totaling $7.8 million to institutions and then re-released the request for proposals and identified six additional institutions for grants, bringing the total to $9.735 million in grant funding.

- **California Center on Teaching Careers.** The 2016 Budget Act provided $5 million in one-time Proposition 98 funding for the CTC to award a local educational agency to establish and implement the California Center on Teaching Careers, in order to recruit individuals into the teaching profession. The CTC awarded this grant in December to the Tulare County Office of Education (COE). The Tulare COE proposal includes establishing and supporting six collaborating regional centers at COEs across the state (Los Angeles, Riverside, Shasta, San Diego, Sonoma and Ventura), as well as an online presence.

Suggested Questions:

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

- How 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?

- When will information on the success of the efforts made in last year's budget to decrease the teacher shortage be available?

Staff Recommendation: Information only.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, March 30, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191
Vote Outcomes

Consultant: Elisa Wynne

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.

Senate Budget and Fiscal Review—Holly Mitchell, Chair

JOINT HEARING SUBCOMMITTEES No. 1 and 3

Subcommittee No. 1
Senator Anthony Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Subcommittee No. 3
Senator Richard Pan, Chair
Senator William Monning
Senator Jeff Stone

Thursday, April 6, 2017
9 a.m. - State Capitol - Room 4203

Consultant: Elisa Wynne

Item	**Department**	
6100	**Department of Education**	
5180	**Department of Social Services**	

Public Comment

6100 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Child Care and Early Education Overview (Information Only)

Panel:

- Virginia Early, Legislative Analyst's Office

Background:

Generally, programs in the early care and education system, have two objectives: to support parental work participation and to support child development. Children, from birth to age five, are cared for and instructed in child care programs, State Preschool, transitional kindergarten, and the federal Head Start program.

Child Care. California provides child care subsidies to some low-income families, including families participating in CalWORKs. Families who have participated in CalWORKs are statutorily guaranteed child care during "Stage 1" (when a family first enters CalWORKs) and "Stage 2" (once a county deems a family "stable", defined differently by county). In the past, the Legislature has, in the past, funded "Stage 3" (two years after a family stops receiving cash aid) entirely. Families remain in Stage 3 until their income surpasses a specified threshold or their child ages out of the program. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest-income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 70 percent of the state median income (SMI), as calculated in 2007-08 (for a family of three, the SMI cap is $42,216); and (3) children must be under the age of 13.

California State Preschool Program. State preschool provides both part-day and full-day services with developmentally-appropriate curriculum, and the programs are administered by local educational agencies (LEAs), colleges, community-action agencies, and private nonprofits. State preschool can be offered at a child care center, a family child care network home, a school district, or a county office of education (COE). CSPP serves eligible three- and four-year old children, with priority given to four-year olds whose family is either on aid, is income eligible (family income may not exceed 70 percent of the SMI), is homeless, or the child is a recipient of protective services or has been identified as being abused, neglected, or exploited, or at risk of being abused, neglected or exploited.

Transitional Kindergarten. SB 1381 (Simitian), Chapter 705, Statutes of 2010, enacted the "Kindergarten Readiness Act" and established the transitional kindergarten program, beginning in 2012-13, for children who turn five between September 1 and December 1. Each elementary or unified school district must offer developmentally-appropriate transitional kindergarten and kindergarten for all eligible children, regardless of family income. Transitional kindergarten is funded through an LEA's Local Control Funding Formula allocation. LEAs may enroll children in transitional kindergarten that do not meet the age criteria if they will turn five by the end of the school year, however, these students will not generate state funding until they turn five.

Overview of State's Child Care and Preschool Programs

(2015-16)

Program	Description	Estimated Number of Slots
CalWORKs Child Care		
Stage 1	Begins when a participant enters the CalWORKs program.	44,154
Stage 2	Families transition to Stage 2 when the county welfare department deems them stable.	50,971
Stage 3	Families transition to Stage 3 two years after they stop receiving cash aid. Families remain in Stage 3 until the child ages out (at 13 years of age) or they exceed the income eligibility cap.	35,845
Subtotal		130,970
Non-CalWORKs Child Care		
General Child Care	Program generally for low-income, working families that are not current or former CalWORKs recipients.	28,738
Alternative Payment	Another program generally for low-income, working families that are not current or former CalWORKs recipients.	32,852
Migrant Child Care	Program for migrant children.	3,060
Care for Children With Severe Disabilities	Program for children with severe disabilities. Program limited to the San Francisco Bay Area.	105
Subtotal		64,755
Preschool		
State Preschool-part day	Part-day, part-year preschool program for low-income families.	98,956
State Preschool-full day	Full-day, full-year preschool program for low-income, working families.	58,504
Transitional Kindergarten	Part-day, part-year preschool program for all four-year olds with birthdays between September 2 and December 2.	83,000
Subtotal		240,460
Total		**436,185**

Source: Legislative Analyst's Office

Funding. California provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR) — a different amount in each county and based on regional surveys of the cost of child care. The RMR is currently set to the 75th percentile of the 2014 RMR survey. If a family chooses a child care provider who charges more than the maximum amount of the voucher, then a family must pay the difference, called a co-payment. Typically, a Title 22 program – referring to the state Title 22 health and safety regulations that a licensed provider must meet — serves families who receive vouchers. The Department of Social Services (DSS) funds CalWORKs Stage 1, and county welfare departments locally administer the program. The California Department of

Education (CDE) funds the remaining voucher programs, which are administered locally by Alternative Payment (AP) agencies statewide. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations — must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDE. These programs receive the same reimbursement rate (depending on the age of the child), no matter where in the state the program is located. Since January 1, 2017, the standard reimbursement rate (SRR) is $42.12 per child per day of enrollment.

For license-exempt care, reimbursement rates are set at seventy percent of the regional reimbursement rate established for family child care homes.

Child care and most state preschool programs are funded through General Fund allocations. In contrast, tranistional kinderagrten, is funded with Proposition 98 funds through the Local Control Funding Formula based on Average Daily Attendance (ADA). A local district receives the same per ADA funding for a transitional kindergarten student as for a kindergarten student.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of slots or vouchers, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages 1 and 2), which are entitlement programs in statute.

Subsidized child care programs are funded by a combination of non-Proposition 98 state General Fund and federal funds. Until the 2011-12 fiscal year, the majority of these programs were funded from within the Proposition 98 guarantee for K-14 education. In 2012, funding for state preschool and the General Child Care Programs were consolidated; all funding for the part-day/part-year state preschool is now budgeted under the state preschool program, which is funded from within the Proposition 98 guarantee. For LEA-run preschool, wrap-around care to provide a full day of care for working parents is Proposition 98 funding, while non-LEA state preschool providers receive funding from the General Child Care program to support wrap-around care.

California also receives funding from the federal Child Care and Development Fund (CCDF), which is comprised of federal funding for child care under the Child Care and Development Block Grant (CCDBG) Act and the Social Security Act and from federal TANF funds.

From 2009-2013, overall funding for child care and preschool programs decreased by $984 million; and approximately 110,000 slots, across all programs, were eliminated. During this time, the state also froze provider rates, cut license-exempt provider payments, and lowered income eligibility for families. Since the recession, the state has invested a total of $786 million ($388 million in Proposition 98 General Fund and $448 million in non-Proposition 98 General Fund) back into the child care and early education system, including $289 million in 2014-15, $283 million in 2015-16, and $239 million in 2016-17 (once annualized), bringing 2016-17 funding for child care and preschool to $3.7 billion (federal and state funding).

Issue 2: Governor's Budget Funding Proposals

Panel:
- Virginia Early, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, Department of Education

Background:

The 2016 Budget Act included the first year of a multi-year increase in early childhood education programs, including increased provider reimbursement rates and additional slots for the California State Preschool Program. The agreement includes a total investment of an ongoing $527 million by 2019-20. In addition, $53 million in one-time funding was included to hold-harmless for two years (2016-17 and 2017-18), providers whose payments would otherwise be negatively impacted by the use of an updated 2014 RMR survey in the calculation of rates. These increases were generally designed to keep pace with increases to the state's minimum wage.

Specifically for 2016-17, the budget agreement included:
:

- An increase of the Standard Reimbursement Rate (SRR), paid to center-based care and preschools by 10 percent beginning January 1, 2017.

- An increase to the regional market rate (RMR) for voucher-based child care to the 75th percentile of the 2014 survey for that region, or at the RMR for that region as it existed on December 31, 2016, whichever is greater, beginning January 1, 2017. Tie the RMR to the 75th percentile of the 2014 survey for that region beginning July 1, 2018.

- An increase to licensed exempt rates from 65 percent to 70 percent of the Family Child Care Home rate beginning January 1, 2017.

- Legislative intent language to reimburse child care providers at the 85th percentile of the most recent RMR survey and update the RMR ceilings with each new survey, based on available funding. Also expresses legislative intent to further increase the RMR ceilings through the 2018-19 fiscal year to reflect increased costs to providers resulting from the increases in the state minimum wage.

- Expanded preschool by 8,877 full-day preschool slots over three years (2,959 added each year).

2016-17 Implementation Issues

- **SRR Increase.** The CDE, when implementing the SRR increase of 10 percent for 2016-17 effective January 1, 2017, was administratively unable to increase the SRR for their contracts mid-year. As a result, the CDE, after consultation with stakeholders, instead increased the SRR by five percent across the full 2016-17 fiscal year.

- **Preschool Slots.** The 2016 Budget Act included 2,959 new full-day preschool slots for LEAs. LEAs have applied for 519 full-day preschool slots and the CDE made the funds available for part-day slots and received an additional 793 slot applications. Currently the CDE is preparing to issue an additional request for proposals to fill any remaining slots. Statute does not allow the CDE to release these slots to non-LEAs.

- **Alternative Payment Program (APP) Costs.** The 2016 Budget Act included an increase to the RMR used for calculating payments for the APP; this comes on top of increases in prior years as the state builds back from cuts to child care programs taken during the recession. As a result of multiple years of increases, the APP agencies were unable to accurately project the numbers of families they are able to serve. Towards the end of 2016, CDE identified that many APP agencies were over-enrolling families. To address this issue, the CDE requested and received approval for a budget revision to transfer $15.9 million from savings in other child care programs to cover this unanticipated expense in the APP. CDE has requested that AP providers suspend enrolling additional families if they are over their contract and is working with AP providers and DOF on refining projections.

A related implementation issue is that while rates were updated based on more recent economic data, income eligibility requirements for families remain frozen. Families lose their eligibility for subsidized child care when they reach 70 percent of SMI (as calculated in 2007-08). According to the California Budget and Policy Center, based on the January 1, 2017 minimum wage, a family of three with both parents working for minimum wage would no longer qualify for subsidized care. This freeze impacts the ability of providers to quickly fill available slots and may destabilize families who lose care if their wages increase.

Governor's Budget Proposal:

The Governor's proposed child care and early education budget includes a total of $3.8 billion for child care and preschool funding in 2017-18. This is a slight increase (two percent or $76 million) from the revised 2016-17 funding level and includes funding for Transitional Kindergarten. This proposed budget includes annualizing the 2016-17 increases (includes the SRR at five percent, rather than the ten percent agreed to for 2016-17).

The Governor also proposes to suspend planned increases for rates and slots for 2017-18 and push the full implementation of the multi-year plan to 2020-21. The Governor also does not provide a COLA for child care programs. The Governor notes this pause in the implementation of the budget agreement reflects revised estimates of General Fund revenue. DOF estimates this proposal saves $121 million in General Fund and $105 million Proposition 98 dollars.

Proposed Child Care and Early Education Budget (Dollars in Millions)

	2015-16 Revised	2016-17 Revised[a]	2017-18 Proposed	Change From 2016-17	
				Amount	Percent
Expenditures					
CalWORKs Child Care					
Stage 1	$334	$418	$386	-$32	-8%
Stage 2[b]	419	445	505	60	13
Stage 3	257	287	303	15	5
Subtotals	**($1,010)**	**($1,150)**	**($1,193)**	**($43)**	**(4%)**
Non-CalWORKs Child Care					
General Child Care[c]	$305	$321	$319	-$1	—[d]
Alternative Payment Program	251	267	279	12	4%
Migrant Child Care	29	31	31	—[d]	—[d]
Care for Children With Severe Disabilities	2	2	2	—[d]	—[d]
Infant and Toddler QRIS Grant (one-time)	24	—	—	—	—
Subtotals	**($611)**	**($620)**	**($630)**	**($10)**	**(2%)**
Preschool Programs[e]					
State Preschool—part day[f]	$425	$447	445	-$2	—[d]
State Preschool—full day	555	627	648	21	3%
Transitional Kindergarten[g]	665	704	714	10	1
Preschool QRIS Grant	50	50	50	—	—
Subtotals	**($1,695)**	**($1,828)**	**($1,857)**	**($29)**	**(2%)**
Support Programs	$76	$89	$82	-$7	-8%
Totals	**$3,392**	**$3,688**	**$3,763**	**$76**	**2%**
Funding					
Proposition 98 General Fund	$1,550	$1,679	$1,709	$30	2%
Non-Proposition 98 General Fund	885	984	1,002	18	2
Federal CCDF	573	639	606	-32	-5
Federal TANF	385	385	446	61	16

[a]Reflects Department of Social Services' revised Stage 1 estimates. Reflects budget act appropriation for all other programs.

[b]Does not include $9.2 million provided to community colleges for certain child care services.

[c]General Child Care funding for State Preschool wraparound care shown in State Preschool—full day.

[d]Less than $500,000 or 0.5 percent.

[e]Some CalWORKs and non-CalWORKs child care providers also use their funding to offer preschool.

[f]Includes $1.6 million each year used for a family literacy program at certain State Preschool programs.

[g]Reflects preliminary LAO estimates. Transitional Kindergarten enrollment data not yet available for any year of the period.

QRIS = Quality Rating and Improvement System; CCDF=Child Care and Development Fund; TANF=Temporary Assistance for Needy Families; CDE = California Department of Education; and DOF = Department of Finance.

Posted January 2017.

Source: Legislative Analyst's Office

LAO Analysis:

The LAO does not have a recommendation on the funding pause proposed by the Governor. However, the LAO does recommend that the Legislature consider making additional CSPP slots provided in future years available for all providers, both LEA and non-LEA. The LAO estimates that at least one in five income-eligible four-year olds in California is not receiving subsidized preschool through a state or federal program, signaling that there is likely still additional need in the state for preschool slots. The LAO also notes that since LEAs also offer transitional kindergarten and are reimbursed at higher rates than for preschool, they may be incentivized to serve eligible four-year olds in transitional kindergarten rather than preschool.

Suggested Questions:

- Does the Administration anticipate restoring funds for the planned 2017-18 increases if more funding is available in the May Revision?
- Is CDE anticipating LEAs will apply for the remaining CSPP slots as part of the latest outreach efforts? What are LEAs citing as reasons not to apply?
- How are CDE and DOF working to refine APP agency estimates? Does the CDE anticipate any additional over-enrollment issues this fiscal year?

Staff Recommendation. Hold Open.

Issue 3: Early Education Flexibility Proposals

Panel I:

- Virginia Early, Legislative Analyst's Office
- Brianna Bruns, Department of Finance
- Debra Brown, CDE

Panel II:

- Stephanie Ceminsky, Director of Early Childhood Education, San Diego Unified School District
- Larry Drury, Executive Director Go Kids, Inc.

*Panel II will address Issues 2 and 3.

Background:

The state currently runs two programs for similarly aged children, state preschool and transitional kindergarten. These programs operate with different funding, eligibility, and requirements as shown on the chart on the next page.

The state preschool program and transitional kindergarten also have different health and safety standards. State preschool programs must be licensed and follow the Community Care Licensing (CCL) health and safety standards under the DSS, known as Title 22 regulations. Some of these licensing requirements include that classrooms are clean and sanitary, children are constantly supervised, teachers are vaccinated and trained in first aid and medication, and cleaning supplies are stored out of reach. The CCL division visit sites every three years to monitor compliance. Any complaints of violation are filed with the CCL, and the CCL must visit the facility within 10 days. State preschool programs are also required to complete an environmental rating scale every three years, known as the Early Childhood Environment Rating Scale (ECERS), and are required to achieve a minimum score of "good" in each area.

Transitional kindergarten programs are not required to meet the same CCL health and safety standards, but are instead required to meet the same facility requirements as other K-12 buildings, and have some similar health and safety requirements outlined in the California Education Code. Transitional kindergarten classrooms are not inspected by DSS and any complaints of violation are subject to the K-12 Uniform Complaint Procedure (UCP) process.

State preschool programs run by LEAs are required to meet both the state preschool and K-12 requirements. LEAs argue that having to meet two separate (but similar) sets of requirements is duplicative and over burdensome. Some LEAs have cited this as a reason for not applying for State Preschool slots.

Figure 8

Comparing California's Two Major Preschool Programs

	State Preschool	Transitional Kindergarten
Eligibility criteria	Four-year olds from families with incomes at or below 70 percent of state median income as calculated in 2007.[a] Children in full-day program must have parents working or in school.	Four-year olds with birthdays between September 2 and December 2.[b]
Providers	Local education agencies and subsidized centers.	Local education agencies.
Program length	At least 3 hours per day, 175 days per year for part-day program. At least 6.5 hours per day, 250 days per year for full-day program.	At least 3 hours per day, 180 days per year.
Teacher qualifications	Child Development Teacher Permit (24 units of ECE/CD plus 16 general education units).[c]	Bachelor's degree, Multiple Subject Teaching Credential, and a Child Development Teacher Permit or at least 24 units of ECE/CD or comparable experience.[c,d]
Staffing ratios	1:24 teacher-to-child ratio and 1:8 adult-to-child ratio.	1:33 teacher-to-child ratio.
Annual funding per child[e]	$4,386 (part-day) and $10,114 (full-day).	Average of $8,810.

a Programs may serve three-year olds from income-eligible families if all eligible and interested four-year olds have been served first.
b Schools may serve younger four-year olds with birthdays before the end of the school year but those children do not generate state funding until they turn five.
c Referenced permit and credential are issued by California's Commission on Teacher Credentialing.
d The requirements shown apply to teachers hired after July 1, 2015.
e Funding rates are 2016-17 estimates.
ECE/CD = Early Childhood Education/Child Development.

Source: Legislative Analyst's Office

Governor's Proposal:

The Governor proposes a series of changes for child care and early education through trailer bill language to streamline and increase flexibility within the programs. The proposals include the following:

Homeless Youth Definition. Align the state definition of homelessness with the definition used for the federal McKinney-Vento Homeless Assistance Act. The federal definition is more expansive than the current state definition and classifies children as homeless if they are temporarily staying with others due to the loss of housing.

Electronic Applications. Allow providers to accept electronic applications and signatures from families applying to subsidized child care or state preschool programs.

State Preschool Program Serving Special Needs Children. Allow state preschool programs to serve children with special needs that do not meet the income eligibility thresholds, as long as all eligible children are served first.

State Preschool Program Licensing. Exempt state preschool programs from community care licensing requirements (Title 22) if they operate in K-12 buildings that meet k-12 building standards. Programs would still be subject to Title 5 requirements.

State Preschool Program Staffing. Exempt state preschool providers with a four or higher rating on the Quality Rating Improvement System from state preschool staffing ratio requirements (would still need to meet licensing requirements of 1:12). For state preschool programs with low or no rating, allow classrooms taught by a teacher with a multiple subject teaching credential to operate with an adult child ratio of 1:12 (currently 1:8).

Transitional Kindergarten Instructional Minutes. Allow school districts to run transitional kindergarten and kindergarten programs on the same site for different lengths of time. Currently, because transitional kindergarten is considered the first year of a two-year program, school districts operating both classes on the same site must provide the same amount of instructional minutes or request a waiver from the state board of education.

LAO Analysis:

The LAO has no concerns with the proposals to align the state definition for homeless youth with the federal definition and allow the use of electronic applications and signatures.

The LAO notes that given that there are still significant numbers of unserved, income-eligible, preschool-aged children, the Legislature should reject the Governor's proposal to expand state preschool enrollment to include higher-income special needs children. The LAO notes that LEAs are already responsible for ensuring all four-year olds with special needs receive the services designated in their individualized education plan. While well intended, the LAO notes that the proposal could displace low-income children who do not have access to preschool and could simply shift special needs children already receiving services into this program.

The LAO recommends that the Legislature reject the preschool alignment proposals and pursue a more holistic reform of the state's system to serve four-year old, instead of serving them through two different systems with different requirements. In pursuing this reform, the Legislature would need to determine eligibility criteria, program standards, and funding levels. The LAO notes that although the Administration intends to better align state preschool programs and transitional kindergarten, the proposals instead add greater complexity to the system. For example, the LAO notes that the licensing flexibility requirements would create differences among state preschool provided at LEAs and non-LEAs and other changes to licensing and teacher ratios create differences between state preschool programs, but do not align completely with transitional kindergarten. In addition, the LAO notes that the staffing ratio proposal would allow a credentialed teacher to teach state preschool without early education training and it is unclear why this teacher would be better prepared to serve more children with less adult support than a teacher with early education training.

Absent a more holistic reform of preschool and transitional kindergarten, the LAO recommends adopting the transitional kindergarten instructional minutes proposal. The LAO does note that transitional kindergarten and kindergarten receive the same amount of funding regardless of instructional minutes.

Staff Comments:

The Administration's proposals for electronic applications and homeless definition alignment are common sense changes that will benefit families and providers. In addition, as LEAs already have the ability to seek waivers for differing instructional minutes between transitional kindergarten and kindergarten, allowing this in statute is consistent with current practice. The other proposals for alignment and flexibility offer more complex changes to current practices. The LAO makes sensible recommendations for the state to step back and take a larger view of the state's current programs. Absent the ability to do this in the budget year, there are some issues the Legislature may want to carefully consider. For the proposal to serve special needs students, the Legislature may want to ensure that the language is clear, and underlying processes are in place, to ensure that all income eligible children are first served in preschool programs before additional children are made eligible. For the licensing alignment proposals, the Legislature may want to consider the differences between current preschool program licensing and that proposed under the Governor's plan. While the two are similar, there may be some health and safety requirements, particularly in respect to accountability that the Legislature may want to consider retaining in some form. Finally, the Legislature may wish to consider whether the proposal to amend staffing ratios for state preschool provides for sufficient qualified staffing to serve young children.

Suggested Questions:

- What differences has CDE, DOF, and LAO identified between community care licensing (Title 22) and Title 5 standards?

- What are the biggest challenges for LEAs and other providers when providing state preschool? Do the Governor's proposals address these concerns?

- What do LEAs and other providers feel are best practices for staffing ratios for preschool-age children?

- How will preschool providers ensure that all eligible low income children are served before including higher income special needs children in their programs under the Governor's proposal?

Staff Recommendation: Hold Open.

Issue 4: Quality Improvement Expenditure Plan

Panel:

- Virginia Early, Legislative Analyst's Office
- Debra Brown, Department of Education
- Brianna Bruns, Department of Finance

Background:

California is required to spend a certain percentage of federal and state matching funds on quality improvement activities. In 2016-17, the state was required to spend 10 percent of the total federal and state matching funds, or approximately $78 million, on quality activities. Of this, three percent (out of the 10 percent set-aside) is required to be expended on programs for infants and toddlers.) The required set-aside for quality activities is set to increase over the next few years, reaching 12 percent by 2020-21. Allowable expenditures include activities such as training for child care and preschool providers, developing materials for providers, enforcing licensing requirements and providing support for parents about child care options. The state currently provides funding for about 30 different quality improvement programs, covering both state-level activities and county-level activities, each with their own set of requirements. The budget provides CDE with some discretion on how these funds are allocated.

Quality Rating Improvement System. In 2012-13, California received a $75 million federal grant to develop and fund a Quality Rating Improvement System (QRIS). Some of these funds were used to develop a matrix for rating child care and preschool providers based on indicators, including staff qualifications, ratios and environment. The remaining funding went to local QRIS consortia to rate programs and provide additional support services to improve program quality. These services vary by consortium, but could include stipends for teachers to take early education classes, coaching or grants to improve classroom environment.

The state provides $50 million in ongoing Proposition 98 funding for QRIS for State Preschool. In 2015-16, the state provided $24 million in one-time General Fund for QRIS for infants and toddlers (to be used over three years). Additionally, First 5 California has made QRIS a priority in recent years and dedicated $25 million in 2016-17 for QRIS for all types of programs. Because much of the funding has been dedicated to QRIS for State Preschool, the majority of programs participating in QRIS are preschool programs. This funding for QRIS is not counted towards meeting the federal quality improvement expenditure requirement.

Quality Improvement Expenditure Plan Revisions. The 2016 Budget Act required the CDE to revise the State's quality improvement expenditure plan and submit the plan to the Legislature by February 1, 2017. In developing their plan, the budget bill language directed CDE to retain funding for resource and referral agencies, local planning councils and licensing enforcement. The language also directed CDE to prioritize other funding for QRIS. The CDE plans to submit a revised expenditure plan to the federal government after the enactment of the 2017-18 budget.

The CDE submitted its revised quality improvement plan to the Legislature last month. The plan reduces funding for nine programs in order to provide approximately $5.1 million for an

Infant/Toddler QRIS Block Grant. The figure below outlines the specific changes proposed by the CDE.

Comparing Existing and Proposed Quality Improvement Expenditure Plans

(In Thousands)

Category	Activities	2016-17[a] Revised	2017-18 Proposed	Change
Parent resources	Resource and Referral Agencies	$22,280	$22,280	—
	1-800-KIDS-793 Phone Line for Parents	91	91	—
	Subtotals	($22,371)	($22,371)	(—)
Training and technical assistance	Program for Infant and Toddler Care	$6,846	$6,453	-$393
	California Preschool Instructional Network	4,000	4,000	—
	Child Care Initiative Project	3,057	3,027	-30
	Health and safety training grants and regional trainers	2,655	2,655	—
	Inclusion and Behavior Consultation Network	920	920	—
	Family Child Care at Its Best Project	767	767	—
	Map to Inclusive Child Care and CSEFEL	750	750	—
	Desired Results field training	667	667	—
	Developmental Screening Network	176	176	—
	California Strengthening Families Trainer Coordination	40	40	—
	Subtotals	($19,877)	($19,455)	(-$423)
Financial aid	AB 212 Child Care Retention Program	$10,750	$8,063	-$2,688
	Subsidized TrustLine Applicant Reimbursement	461	461	—
	Stipend for permit	435	435	—
	Child Development Teacher and Supervisor Grant Program	318	226	-92
	Subtotals	($11,964)	($9,184)	(-$2,780)
Enforcement	Licensing enforcement for child care programs	$8,000	$8,000	—
Support to community colleges	Child Development Training Consortium	$3,273	$2,892	-$381
	California Early Childhood Mentor Program	2,966	2,921	-45
	Subtotals	($6,239)	($5,813)	(-$426)
Early learning resources	Desired Results system for children and families	$1,025	$1,025	—
	Development of early learning resources	959	500	-$459
	Faculty Initiative Project	455	400	-55
	California Early Childhood Online	290	290	—
	Development of infant/toddler resources	180	180	—
	Subtotals	($2,909)	($2,395)	(-$514)
Local planning	Local Planning Councils	$3,353	$3,353	—
Quality Rating and Improvement System (QRIS)	QRIS certification grants	$2,000	$1,000	-$1,000
	Migrant QRIS Block Grant	800	800	—
	Infant/Toddler QRIS Block Grant	—	5,143	5,143
	Subtotals	($2,800)	($6,943)	($4,143)
Program evaluations	Evaluation of quality improvement activities	$570	$570	—
Totals		**$78,084**	**$78,084**	**—**

[a] Does not include $6 million in one-time funding provided for quality improvement activities in 2016-17.
CSEFEL = California Social Emotional Foundations of Early Learning.

Source: Legislative Analyst's Office

LAO Analysis:

In reviewing the Quality Improvement Expenditure Plan, the LAO notes that the many of the activities are essential for serving families, for example programs that help families find care, collect data on child care providers, and identify areas of need. However, the LAO also notes that at the county level, there are a variety of programs and funds sources that may overlap and could limit the ability of a county to prioritize funding for the highest local needs. In addition, the LAO notes that the state has little data on whether programs are effective or measures of outcomes related to improvement of quality. Finally, more programs and funding are accessible to providers who contract directly with CDE and already meet higher standards.

The LAO has the following recommendations related to CDE's revised quality plan:

- Retain funding for resource and referral agencies, local planning councils, licensing enforcement, and evaluation of quality improvement activities to ensure basic programs to support families in accessing care and measuring need are funded ($34 million total).

- Consolidate $21 million in funding from seven programs operated by county-level support entities into a single county block grant. Allow county-level support entities to serve all types of providers. Require county-level support entities to identify a lead agency and develop a plan for spending block grant funds. Require lead agency to report annually on how funds are spent.

- Retain funding for remaining programs (nearly $23 million), but use planned evaluation funding to hire an independent evaluator to assess them over the next several years, starting with the largest programs in 2017-18. Revisit funding levels in the future based on the results of the evaluations.

Staff Comments:

The quality plan developed by the CDE has a significant number of targeted programs with low dollar amounts. While the state may wish to move to a more consolidated system of providing quality funding for priority activity areas, the state may wish to move carefully to avoid dismantling programs that are successfully fulfilling a need for providers in a specific area of the state. The Legislature may wish to ask the LAO and CDE to work together to recommend how funds already set-aside for evaluation could be used to look at program effectiveness. In addition, in the process for determining program effectiveness, the Legislature may also wish to ensure that local stakeholders are included in determining program effectiveness and key measurable outcomes.

Suggested Questions:

- How will funding for the Infant/Toddler QRIS Block Grant be used? Will additional funding be needed in future years?

- Are there additional programs CDE is considering for future consolidation or elimination?

- What information does the CDE currently receive through the program evaluation funding?

Staff Recommendation: Hold Open.

Issue 5: CalWORKs Participation Update

Panel:

- Kim Johnson, Branch Chief, Child Care and Refugee Program, Department of Social Services

Background:

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.

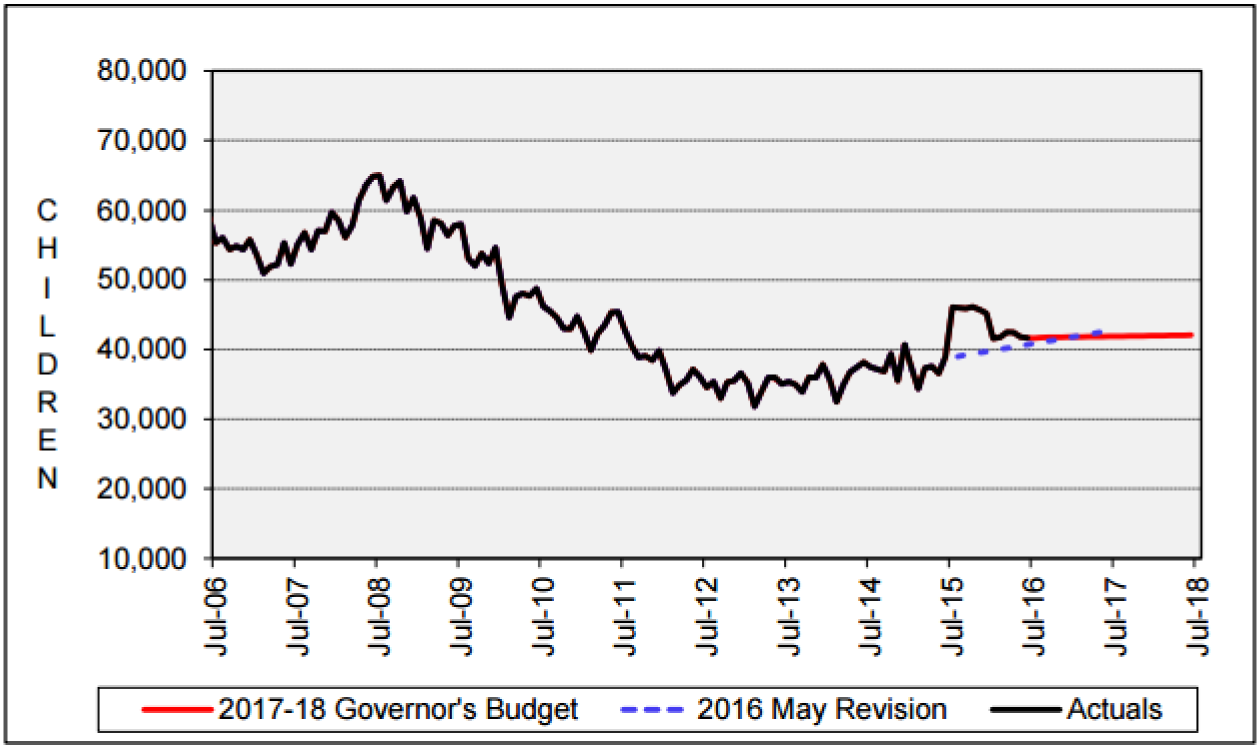
- Stage 3 begins when a funded space is available and when the client has acquired the 24 months of child care after transitioning off of aid (for former CalWORKs recipients).

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.

CalWORKs Stage 1 Participation

In past years, the Legislature has expressed concern about low utilization rates for CalWORKs child care, particularly Stage 1. Child care in Stage 1 is provided both to families working and those who are participating in Welfare-to-Work (WTW) activities. Participation in these programs decreased significantly during the recession as program policies shifted, and since this time enrollment has slowly increased, but is not back to pre-recession levels. In the first half of 2015-16, the utilization rate for Stage 1 and 2 child care of families with children participating in Welfare-to-Work activities is approximately 34 percent, compared to 30 percent in 2014-15 (this is not adjusted for families in which one parent is in WTW activities and the other parent is available to provide care for children.) For context, the County Welfare Director Association completed a survey, published in June 2016, that looked at the number of families eligible for Stage 1 and 2 child care. Based on responses, they estimate the utilization rate in CalWORKs Stage 1 and 2 and all other CDE-subsidized child care is approximately 45 percent. This survey also indicates that about 29 percent of children are in some other informal care arrangement. The most common reason families choose not to utilize Stage 1 and 2 child care, according to the survey, are a preference to do things on their own, followed by concerns over burdensome paperwork and low reimbursement rates.

CalWORKs Stage 1 Trend*



Source: Department of Social Services
*Note: The spike in 2015 reflects a shift in data collection rather than an actual increase in caseload.

In response to ongoing concerns, DSS has been working to increase understanding of CalWORKS Stage 1 caseload and the processes of counties as they qualify families for Stage 1 child care and transition eligible families to Stage 2 child care. DSS has recently updated their data system as of July 1, 2015, to collect information on the actual number of children receiving care, whereas the prior system collected payment information quarterly, with limited the ability of the department to track care provided accurately across the year.

DSS is also analyzing data in greater depth and in CalWORKs Stage 1 84 percent of children are older than age two, meaning they are eligible for a variety of other state and federal child care and education programs. DSS staff also embarked on series of site visits to 14 counties to observe processes and practices in providing CalWORKs child care. Over the past year, DSS has participated in a working group with CDE and child care stakeholders to examine some of the potential issues with families accessing child care. This work informed a DSS All County Notice that will be released in the coming days addressing best practices around access, enrollment, funding, and transferring of care.

Suggested Questions:

- What information did DSS gather from site visits with counties?
- What data is DSS collecting that will allow for a more complete assessment of participation in Stage 1 CalWORKs?

Staff Recommendation: Information Only.

Issue 6: Related Proposals

6A. California Legislative Women's Caucus

Panelist: Senator Connie M. Leyva, District 20, Vice Chair, California Legislative Women's Caucus

Budget request. The Senator will present the California Legislative Women's Caucus child care and early education funding priorities.

6B. Twelve Month Eligibility and State Median Income

Panelist: Anna Levine, Senior Staff Attorney, Child Care Law Center

Budget request. The Child Care Law Center supports expanding eligibility for families in the child care and early education system to align with the recently adopted changes to the state's minimum wage by (1) adopting a 12-month eligibility period; and (2) updating the state median income (SMI) eligibility guidelines to the most recent SMI and exit ceilings to 85 percent of the SMI.

6C. Child Care Eligibility for Children in Foster Care

Panelist: Cathy Senderling-McDonald, California Welfare Directors Association

Budget request. The County Welfare Directors Association of California requests a change to statute to specify that a foster care grant is not considered as income, nor counted for purposes of family fees, when determining eligibility for child care subsidies. Current CDE regulations require that children both have a need and an income determination. Once this occurs, children are placed onto a waiting list for child care subsidies based on their relative need. The concern under this current process is that for children in foster care, a foster care grant (which only covers basic board and care costs) may place them with higher income than other children, therefore delaying, if not denying, their access to subsidies.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, April 20, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

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: Local Control Funding Formula (LCFF)

Panel:

- Ryan Anderson, Legislative Analyst's Office
- Lisa Mierczynski, Department of Finance
- Debra Brown, Department of Education

Background:

K-12 School Finance Reform. As of the 2016 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 undeficited 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 2013-14.

- **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 receive the bulk of their funds through 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. The COE formula also includes hold harmless provisions. Each COE receives at least as much funding under LCFF as it received in 2012-13 from revenue limits and categorical programs. In addition, each COE receives at least as much state General Fund as it received in 2012-13 for categorical programs. COEs are no longer required to provide the services these funds sources previously covered. COEs reached their target funding levels in 2014-15 and are adjusted each year for COLAs and ADA growth.

The California County Superintendents Educational Services Association (CCSESA) is requesting an ongoing budget augmentation of $16.8 million for COEs to continue to support, review, and approve school district Local Control and Accountability Plans (LCAPs). Specifically, the proposal would increase the "target" level of funding for COEs under the LCFF by $50,000 per school district and $3 per ADA in the county. Under the proposal, the new state funding would be allocated to the lowest-funded COEs, while those at higher levels of funding (commonly referred to as "hold harmless" counties) would be expected to use their existing funding to provide support to districts on their LCAP.

Budget Appropriations. The LCFF establishes new "target" LCFF funding amounts for each LEA, and these amounts are adjusted annually for cost-of-living adjustments (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 and the Administration still anticipates that timeframe.

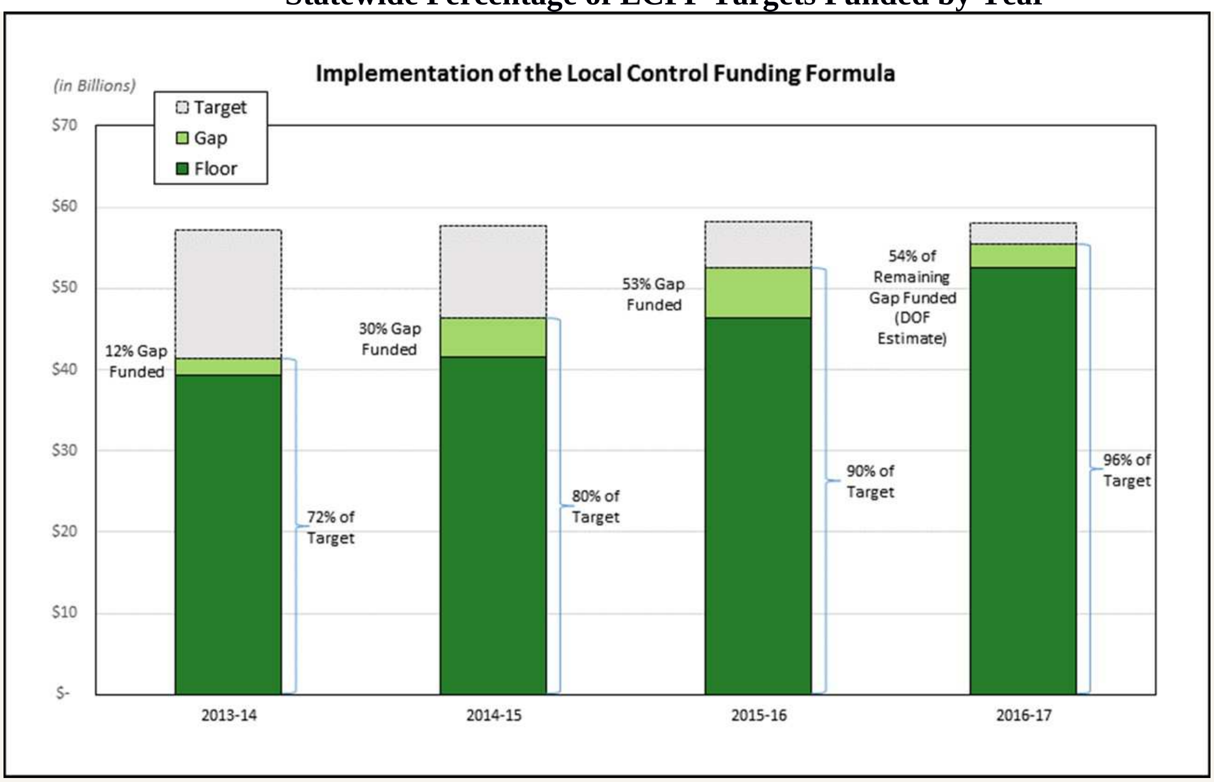
Over the past three years, the state has made considerable investments towards implementing the LCFF, as shown in the tables below. Overall, the LCFF was about 96 percent fully funded as of the 2016 Budget Act and the proposed additional investments in 2017-18 would effectively only cover COLA adjustments on the target and maintain a 96 percent funding level.

Amounts Provided 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	$5.6
2016-17	N/A	$2.9	$2.7 (estimated)

Figures may not sum due to changes between years for growth and cost of living adjustments.
Source: California Department of Education

Statewide Percentage of LCFF Targets Funded by Year



Source: California Department of Education

Each individual LEA was differently situated relative to its LCFF target when the formula was implemented in 2013-14. Each LEA receives the same percentage of its remaining need in new implementation funding, although the actual dollar amounts may vary. The intent is that all LEAs reach full implementation at approximately the same time. There are some exceptions as an LEA may have already been at its target at initial implementation or reached its target faster or slower based on other changes in its individual LCFF calculation. As of 2015-16, of all the school districts and charter schools in the state, 71 were at full implementation, 1,362 were funded between 90 and 100 percent of their target and 716 were between 82 and 90 percent of target.

Because each LEA started at a different place and, based on the students they serve, receive different allocations of funding under the formula, LCFF impacts LEAs differently. LCFF funding as a whole increases 1.4 percent in 2017-18 under the Governor's budget projections. However under this scenario, the Legislative Analyst's Office (LAO) estimates that about 70 districts would experience growth of two percent or more, 440 would experience growth of between one and two percent, and 435 districts would experience growth of less than one percent. LEAs are also experiencing other costs pressures including minimum wage increases, health care increases, and rising pension costs that put pressure on their budgets. A statutory formula put in place by AB 1469 (Bonta), Chapter 47, Statutes of 2014, will increase district contributions for pensions each year as a share of payroll through 2020-21, while state contributions and teacher contributions also increase. These increases for LEAs commenced in 2014-15 while additional LCFF funding and other one-time fund sources were significant. The LAO notes that for the years 2014-15 through 2016-17, increases in LCFF have grown significantly more than increase in pension costs, however, in 2017-18, that trend reverses with pension costs growing more quickly. The LAO also estimates that over the full period of LCFF implementation (anticipated to be through 2020-21), LCFF growth is anticipated to outpace pension costs. Finally, LEAs are impacted differently based on their unique circumstances (numbers of unduplicated students and LCFF funds, requirements for spending based on supplemental and concentration grants, planning for pension increases, and available reserves among other factors).

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. However, Department of Finance (DOF) projections for 2017-18 suggest a slowing in state revenues, as reflected in available Proposition 98 resources for LCFF.

Governor's Proposal:

The Governor's budget proposes an increase of approximately $744 million in 2017-18 to implement the LCFF. Overall, this investment results in the formula funding at 96 percent of full implementation in 2017-18, maintaining the same implementation percentage assumed as of the 2016 Budget Act. The implementation percentage remains unchanged as the new funding is essentially covering the cost of an adjustment to LCFF targets as adjusted in 2017-18 for changes in average daily attendance growth and cost-of-living adjustments.

In addition, the 2017-18 Governor's budget includes Proposition 98 estimates for 2015-16 and 2016-17 that are below the levels assumed in the 2016 Budget Act. In order to avoid over-appropriating the Proposition 98 minimum guarantee, the Governor proposes to defer $859.1 million of the funding scheduled to be provided for LCFF implementation from 2016-17 to 2017-18. Thus payments to LEAs would shift from June 2017 to July 2017. This would be a one-time deferral, fully paid off in the 2017-18 fiscal year.

The Governor also proposes minor technical changes in trailer bill to align statutory references under LCFF.

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 also recommends that the state exhaust all potential one-time options before adopting a payment deferral for 2016-17.

The LAO recently released a report, “Re-Envisioning County Offices of Education: A Study of Their Mission and Funding”, that examines the funding structure for COEs under the LCFF and the activities COEs are required to undertake. The LAO notes that, based on data from 2014-15, per pupil spending by COEs varies widely; generally COEs spend less per juvenile court student than is generated by each student (roughly 70 percent statewide). There is little data on expenditures on students that COEs serve based on agreements with LEAs and this arrangement complicates data on student spending. However, generally COEs serving smaller numbers of students, spend more per student. The LAO roughly estimated that COEs are spending up to $20 million per years on required fiscal oversight activities and roughly $20 million in LCAP activities. Remaining LCFF funds are spent on optional activities, these may include additional LCAP support, professional development, enrichment programs, and other priorities. COEs may also provide other services for which they charge a fee.

The LAO recommends changing the model for funding COEs to fund COEs directly for their core oversight activities. The LAO suggests that a formula that reflects this would adjust for the number and size of districts in each county, and could potentially include an allocation for base COE costs. LEAs would be funded directly for alternative school students, including juvenile court school students, and allowed to contract with COEs or choose an alternative provider to serve these students. The LAO believes this would allow LEAs to oversee the services for these students, including the quality and cost, and accountability for student outcomes would fall to the LEA. Funding that COEs previously got for optional serves would be shifted to LEAs who could use those funds to purchase services from COEs, if desired. Finally, the LAO recommends that theses change be phased in over a multiple year period.

Staff Comments:

The Governor's proposed budget for 2017-18 reflects slower growth for the budget year and revises revenues downward for the previous two years. In the area of education, this essentially results in a workload budget with few new programs funded and the LCFF maintained at 96 percent fully funded. The Legislature may wish to consider whether to prioritize any additional Proposition 98 funding, if available at the May Revision, for LCFF implementation. Although the formula is almost fully funded, it still will take billions in additional ongoing resources to meet the target.

Finally, the Legislature should monitor any changes to the 2015-16 and 2016-17 Proposition 98 guarantee levels at the May Revision. Any growth in the guarantee in these years would reduce the need to defer LCFF payments from one year to the next, increase the 2017-18 guarantee, and free-up funding in 2017-18 under the Governor's proposal for other education uses.

Subcommittee Questions:

- 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?

- How would increases in the guarantee at May Revision impact the need for a deferral?

- 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.

6100 DEPARTMENT OF EDUCATION

Issue 2: Accountability Overview

Description:

Panel:

- Edgar Cabral, Legislative Analyst's Office
- David Sapp, State Board of Education
- Debra Brown, Department of Education
- Josh Daniels, California Collaborative for Educational Excellence
- Jessica Holmes, Department of Finance

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 and 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. Most student assessment scores were not available for assessments given in the spring of 2014, since the state was piloting a new assessment system. Accordingly, based on statutory authority, the SBE approved a recommendation by the state superintendent to not calculate the API for the 2013-14, 2014-15, and 2015-16 years. In addition, California initially applied for and received a waiver of federal law exempting the state from the calculation of the AYP for some schools and districts. In December 2015, the federal No Child Left Behind Act was reauthorized as the Every Student Succeeds Act (ESSA). Most federal accountability requirements are frozen based on 2016-17 during the transition, with most new ESSA accountability requirements effective in 2017-18.

This transition in test scores and, therefore, aggregate accountability scores, aligns with an evolution in what the state expects from LEAs with respect to accountability. The 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.

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.

At the November 2016 SBE meeting, the board took action to adopt an updated version of the LCAP. As part of the updating process, the CDE and SBE staff involved stakeholders and reviewed input. Along with formatting changes to make the LCAP easier to complete and review, the new version includes an executive summary section including prompts designed to highlight how LEAs are addressing the needs of their students. In addition, the new LCAP, for use in the 2017-18 fiscal year, is a three year static plan that is updated annually, rather than a rolling three-year plan as in the previous versions of the LCAP. Initial reactions from the field on the new template have been very positive.

Evaluation Rubrics. As required by LCFF statute, the SBE adopted tools that evaluate performance based on specified criteria, known as evaluation rubrics, in September 2016. 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 and providing resources for LEAs in need of 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 is continuing work to refine the rubrics and has developing an online tool called the California School Dashboard, which was made available online in March of 2017. This new tool includes the following components, some of which are still in progress:

1) State and local performance indicators that reflect performance on the LCFF priorities:

- State level indicators are available through the CDE data system, CALPADS, are comparable statewide, and include the following:
    - Academic indicator based on student test scores on English Language Arts (ELA) and Math for grades 3–8, including a measure of individual student growth, when feasible, and results on the Next Generation Science Standards assessment, when available.
    - College/career indicator, which combines Grade 11 test scores on ELA and Math and other measures of college and career readiness.
    - English learner indicator that measures progress of English learners toward English language proficiency and incorporates data on reclassification rates (reclassification standards vary by district).
    - High school graduation rate.
    - Chronic absence rates, when available.
    - Suspension rates by grade span.
- Local indicators rely on local data and are not reported at the state level. These include:
    - Appropriately assigned teachers, access to curriculum-aligned instructional materials, and safe, clean, and functional school facilities.
    - Implementation of state academic standards.
    - Parent engagement.
    - School climate – local climate surveys.
    - Coordination of services for expelled students (county offices of education).

- Coordination of services for foster youth (county offices of education).

2) Performance standards for each indicator allowing LEAs and schools to identify both progress and needed improvements. For each state indicator, the SBE has determined a measurement based on an LEA's current performance and improvement over time (over a three-year period if available). This combined measure then falls into a color-coded range, with each LEA, school, and student group measured annually. This method will allow for an easily accessible display as part of the dashboard for district and school administrators, teachers, students, parents, and other stakeholders. Currently the SBE has approved performance standards for the college/career indicator, English learner indicator, academic indicator, graduation rate indicator, and suspension rate indicator. The SBE is working on performance standards for the Chronic Absence indicator, for which state data will be collected for the first time in 2017. For local indicators, the SBE has approved some self-reflection tools and a method for LEAs to self-assess as "met", "not met", or "not met for more than two years." The SBE and CDE have several working groups in special subject areas that will continue to inform and help refine the indicators over the next few years.

3) Criteria for determining when an LEA is eligible for technical assistance or intervention. Based on the performance standards for each of the indicators, the SBE has adopted a plan that details for each state priority area, the levels for each indicator at which technical assistance and intervention are needed.

4) Statements of model practice that describe research and evidence-based practices related to each indicator, as well as links to vetted external resources. The development of these statements of model practice is still underway through working groups and have not yet been approved by the SBE.

California Collaborative for Educational Excellence (CCEE). The CCEE was created as part of the new LCFF accountability framework, with its goal 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. The CCEE may contract with individuals, LEAs, or organizations with expertise in the LCAP state priority areas and experience in 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 budget provided $10 million in Proposition 98 funding for the CCEE; and subsequent legislation, 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. Of the total, $4.4 million was encumbered. The remaining $5.6 million was reallocated through the 2016 Budget Act in addition to a new appropriation of $24 million in one-time Proposition 98 funds for the CCEE to conduct statewide training for all LEAs and education stakeholders on the evaluation rubrics and their use to inform development of local control and accountability plans, with a focus on improving student outcomes and closing the achievement gap. At least $20 million of the total is to be used for the statewide training activities. Up to $9.6 million of the remaining funds may be used to support a pilot program for the CCEE to assist LEAs in improving pupil outcomes.

Since the initial allocation of funds, the CCEE has hired an executive director and key staff, who have conducted outreach and visited the 58 county offices of education, involving study sessions with a select, diverse group of LEAs. The CCEE has also developed an expenditure plan for the statewide training activities and pilot program. Some components are already underway, as summarized below:

Professional Development Plan:

- Annual workshops in the fall of 2016 (completed) and the spring of 2017. These are held across the state and open to all levels of interested parties from school boards and district personnel to the general public.

- A content library that houses vetted, aligned, and accurate materials to be used by local trainings in local trainings. Initial content for the library is currently being reviewed, and additional content will be added over the next few years.

- Professional Learning Networks (PLNs) hosted be county offices of education, statewide organizations, and non-profits with LEA participants to support collaborative efforts to build capacity. Professional learning exchanges will provide the ability for PLN facilitators to collaborate and work together to ensure consistency in training and sharing of information.

- Customized trainings on the Dashboard upon request from associations and individual LEAs.

Pilot Program

The pilot program is designed to assist the CCEE in developing and designing their work in providing technical assistance and intervention to LEAs. The CCEE Governing Board has approved 10 pilot LEAs (nine school districts and one county office of education) that reflect urban, suburban, and rural areas with different needs for technical assistance. In selecting a pilot, the CCEE considers whether the LEA has: 1) persistent academic/achievement challenges as evidenced by achievement gaps between student demographic groups, test scores, or other metrics; 2) a leadership team, including the Board of Trustees overseeing the LEA, that fully commits to participating in pilot process; and 3) the support of their county office of education. In spring of 2017, the CCEE held a summit for pilot participants, COE partners, staff, and CDE to inform the progress of the pilot program and collaborate on innovative ideas for assisting LEAs.

Federal Accountability

Under ESSA, of the total Title I grant amount (approximately $2 billion), states must set aside seven percent for school improvement interventions and technical assistance. The majority of these funds must be used to provide up to four-year grants to LEAs. States may also set aside three 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-8), 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 that fail to graduate more than one-third of their students, and schools in which any subgroup is in the lowest performing five percent and has not improved over time.

Governor's Proposal:

The Governor proposes trailer bill on the following issues related to accountability:

- Current law allows the SBE to adopt the LCAP template in accordance with the Bagley-Keene Open Meetings Act, but exempts the adoption of the LCAP template from the Administrative Procedures Act through January 31, 2018. The proposal would remove the sunset date for the SBE to revise the LCAP template without going through the regulatory process.

- Current law states that the SPI, with after consultation with the chartering authority and the approval of the SBE, may assign a charter school for assistance from the CCEE. The proposal would instead allow a chartering authority to request, after consultation with the SPI and the approval of the SBE, that the CCEE provide advice and assistance a charter school. This change in assignment of the CCEE's services aligns with the structure for school districts and county offices of education to access technical assistance from the CCEE.

Staff Comments:

The Legislature should continue to monitor the ongoing accountability work of the SBE and partners. The new California Schools Dashboard is intended to help make a new more complex, multi-measure, accountability system easily understandable to the school community and broader public. While the dashboard has just been unveiled, the state should ensure that the CCEE, SBE, CDE, and LEAs are ensuring that information on how to use this new tool is accessible statewide and for all stakeholders. The information provided in the dashboard should work in conjunction with the LCAP. Over the past few years, LEAs have been uneven in the ability to complete comprehensive LCAPs. The new LCAP template combined with is designed to address many of these concerns and the Legislature may wish to review progress as LEAs continue work with the new template and the dashboard.

The accountability system is intended to be a catalyst for improvement. LEAs and their stakeholders can use the information to drive change in practices at the local level to support outcomes for students and to make progress towards closing the achievement gap. However, for our schools and districts facing the most challenges, the tools provided through the SBE and the work of the CDE, county offices of education, and the CCEE will be critical in providing the guidance to ensure these schools and districts are providing the education the students deserve. There have been multiple intervention, turnaround, and support programs through federal and state law in past years, this new approach is designed to create a continuous improvement culture and build local capacity. The Legislature and Governor have worked over multiple years on this new approach. As with any new system, there will be the need for adjustments along the way and the Legislature should continue to be engaged in oversight of the system and keep the focus on outcomes for all students, including unduplicated and subgroups of students.

Suggested Questions:

- What feedback has been received on the dashboard roll-out? Are there additional functions or upgrades that are planned to fully take advantage of an online tool?

- What progress has the CCEE made on implementing pilots and when can the state anticipate information on how the pilots are informing future CCEE activities?

- What work is currently underway on developing additional indicators for the dashboard?

Staff Recommendation: Hold Open

6100 DEPARTMENT OF EDUCATION

Issue 3: Statewide Academic Content Standards and Resources

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Jessica Holmes, Department of Finance
- Debra Brown, Department of Education

Background:

Academic Content Standards.

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.

Additional legislation chaptered in 2016 requires updating or creating standards in the following areas: computer science (AB 2329 [Bonilla] Chapter 693), world languages (AB 2290 [Santiago] Chapter

643), visual and performing arts (AB 2862 [O'Donnell] Chapter 647), and the creation of a model curriculum for ethnic studies (AB 2016 [Alejo] Chapter 327).

Supporting Local Implementation. The SBE also 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 most recent adoption is the history social science curriculum framework, with an adoption of the aligned instructional materials list anticipated in November of 2017. 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	New Standards	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	2016	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. An initial $1.25 billion was provided through an 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 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, of which a portion must be spent on instruction materials. The state also has provided one-time discretionary funding over the past few years and continues to provide ongoing LCFF funding, both of which may be used for standards implementation.

Governor's Budget:

As discussed in the March 9th hearing of this subcommittee, the Governor proposes to provide $287 million 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. 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 has also suspended funding for the Instructional Quality Commission in 2017-18 due to the reduction in available General Fund resources, resulting in one-time savings of $948,000 in 2017-18. The workload of the commission in 2017-18 is related to statutory deadlines for updating or creating standards in the following areas: computer science, world languages, visual and performing arts and the creation of a model curriculum for ethnic studies. The Governor has proposed trailer bill language that delays each of these workload requirements by one year. Finally, the Governor has proposed trailer bill language to amend the governance structure of the computer science strategic implementation advisory panel, requiring the Governor, rather than the SPI, to convene the panel.

The Governor also proposes trailer bill language that would allow the CDE to charge publishers a fee for participation in the instructional materials adoption process. This practice has been in place since the recession for the adoption of instructional materials for specific subject area adoptions and the new language would allow CDE to continue a fee-based process for any instructional materials adoption. The Governor also proposes other minor technical trailer bill language related to assessments.

Suggested Questions:

- What resources do LEAs have to support their utilization of the new History and Social Sciences Frameworks?

- Has any work been underway by the IQC on any of the standards-related work the Governor has proposed to delay by one year?

- How are small publishers impacted by the fees required for participation in the instructional materials process?

Staff Recommendation: Hold Open.

6100 DEPARTMENT OF EDUCATION

Issue 4: Statewide Assessments

Panel:

- Edgar Cabral, Legislative Analyst's Office
- Debra Brown, Department of Education
- Jessica Holmes, Department of Finance

Background:

Students' 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 2016-17, 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, or pilot test new assessments. Once fully implemented, this new suite of statewide assessments will align with new state academic content standards.

California Assessment of Student Performance and Progress (CAASPP)

1) **English Language Arts and Math Assessments**

The 2016-17 school year includes the third 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, and require access to computing devices and the internet for the assessment to be administered. These assessments are given to students in grades three-eight and eleven.

In August of 2016, scores were released for the second year of ELA and mathematics assessments and they showed improvement from the 2014-15 scores. In ELA, the percentage of students meeting or exceeding standards increased by at least four percentage points in all grades except grades eight and eleven, which increased by three points. In mathematics, the largest gains were seen among third-graders, with 46 percent meeting or exceeding standards, an increase of six points from last year. Other grades posted gains of two or three percentage points. However, scores continue to show large disparities in performance among different subgroups of students.

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. A new NGSS-aligned assessment is under development and included in the CAASPP contract and will be pilot tested this spring in grades five, eight and once in high school (students from different grades will be selected for the pilot). CDE anticipates an operational assessment to be available in 2018-19. In the meantime the state has opted to not assess students using the prior assessment that is not linked to state standards.

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. The 2017 spring pilot CAA for science will be given to students enrolled in grades five and eight and once in high school (i.e., grade ten, eleven, or twelve).

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. CDE anticipates that 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. 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. A new ELPAC assessment is intended to provide additional information for LEAs as they look to reclassify English learners.

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 legislation also required the SPI to provide a recommendation to the Legislature on the future of the CAHSEE; the SPI released a report in September 2016 and recommended that the CAHSEE not be used as a graduation requirement.

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 three through eight and eleven, 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. 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 arears. The proposed budget for assessments in 2017-18 (Governor's budget) is summarized below, however, adjustments to these amounts may be made in the May Revision as final contract costs are known and as adjustments are made for the amount of available federal funding:

Proposed 2017-18 Statewide Assessment Costs			
Asssessment Activity	**Prop 98 Funds Projected Costs**	**Federal Funds Projected Costs**	**Total Projected Costs**
Other Assessment-Related Contracts	$1,490,000	$600,000	$2,090,000
English Language Development Assessment	$5,014,000	$13,432,000	$18,446,000
California Assessment of Student Performance and Progress	$80,763,000	$6,964,000	$87,727,000
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	**$110,490,000**	**$20,996,000**	**$131,486,000**

Source: Department of Education

Suggested Questions:

- What plans does the CDE have for smooth implementation of new assessments as they are completed? Does this include outreach to parents and students?

- What resources are available for LEAs, parents, and students to interpret score results and understand the implications for instruction and individual students?

- What is the state's plan for assessing students in science until the new NGSS-aligned assessment is operational?

Staff Recommendation: Hold Open. The budgeted amounts for statewide assessments will be updated at the May Revision, based on final cost estimates.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, May 4, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee, and Elisa Wynne

Items for Discussion

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: Student Friendly Services: California College Guidance Initiative

Panel:
- Tessa Carmen De Roy, Ed.D. Executive Director, California College Guidance Initiative
- Jeff Vaca, Chief Governmental Relations Officer, Riverside County Office of Education

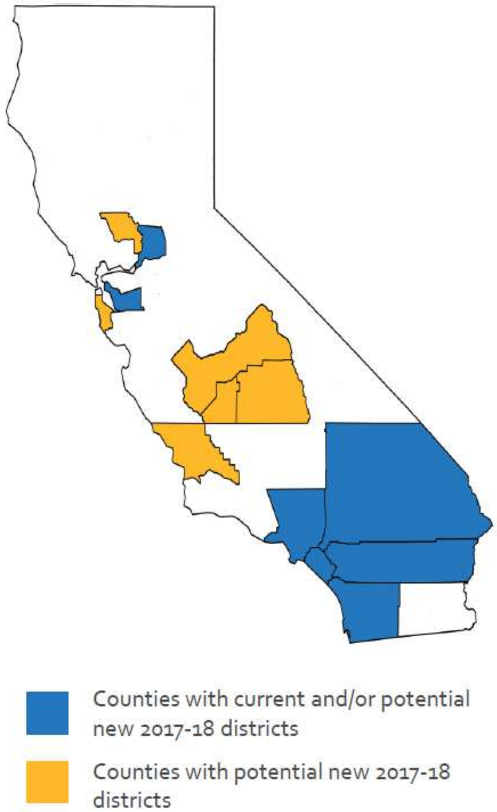
Background:

The Student Friendly Services budget item (6100-172-0001) supports the California College Guidance Initiative (CCGI). The CCGI is a non-profit organization that manages a college planning website, (californiacolleges.edu) and provides other data-related services. Specific services include:

- Website services available to all middle and high school students:
    - Personal account for tracking of academic plans and progress, management of financial aid and college admissions applications.
    - Career assessment and tools to assist in career and college exploration
- Additional services available to partner districts (pay a fee to CCGI):
    - Electronic transcript platform can be used to submit verified transcript data along with an application for admission to CSU.
    - District data for counselors to track A-G courses and other academic progress of students and districts to use for ensuring they are making progress towards college-readiness for their students.
    - Verified data for CCC to ensure correct placement of incoming students (under development).
    - Data matching with the California Student Aid Commission (under development).

Usage of the site has increased significantly in the past few years. In 2016-17, CCGI is working with 23 partner districts that serve approximately 420,000 students in grades six through 12 (approximately 13 percent of statewide enrollment and 21 percent of statewide free and reduced price lunch enrollment in these grades.) In addition the number of partner districts is projected to grow to approximately 40 in 2017-18.

District Partnerships



Alameda County
Oakland
Hayward*

Fresno County
Firebaugh*
Kerman*
West Park*

Kings County
Hanford Joint Union*

Los Angeles County
Compton
El Monte
El Rancho
Hacienda La Puente
Long Beach
Los Angeles**
Norwalk-La Mirada*
Pomona
Rowland

Orange County
Anaheim
Garden Grove
Santa Ana

Riverside County
Coachella Valley*
Corona-Norco
Desert Sands
Hemet
Jurupa*
Moreno Valley
Murrieta Valley
Perris Union
Temecula Valley
Val Verde

Sacramento County
Sacramento City
Elk Grove*

San Bernardino County
Chaffey Joint
Chino Valley
Upland

San Diego County
San Marcos

San Luis Obispo County
Coast*
Paso Robles*
San Luis Coastal*
Templeton*

San Mateo County
Jefferson Union High*

Tulare County
Cutler-Orosi Joint*

Yolo County
Woodland Joint*

* Districts that have applied for 2017-18 but have not signed a contract.

** Districts that have requested and received proposal for partnership from CCGI.

Source: CCGI

Funding.

Prior to 2015-16, funding for Student Friendly Services was provided to the California Community College Chancellor's Office who provided administrative services. In the 2015-16 budget act, the $500,000 Proposition 98 appropriation was transferred to the Riverside County Office of Education who took over administration of the program and an additional $500,000 in one- time funding was provided to support the program. The 2016-17 budget increased ongoing support of Student Friendly Services to $2.5 million. In addition, the CCGI receives revenue from partner district fees (per student fees for 2017-18 are $2.00 per middle school and $2.75 per high school student), raises funds from private foundations, and receives funding from CSU. The current and projected funding breakout is shown below:

Shared Cost Model

	2014-2015	2015-2016	2016-2017	2017-2018 (projected)
SFS line item (ongoing)	$500,000	$500,000	$2,500,000	$2,500,000
One time funds		$500,000		
District Revenue	-	$250,000	$750,000	$1,250,000
CSU Investment	$75,000	$100,000	$250,000	$250,000*
Philanthropy (operating funds)	$1,600,000	$1, 800,000	$1,200,000	$1,300,000
Philanthropy (technology rebuild)		-	$1,100,000	$200,000
TOTALS	$2,175,000	$3,150,000	$5,800,000	$5,725,000

*CSU investment funding amount to be determined.
Source: CCGI

Suggested Questions:

1. How does CCGI determine with which districts to partner? What is the demand among districts statewide for these services?

2. What additional functionality is CCGI currently working on or considering adding in future years?

Staff Recommendation: Information Only.

6100 Department of Education

Issue 2: College Readiness Funds and Practices

Panel:

- Debra Brown, Department of Education
- Stephen Koffman, Executive Director, San Francisco Unified School District, Office of College and Career Readiness
- Fernando Meza, Administrative Director of Pupil & Community Resources, Pomona Unified School District
- Erick Gonzalez, High School Student

Background:

California Education Code includes specific required courses that students must pass in order to graduate from high school and receive a diploma. The state sets minimum requirements, and local school boards may establish their own graduation requirements for their school district that include, and may go beyond, the state requirements. Both the University of California (UC), the California State University (CSU), and many private colleges require students to complete additional coursework to be eligible for admission. This includes required A-G courses, a total of 15 courses compared to the minimum 13 courses. California community colleges are required to admit California residents possessing a high school diploma or equivalent and may admit students without diplomas under certain circumstances. See the below chart for a comparison of high school graduation, UC, and CSU requirements:

High School Subject Area	State Mandated Requirements (EC 51225.3) for High School	UC Requirements for Freshman Admissions	CSU Requirements for Freshman Admissions
English	Three years	Four years of approved courses	Four years of approved courses
Mathematics	Two years, including Algebra I	Three years, including algebra, geometry, and intermediate algebra. Four years recommended.	Three years, including algebra, geometry, and intermediate algebra.
Social Studies/Science	Three years of history/social studies, including one year of U.S. history and geography; one year of world history, culture, and geography, one semester of American government and civics, and one semester of economics.	Two years of history/social science, including one years of U.S. history or one-half year of U.S. history and one-half year of civics or American government; and one year of world history, cultures, and geography.	Two years, including one year of U.S. history or U.S. history and government and one year of other approved social science.
Science	Two years, including biological and physical sciences.	Two years with lab required, chosen from biology, chemistry, and physics. Three years recommended.	Two years, including one year of biological and one year of physical science with lab.
Foreign Language	One year of either visual and performing arts, foreign language, or career technical education.	Two years in same language. Three years recommended.	Two years in same language.
Visual and Performing Arts	One year of either visual and performing arts, foreign language, or career technical education.	One year of visual and performing arts from approved list.	One year of visual and performing arts from approved list.
Physical Education	Two years	N/A	N/A
Electives	N/A	One year from approved list	One year from approved list
Total	**13**	**15 (7 in the last two years of high school)**	**15**

Source: Department of Education

College Readiness Block Grant. In the 2016-17 budget act, $200 million in one-time Proposition 98 funding was provided to districts with students in grades 9-12. Funds were distributed on a per-student basis for students who are low-income, foster youth, or English learners, with no LEA receiving less than $75,000 if they served at least one low-income, foster youth, or English learner student. LEAs may use these funds over a three-year period to provide additional opportunities and supports for students to increase their four-year college going rates, such as expansion of A-G course offerings, student and parent counseling, and advanced placement exam fees. As a condition of receiving funds, LEAs were required to submit a plan to CDE by January 1, 2017. detailing how the LEA will measure the impact of funds received on the LEA's low-income, foster youth or English learner students access and matriculation to higher education. CDE is currently working on a summary report of the information LEAs have provided around this funding.

College Readiness Accountability. A College and Career Readiness Indicator was adopted by the State Board of Education in February of 2017. The new indicator is included in the state's multiple measure accountability system, the California School Dashboard. The indicator ranks post-secondary preparedness with three levels: prepared, approaching prepared, and not prepared as described below:

- **Prepared Level - Does the graduate meet at least one measure below?**

  High School Diploma and any one of the following:

  - Career Technical Education (CTE) Pathway Completion **plus one** of the following criteria:
    - Smarter Balanced Summative Assessments: At least a Level 3 "Standard Met" on English language arts or mathematics and at least a Level 2 "Standard Nearly Met" in the other subject area
    - One semester/two quarters of dual enrollment with passing grade (Academic/CTE subjects)
  - At least a Level 3 "Standard Met" on both ELA and Mathematics on Smarter Balanced Summative Assessments
  - Completion of two semesters/three quarters of Dual Enrollment with a passing grade (Academic and/or CTE subjects)
  - Passing score on two advanced placement (AP) exams or two international baccalaureate (IB) exams
  - Completion of courses that meet the University of California (UC) a-g criteria **plus one** of the following criteria:
    - CTE Pathway completion
    - Smarter Balanced Summative Assessments: At least a Level 3 "Standard Met" on ELA or Mathematics and at least a Level 2 "Standard Nearly Met" in the other subject area
    - One semester/two quarters of Dual Enrollment with passing grade (Academic/CTE subjects)
    - Passing score on one AP exam **OR** on one IB exam

- **Approaching Prepared Level - Does the graduate meet at least one measure below?**

  High School Diploma and any one of the following:

  - CTE Pathway completion.
  - Scored at least Level 2 "Standard Nearly Met" on one or both ELA and Mathematics Smarter Balanced Summative Assessments.
  - Completion of one semester/two quarters of Dual Enrollment with passing grade (Academic/CTE subjects).
  - Completion of courses that meet the UC a-g criteria.

- **Not Prepared Level**

  Student did not meet any measure above or did not graduate.

Audit. The California State Auditor released a report in February of 2017, *College Readiness of California's High School Students*, that analyzes access to and completion of college preparatory coursework needed for admission to the state's public university systems. The audits recommendations include:

- Devoting additional or reallocating existing resources to ensure students have the academic preparation in kindergarten through grade eight to be ready to take on college preparatory coursework in high school.

- Districts should develop and implement a model (similar to San Francisco Unified's approach) that allows for the identification of students who are not completing grade-level college preparatory coursework and intervene, if necessary.

- Districts should create credit recovery options that reflect the needs of their students, such as summer school and evening courses.

- Require CDE or other state entity to coordinate statewide college readiness efforts focused on increasing college preparatory completion rates and to provide training and guidance to LEAs throughout the state on the creation and application of appropriate district and school level access analyses.

- Require county offices of education to monitor districts to determine whether they offer students adequate access to college preparatory coursework and review district's accountability plans and actions to implement plans.

Suggested Questions:

1. For CDE: What common metrics have LEAs identified for tracking the effectiveness of their College Readiness Block Grant funding?

2. For LEA representatives: What needs did the district identify as unique to their community or population and how are they using block grant funding and other funds sources to address those needs and increase college readiness among students?

3. For student representative: What resources did your school provide to help ensure you had the opportunity to ensure you were ready for post-secondary education? How did these help you to meet your individual challenges as you prepare to attend college?

Staff Recommendation: Information Only.

6440 UNIVERSITY OF CALIFORNIA

Issue 3: UC Student Support Services Oversight

Panel:

- Jason Constantouros, Legislative Analyst Office
- Dave Marshall, Executive Vice Chancellor, University of California, Santa Barbara
- Kieran Flaherty, University of California

Background

As part of a package of initiatives proposed by Senate President Pro Tempore Kevin de León, the 2016-17 budget for UC included $20 million in one-time for support services for "low-income students and students from underrepresented minority groups," including students who were enrolled in Local Control Funding Formula (LCFF)-plus schools. LCFF-plus schools are schools where more than 75 percent of the school's total enrollment (unduplicated) is composed of students who are either English learners, eligible for a free or reduced-price meal, or foster youth. These schools are eligible for supplemental funding under LCFF. The additional funding in the budget act was designed both to increase the number of LCFF-plus and other low-income students who enroll at UC and to expand academic support services to ensure their academic success and timely graduation.

The UC Regents January board agenda notes that in August 2016, the UC Office of the President (UCOP) allocated the $20 million in one-time funds to campuses based on the number of students who graduated from LCFF-plus high schools who were enrolled on each undergraduate campus in the fall of 2015. Students who entered as either freshmen or transfers were included in this count. In addition, funds were set aside for outreach services provided by UC San Francisco and for supplemental funding for particularly promising and innovative programs. The chart below displays the distribution of funds and the number of LCFF-plus students by campus.

UC Campus One-time Funding Eligibility for Enhanced Outreach and Student Support Services

Campus	Funding	# of LCFF+ students
Berkeley	$1,552,000	2,474
Davis	2,086,000	3,326
Irvine	3,451,000	5,499
Los Angeles	2,651,000	4,226
Merced	1,374,000	2,190
Riverside	2,615,000	4,169
San Diego	1,745,000	2,782
San Francisco	300,000	
Santa Barbara	1,667,000	2,658
Santa Cruz	1,559,000	2,485
Reserve: High-potential projects	1,000,000	
Total	$20,000,000	29,809

Prior to receiving the allocation of funds, each campus was required to provide UCOP with a spending plan indicating how these funds would be used, what outcome metrics would be tracked, and the timeline for implementation. The additional one-time funding could be used by campuses to expand current programs or launch new efforts, but could not be used to fund existing programs at their current scale.

Campuses were asked to use 20 to 40 percent of their funding for efforts to increase the application, admission, and enrollment of students from LCFF-plus schools. Examples of eligible funding include partnering with community-based organizations to raise awareness of UC, and better serve LCFF-plus students and their families, or using UC proprietary software other tools to identify students attending LCFF-plus schools who are close to achieving UC eligibility and providing college advising and academic enrichment programs to those students.

The remaining 60 to 80 percent is to be used to provide academic support services to enrolled students, focusing on those who are low-income, first-generation college, or otherwise educationally disadvantaged. Examples of eligible funding include additional academic support and learning assistance programs for students, including targeted support services in the fields of writing and science, technology, engineering, and mathematics; or training faculty, advisors, and peer mentors how to best support low-income, first-generation, and educationally-disadvantaged students. Campuses provided preliminary progress reports to UCOP in late April regarding their efforts, and final reports will be available in early fall.

Additionally, for the fall 2017 application cycle, in order for applicants to receive full consideration in the comprehensive review process, campuses received special rosters of all applicants to from LCFF-plus schools. For 2018, the UC application system will be redesigned to automatically identify these applicants on their UC applications, which is similar to how UC identifies students who qualify for the Eligibility in the Local Context Program. Additionally, UC is also redesigning its application fee waiver so that applicants who report low family incomes are automatically granted these waivers, rather than being required to apply for them.

In addition to the one-time funding, AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, also required UC to provide direction to each campus regarding supplemental consideration in the admission process for pupils who are enrolled in LCFF plus schools, and meet all the same admission requirements.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY

Issue 4 Tuition (Information Only)

Panel:

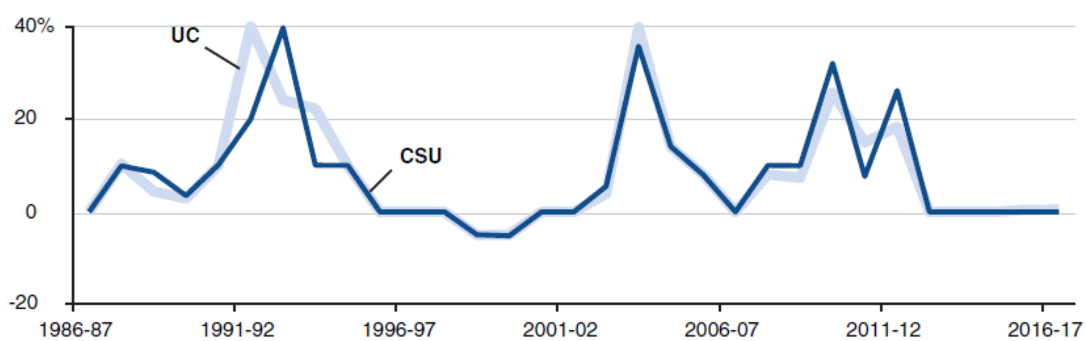
- Christian Osmena, Department of Finance
- Jason Constantorous, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

Background.

Tuition and fees at UC and CSU tend to be volatile, with periods of flat tuition followed by sharp increases. The periods of flat tuition generally correspond to years in which the state experienced economic growth, whereas the periods of steep tuition increases generally correspond to periods when the state experienced a recession. During recessions, the state has often balanced its budget in part by reducing state funding for the segments. UC and CSU, in turn, increased tuition and fees to make up for the loss of state support. This was the case in the recent recession; between 2004 and 2013, tuition at UC and CSU more than doubled. 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 at UC and CSU.

Tuition Tends to Increase Sharply After Flat Periods

Year-Over-Year Percent Change in Systemwide Tuition and Fees



University of California. In November 2015, the UC Regents' authorized the UC President to increase student tuition by up to 28 percent over five years. This action led to large public outcry regarding the affordability of higher education. In response to this outcry, the Administration and the UC developed a multi-year budget framework, released in May 2015. Regarding state funding, the Administration proposed providing four percent unrestricted General Fund base increases. Regarding tuition, UC committed to hold tuition flat for an additional two years. Moving forward, the Administration noted that it is reasonable to expect that tuition to increase modestly and predictably at around the rate of inflation beginning in 2017-18. The Governor and the UC President also agreed on several initiatives to reduce the cost structure of the UC. Their framework, which was ultimately adopted by the Board of Regents, requires UC to reevaluate how students' prior academic experiences are recognized as part of UC degree programs, how academic programs are structured, and how instruction is delivered.

In January 2017, the UC Regents voted for a tuition increase of 2.5 percent, or $282, for a total annual tuition of $11,502. Additionally, the UC Regents voted to increase the student services fee by five percent, a $54 increase for a total of $1,128 annually. This will generate about $89 million. Of this amount, UC notes that about (1) $31 million will be provided as financial aid to UC students, (2) the remainder will help cover mental health services, capital needs, and student support services. This tuition increase would grow state spending on Cal Grant by $17.7 million in 2017-18 beyond the costs reflected in the Governor's budget. The regents also voted to increase nonresident tuition by five percent, or $1,332.

The Administration's budget assumes no tuition increase; however, the Governor's budget summary notes that any tuition increase at UC must be viewed in the context of reducing the overall cost structure.

California State University.

In November, the CSU's adopted budget request included a base increase of (1) $325 million General Fund and (2) about $18 million in increased tuition revenue from a planned one percent growth in resident enrollment. The chart below displays the CSU's request:

	Dollars in Millions
Graduation Initiative 2025	$75
Enrollment Growth: 3,600 FTES	$38.5
Compensation: Existing Contracts	$139.1
Compensation: Open Contracts and Non-represented employees	$55.1
Academic Facilities and Infrastructure needs	$10
Mandatory Costs	$26
Total (assumes $18.8 million net tuition revenue adjustment associated with increase of FTES)	$343.7

In contrast to CSU's request, the Administration's proposed budget only includes an increase of $157 million General Fund (about a four percent year-over-year General Fund augmentation)—$168 million below the CSU's budget request. In March 2017, the CSU Board of Trustees voted on a five percent tuition increase, or $270, for a total annual tuition price of $5,742. The tuition increase is scheduled to take effect in fall 2017. As a part of the action, if the Legislature fulfills the system's budget request, the chancellor will automatically rescind the tuition increase. However, it is unclear what action the CSU would take if the Legislature only partially funded their CSU's request. This tuition increase would generate about $77.5 million in net revenue, after spending $38 million on State University Grant (SUG) to students. This tuition increase would grow state spending on Cal Grant costs by $24.9 million in 2017-18, which is beyond the costs reflected in the Governor's budget. CSU notes that more than 60 percent of all CSU undergraduate students receive grants and waivers (such as the Cal Grant, Pell Grant, and SUG) to cover the full cost of tuition, and nearly 80 percent of all students receive some form of financial assistance. CSU does not expect these percentages to change as a result of the tuition increase.

The CSU notes the purpose of the tuition increase is to partially cover the support budget request, and would allow for significant investment in the Graduation Initiative 2025.

The Administration's budget assumes no tuition increase, however the Governor's budget summary states that CSU's proposed tuition increase must be viewed in the context of improving the graduation rates. The subcommittee will discuss CSU's graduation rates later in this hearing.

The LAO notes that a five percent increase in tuition at CSU may be considered too high given anticipated inflation in the budget year. Instead, LAO suggests the Legislature consider a tuition increase of a lesser amount (such as 2.5 percent) to generate funding for (1) additional transfer enrollment growth and (2) a compensation pool for bargaining groups with open contracts.

Total Cost of Attendance. In addition to tuition and fees, other expenses such as housing and food, personal expenses, books and supplies, and transportation make up the total cost of attendance for higher education. The cost of attendance varies across campuses within each system because some expenses, such as housing, vary by location. The cost also varies depending on whether a student lives on campus, off campus not with family, or off campus with family. For each system, students living at home with family have the lowest cost of attendance. The cost of attendance for students living on campus, and off campus not with family, tend to be similar.

Other States. According to the LAO, UC and CSU's tuition and fee levels vary compared to public colleges in other states. UC tends to have higher tuition and fees compared to other public universities with a similar level of research activity. Specifically, UC's tuition and fees are higher than all but ten of the 65 largest public research universities in other states. By contrast, tuition and fees at CSU are lower than all but 42 universities among a group of 244 masters–level public universities in other states.

Financial Aid. As discussed in the subcommittee's March 16th hearing on financial aid, California has one of the country's most generous state financial aid programs, which helps many low-income students attend UC and CSU. The state's Cal Grant program guarantees aid to California high school graduates and community college transfer students who meet financial need criteria and academic criteria. In addition, students who do not qualify for high school or community college entitlement awards but meet other eligibility criteria may apply for a limited number of competitive grants. Awards cover full systemwide tuition and fees at the UC and CSU, and up to a fixed dollar amount toward costs at private colleges. The Cal Grant program also offers stipends, known as access awards, for some students to help cover some living expenses, such as the cost of books, supplies, and transportation. A student generally may receive a Cal Grant for a maximum four years of full–time college enrollment or the equivalent. Cal Grant spending is driven by increased tuition and participation.

Student Loans and Debt. According to the Legislative Analyst's Office, by the time UC and CSU students graduate, 55 percent of UC students and 49 percent of CSU students have taken out student loans. Among those borrowing, the average student loan debt at graduation is $19,100 for UC students and $14,388 for CSU students. Student borrowing at UC and CSU is lower than the national average, with 60 percent of students at other four–year public universities graduating with loans, with an average debt load of $25,900.

Issue 5: Academic Sustainability Plan

Panel:
- Christian Osmena, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Ryan Storm, California State University

Background

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013, put into place a framework for measuring performance at the UC and CSU. Specifically, Education Code Sections 89295, subdivision (b), and 92675, subdivision (b), require the UC and CSU to report the following information annually, starting in March 2014, as follows:

- Number/proportion of transfers.
- Number/proportion of low-income students.
- Four-year graduation rates for both UC and CSU and six-year graduation rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- Degree completions (disaggregated by freshman entrants, transfers, graduate students, and low-income status).
- First-years on track to degree (i.e., what percent of first years earned a specified number of units).
- Spending per degree (core funds).
- Units per degree.
- Number of science, technology, engineering and mathematics (STEM) degrees.

AB 94 also requires the UC and CSU to report biennially to the Legislature and DOF, beginning October 1, 2014, on the total costs of education, on both a systemwide, disaggregated by undergraduate instruction, graduate instruction, and research activities. Further, the costs must be reported by fund source, including: 1) state General Fund; 2) systemwide tuition and fees; 3) nonresident tuition and fees and other student fees; and 4) all other sources of income.

Beginning with the 2014-15 Budget Act, UC and CSU were required to submit performance reports (commonly referred to as "academic sustainability plans") by November 30 each year. In these reports, UC and CSU are to set performance targets for various statutory measures, such as graduation rates, and degree completions, for each of the coming three years. The plans include several years of actual performance on each of the measures. Additionally, the sustainability plans must include:

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

These were proposed by the Governor in an effort to encourage the universities to adopt internal budget plans consistent with the state's multiyear funding plan.

The Legislative Analyst's Office charts on the following pages displays information from UC and CSU's sustainability plans. Staff notes that CSU's graduation rates will be discussed later in the agenda.

UC's Performance Measures and Targets

State Performance Measure	Target for 2015-16	Actual 2015-16 Performance	Target for 2019-20
CCC Transfers Enrolled. Number and as a percent of undergraduate population.	33,904 (18%)	34,197 (18%)	37,589 (18%)
Low-Income Students Enrolled. Number and as a percent of total student population.	71,462 (39%)	75,608 (40%)	82,359 (40%)
Graduation Rates			
4-year rate—freshman entrants	63%	64%	68%
4-year rate—low-income freshman entrants	57%	58%	62%
2-year rate—CCC transfer students	55%	55%	59%
2-year rate—low-income CCC transfer students	51%	51%	55%
Degree Completions. Number of degrees awarded annually to:			
Freshman entrants	34,200	34,519	39,756
CCC transfer students	14,600	14,866	16,396
Graduate students	18,600	14,497	15,580
Low-income students	21,800	24,660	28,017
All students	69,100	63,882	73,181
First-Year Students on Track to Graduate on Time. Percentage of first-year undergraduates earning enough credits to graduate within four years.	51%	52%	52%
Funding Per Degree. State General Fund and tuition revenue divided by number of degrees for:			
All programs	$107,771	$111,328	$126,029
Undergraduate programs only	Not reported	Not reported	$74,981
Units Per Degree. Average quarter units earned at graduation for:			
Freshman entrants	187	183	183
Transfer students	100	95	95
Degree Completions in STEM Fields. Number of STEM degrees awarded annually to:			
Undergraduate students	17,100	20,503	23,382
Graduate students	9,300	8,620	9,264
Low-income students	7,100	9,284	10,549

CCC = California Community Colleges and STEM = science, technology, engineering, and math.
Source: UC Academic Sustainability Plans.

CSU's Performance Measures and Targets

State Performance Measure	Target for 2015-16	Actual 2015-16 Performance	Target for 2019-20
CCC Transfers Enrolled. Number and as a percent of undergraduate population.	145,436 (36%)	143,445 (36%)	144,879 (36%)
Low-Income Students Enrolled. Number and as a percent of total student population.	207,528 (50%)	206,926 (50%)	218,948 (51%)
Graduation Rates			
4-year rate—freshman entrants	18%	19%	24%
4-year rate—low-income freshman entrants	11%	12%	19%
6-year rate—freshman entrants	54%	57%	62%
6-year rate—low-income freshman entrants.	47%	52%	57%
2-year rate—CCC transfer students	28%	31%	36%
2-year rate—low-income CCC transfer students	26%	30%	36%
3-year rate—CCC transfer students	65%	62%	69%
3-year rate—low-income CCC transfer students	64%	62%	69%
Degree Completions. Number of degrees awarded annually to:			
Freshman entrants	37,915	38,770	47,803
CCC transfer students	43,152	47,034	51,415
Graduate students	18,938	20,788	22,248
Low-income students	40,482	51,226	64,080
All students	106,788	112,832	127,706
First-Year Students on Track to Graduate on Time. Percentage of first-year undergraduates earning enough credits to graduate within four years.	51%[a]	52%[a]	57%[a]
Funding Per Degree. State General Fund and tuition revenue divided by number of degrees for:			
All programs	$41,049	$40,781	$42,789
Undergraduate programs only	$51,670	$49,991	$46,780
Units Per Degree. Average semester units earned at graduation for:			
Freshman entrants	139	138	138
Transfer students	140	141	141
Degree Completions in STEM Fields. Number of STEM degrees awarded annually to:			
Undergraduate students	18,846	20,201	26,994
Graduate students	3,958	5,693	7,453
Low-income students	7,470	10,462	13,927

[a]CSU excludes students who do not return to CSU for their second year. Including these students reduces CSU's performance by about 8 percentage points.
CCC = California Community Colleges and STEM = science, technology, engineering, and math.

Governor's Proposal. The Governor proposes to eliminate the provisional budget language that requires UC and CSU to submit performance reports to the Legislature each November.

Legislative Analyst's Office Comments. Given that these plans provide key performance data—including former targets, actual results, and future targets—the LAO recommends the Legislature reject this proposal. Should the Legislature wish to reduce the universities' reporting workload, the LAO recommends the Legislature eliminate the segments' statutorily required March performance reports. The March reports contain the same past actual data as the November reports but, unlike the November reports, do not include the universities' performance targets and certain other useful information.

Staff Comments. As a part of the Governor's January budget proposal in 2014, the Administration proposed requiring a sustainability plan. However, both houses of the Legislature raised concerns regarding the sustainability plan and rejected the proposal. Specifically, the subcommittee previously noted that the sustainability plan "appears to be somewhat duplicative of the budget report the UC Regents already adopt each fall, but adds new workload for UC. Perhaps more importantly, the process in which the Administration would provide the UC each fall with its proposed funding for the following budget year creates a public budget negotiation before the Legislature has input. This could limit the Legislature's ability to determine its budget levels and priorities for the UC." Moreover, both UC and CSU have indicated that the sustainability plan is burdensome and duplicative. The subcommittee may wish to consider working with LAO staff to identify which elements of the sustainability plan is useful in deliberating budgets.

Staff Recommendation: Hold open

6440 UNIVERSITY OF CALIFORNIA

Issue 6: Enrollment

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California

Background

Master Plan for Higher Education. The California Master Plan for Higher Education of 1960 set forth each of the three segments' missions and student eligibility policies. Specifically, the plan calls for UC to be the state's primary public research university and directs it to grant bachelor's, master's, and doctoral degrees, and for CSU to focus on instruction leading to bachelor's and master's degrees. Additionally, the Master Plan sets eligibility policy for students. For freshman eligibility, UC is to draw from the top 12.5 percent of public high school graduates; whereas CSU is to draw from the top 33 percent. For transfer eligibility, UC is to admit students who have completed lower-division coursework with at least a 2.4 grade point average; whereas CSU is to admit those having at least a 2.0 grade point average. The transfer function is intended both to (1) provide students who do not qualify for freshman admission an opportunity to earn a bachelor's degree and (2) reduce costs for students seeking a bachelor's degree by allowing them to attend CCC for their lower-division coursework. The master plan does not include eligibility criteria for graduate students. Instead, it calls for the universities to consider graduate enrollment in light of workforce needs, such as for college professors and physicians.

A-G Requirements. For freshmen, the university systems are responsible for setting specific admission criteria intended to reflect their respective eligibility pools. As a minimum criterion, both systems require high school students to complete a series of college preparatory courses known as the "A-G" series. The series includes courses in math, science, English, and other subjects. To qualify for admission, students must complete this series while earning a certain combination of course grades and scores on standardized tests. In 2014-15, 43 percent of high school graduates completed the A-G series with a "C" or better in each course. For transfer students, the university systems set general education and pre-major course requirements. Transfer students completing these courses and meeting the master plan's grade point average requirements are eligible for admission.

Eligibility Study. To gauge whether the universities are drawing from their freshman eligibility pools, the state periodically funds "eligibility studies." These studies examine public high school graduates' transcripts to determine the proportion of students meeting each university system's admission criteria. If the proportion is significantly different from 12.5 percent and 33 percent for UC and CSU, respectively, the universities are expected to adjust their admission policies accordingly. For example, UC tightened its admission criteria after an eligibility study conducted in 2003 found it drawing from the top 14.4 percent of public high school graduates. The last eligibility study was conducted in 2007. The 2015-16 budget provided $1 million for the Office of Planning and Research to complete a new eligibility study by December 1, 2016. However, due to data collection issues, the release of the report has been delayed to the July 2017.

Department of Finance's Demographic Unit does projections of high school graduates. It's most recent forecast projects high school graduates increasing from about 420,000 in 2016-17, to 445,000 in

2023-24, followed by declines in the following two years. Over this period (through 2025-26), the projected average annual growth rate is less than one percent.

Enrollment Funding. For decades, the state funded enrollment growth according to a “marginal cost” formula that estimated the cost of admitting one additional student. The most recently used formula assumed the universities would hire a new professor for roughly every 19 additional students and linked the cost of the new professor to the average salary of newly hired faculty. In addition, the formula included the average cost per student for faculty benefits, academic and instructional support, student services, instructional equipment, and operations and maintenance of physical infrastructure. The state provided the systems flexibility to determine how to distribute enrollment funding to its campuses. If the systems did not meet the enrollment target specified in the budget within a certain margin, then the associated enrollment growth funding reverted back to the state. UC notes that their marginal cost is about $10,000.

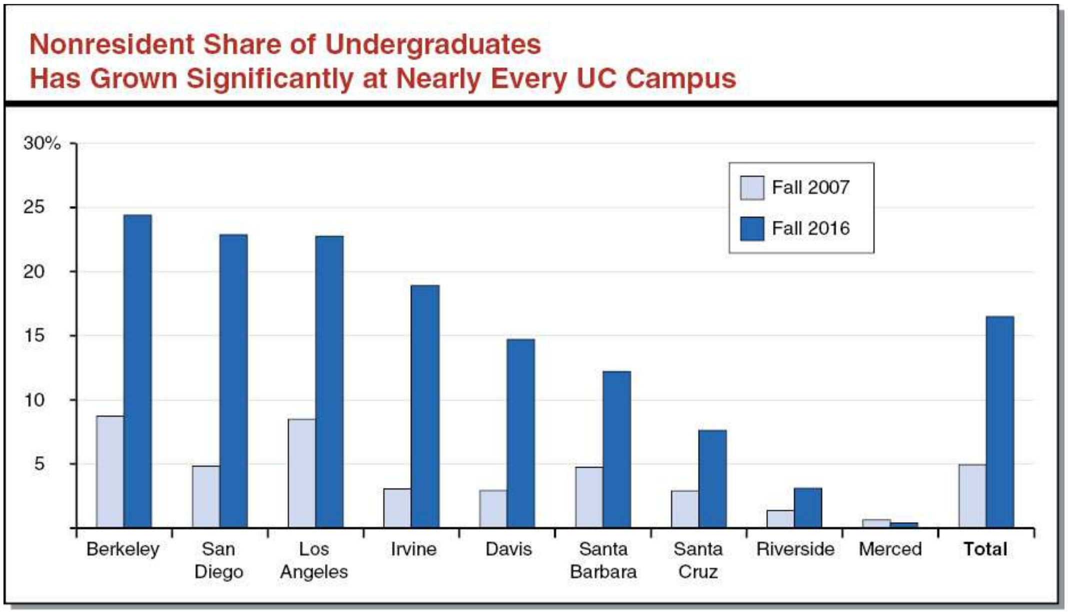
Recent Budget Acts. Due to the economic recession, the 2008-09 budget began omitting enrollment targets to provide UC and CSU flexibility to manage state funding reductions. The state resumed enrollment funding from 2010-11 through 2012-13, but, in two of the three years, it did not require the universities to return money to the state if they fell short of the target. In 2013-14 and 2014-15, the state again chose not to include enrollment targets in the budget.

Beginning in 2015-16, the state resumed setting enrollment targets for UC for the subsequent academic year. This change was intended to give UC more time to respond to legislative direction. In the 2015-16 budget, the state set a goal for UC to enroll 5,000 more resident undergraduate students by 2016-17 (than the 2014-15 level) and allocated an associated $25 million in ongoing funding for the growth. The state continued this practice in 2016-17, setting an expectation that UC enroll 2,500 more resident undergraduate students in 2017-18 than in 2016-17. The budget provides an associated $18.5 million, contingent on UC providing sufficient evidence by May 1, 2017 that it would meet this goal. The funding also is contingent on UC adopting a policy by the same deadline that limits nonresident enrollment. The state did not set targets for graduate student enrollment in either year. Based on preliminary estimates, UC has enrolled about 7,500 more FTE resident undergraduate students in 2016-17 than in 2015-16. For 2017-18, UC is requesting $25 million to increase enrollment by 2,500 resident undergraduate students in 2018-19.

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”. Eligible freshmen applicants who are not accepted to their first choice campus are redirected to UC Merced.

Nonresident Enrollment. Currently, nonresidents make up 17 percent of all students at UC. Nonresidents comprise more than 20 percent of enrollment at UC’s four most selective campuses (Berkeley, San Diego, Los Angeles, and Irvine). UC undergraduate nonresident enrollment increased from about 7,100 students in 2007-08 to an estimated 32,300 students in 2016-17. Nonresidents’ share of the UC undergraduate student body more than tripled during this time. As the figure below shows, the share of nonresident undergraduates has grown at every UC campus, except for Merced. UC asserts that the growth in nonresident undergraduate students allowed it to further grow resident enrollment.

This is because UC charges nonresidents a supplemental charge (around $27,000) that significantly exceeds their average expected cost (around $10,000).



As noted above, as a part of the 2016-17 budget, should UC enroll an additional 2,500 resident undergraduates, and adopt a policy that limits nonresident enrollment, UC would receive an additional $18.5 million. At the March Board of Trustees hearing, the UC Regents heard an item regarding nonresident enrollment. The policy would do the following, (1) limits the proportion of nonresident undergraduates across the UC system to 20 percent of the total undergraduate enrollment, (2) caps the proportion of nonresidents at UC Berkeley, UCLA, and UC San Diego at current levels, and (3) allows campuses, who currently enroll lower numbers of nonresidents, to enroll additional nonresidents up to, but not exceeding twenty percent of undergraduate students. The policy also calls for a review by the Regents at least once every five years. However, the UC did not formally adopt the policy, and it is unclear whether DOF will release the additional $18.5 million to UC.

UC notes nonresidents provide significant revenue to campuses, and during the recession, when the state did not provide sufficient funding to UC, campuses had to rely on nonresident students to balance their budgets. If UC Berkeley, UCLA, and San Diego were to reduce its resident enrollment to 20 percent, UC notes that this would result in a net loss of revenue of $24 million, $17.6 million, and $14.2 million, respectively. In addition, more than $70 million of the base tuition that nonresident undergraduates pay in 2016-17 directly subsidize need-based aid for residents. This is about $700 for each resident receiving a UC grant. 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.

Graduate Enrollment. As noted above, the master plan does not include eligibility criteria for graduate students. Additionally, in the last few years, the state did not set targets for graduate enrollment. UC is requesting $9 million to support enrollment growth of 900 graduate students. UC notes that the additional graduate students will complement and support undergraduate growth, as they are critical to attracting and retaining faculty members, and serve as educators for undergraduate students. According to the LAO, UC is enrolling about 37,000 graduate students in the current academic year. This includes students in master's degree programs, doctorate programs and professional schools, such as law schools. LAO enrollment data DOF enrollment data suggests UC increased graduate student enrollment by more than 1,000 students, even though the state did not specify an enrollment target for graduate students.

UC offers a variety of outreach programs to attract graduate students. In particular, the Summer Institute for Emerging Leaders was created in 2012 as a joint effort of the UC business schools and UCOP to recruit underrepresented minority students for Masters in Business Administration programs at UC. Each of the six business schools rotates as a host for a two-week summer program for two summers, and targets freshman and sophomores from historically black colleges and universities (HBCU) and Hispanic serving institutions (HSI) across the country. The fellowship is open to 25 freshman per fellowship class. This program is funded by private donations, with an annual budget about $175,000. Because this program rotates among the UC business schools, it is difficult to identify or track long-term outcomes. The program could benefit from dedicated funding, a central database, and a specific program lead across the business schools project.

Staff Recommendation. Hold Open

Issue 7: Proposition 56

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California

Background

In November 2016, voters approved Proposition 56, which increases excise taxes on tobacco products by $2. The measure also prescribes how to distribute the revenues. While the measure specifies that the bulk of the revenue be spent on health care for low-income Californians, the measure also specifies $40 million to UC for "the purpose and goal of increasing the number of primary care and emergency physicians trained in California. This goal shall be achieved by providing this funding to the UC to sustain, retain, and expand graduate medical education programs to achieve the goal of increasing the number of primary care and emergency physicians in the State of California based on demonstrated workforce needs." The measure also notes that residency programs accredited by federally-recognized organizations and located in California are eligible to apply to receive funding.

Governor's Proposal

The Administration proposes allocating $50 million in Proposition 56 funds to UC for graduate medical education (GME). The Administration uses Proposition 56 revenue in place of $50 million General Fund revenue that the Administration estimates supported graduate medical education in 2016-17. Generally, General Fund for UC is not earmarked for specific purposes. The Administration proposes repurposing the $50 million General Fund for the Governor's commitment to provide a four percent unallocated base funding increase to UC.

Graduate Medical Education. GME, or residency training, is required for medical licensure. This supervised training prepares doctors for independent practice or surgical specialty. Following a four-year medical school education, resident physicians typically spend three to seven years in GME training. There are roughly 5,000 residents enrolled in UC-sponsored residency and affiliated family medicine programs, which account for nearly half of California's total number of medical residents.

UC states that the average total cost to train a resident is about $150,000 per year. Since 1965, Medicare has been the largest single funder of GME. State funding for these students comes mostly from the Song-Brown Program administered by the Office of Statewide Health Planning and Development (OSHPD). In 2016, UC received about $3.1 million from the Song-Brown program. Some state General Fund also supports GME, but it is difficult to pinpoint exactly how much. For example, UC notes that some portion of a physician faculty's salary is supported by General Fund; however it is lumped in with other funds such as federal funding, grants and hospital revenue.

Legislative Analyst's Office Comments

The LAO notes that the Administration's use of GME funds may not meet the goals of the measure. While the measure does not require Proposition 56 revenues to supplement existing resources for medical education programs, the measure does state those funds are to be used "for the purpose and goal of increasing the number of primary care and emergency physicians training in California." LAO notes that using the Proposition 56 revenues to replace General Fund resources used for graduate medical education (at least according to Administration estimates) arguably does not meet this goal.

Staff Comments

The Administration's proposed budget replaces General Fund resources with Proposition 56 funds, and ensures status quo state support for UC. UC has indicated it will use this funding for core operations. Moreover, the Administration's methodology assumed a marginal cost of about $10,000 per resident. Staff questions whether this is an appropriate methodology in determining how much state funding is used to support GME. Additionally, it is unclear how the Administration's proposal would lead to an increase in residents, as the proposal merely swaps out fund sources. Lastly, should the subcommittee seek to reallocate this funding to increase the number of residents; the subcommittee may wish to consider if and how it will backfill this General Fund swap.

Staff Recommendation. Hold Open.

Issue 8: Cord Blood Collection Program

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Jon Walker, Supervisor, Clinical Laboratory, Institute for Regenerative Cures, University of California, Davis
- Delia Roberts, Manager, Stem Cell Program, Institute for Regenerative Cures, University of California, Davis

Background

AB 34 (Portantino), Chapter 516, Statutes of 2007, established the Umbilical Cord Blood Collection Program, to be administered by the California Department of Public Health. The legislation included intent language that the program contributes to federal efforts to diversify cord blood units that are listed in the national registry. AB 34 authorized the department to make medically unusable units available for stem cell research. The bill established a fund to deposit any state, federal, or private contributions for the program. Due to implementation challenges at the Department of Public Health, AB 52 (Portantino), Chapter 529, Statutes of 2010, shifted the program to UC. AB 52 imposed a mandatory $2 fee on California birth certificates, which, in turn, generates about $2.5 million each year for UC to administer the cord collection program. AB 52 will sunset on January 1, 2018.

UC coordinates the collection and transportation of cord blood donations from hospitals in California to several banks across the country. UC enters into agreements with hospitals and banks to collect and store donated units. Under some agreements, UC uses its own hospital staff to collect donations and contracts with a third party for transportation services; whereas, under other agreements, it reimburses hospitals and banks for their associated costs.

The UC program collects cord blood units from 11 hospitals in California (including one at UC Davis) and contracts with four banks to store the units. Between 2012 and 2017, the program added 1,561 units to the national registry, of which 28 were used in a transplant. Six of those units were used by Californians.

Data by Participating Cord Blood Bank, 2012-2017

Banks	Number of Hospitals Collected From	Date Collection Activities Began	Number of Cord Blood Units			
			Collected	Added to National Registry	Used in Transplant	Used for Research
StemCyte (Los Angeles)	5	2012[a]	—[b]	1,419	26	0
San Diego Blood Bank	4	2013	3,448	127	1	454
Clinimmune Labs, Colorado	1	2013	593	15	1	0
Cleveland Cord Blood Ctr, Ohio	1	2017	—[c]	0	0	0
Total	11		—	1,561	28	454

[a] Of the five hospitals that StemCyte partners with, three began collecting units in 2012 and two began collecting units in 2014.

[b] UC does not require StemCyte to report on the number of units it collects.
[c] UC indicates that reliable collection data do not yet exist, as this agreement just started.

For a transplant to be successful, a patient must share certain biological similarities to a donor. It is generally accepted that a patient is more likely to match to a donor of the same race and ethnicity. Since 2005, the U.S. Department of Health and Human Services has provided funding to certain banks to increase the racial and ethnic diversity of units in the national registry. The program has collected units from a higher proportion of certain underrepresented groups than in the national registry, particularly from multiracial donors. Specifically, 26 percent of the units collected under the UC program were from individuals of more than one race, as compared to 10 percent of such individuals in the national registry. The UC program also has registered a greater proportion of units from Hispanic donors, a similar proportion from Asian donors, and a lower proportion from white and African American donors.

Governor's Proposal

The Administration proposes trailer bill language to eliminate the sunset date for the UC's Umbilical Cord Blood Collection Program.

Legislative Analyst's Office Comments

Although a few other states subsidize cord blood banking, in most cases banks directly fund the collection and storage of cord blood donations. In addition to receiving payment for each cord blood unit used in a transplant, many banks support their activities through other revenue sources, such as cross-subsidies from other banking activities and some federal support. The Legislature may wish to consider alternative funding sources because the service provided appears to benefit other states. The LAO also states that as medical technology advances, the demand for cord blood units may decrease.

The LAO recommends the Legislature revisit this program by extending the sunset date through January 1, 2023. The LAO also recommends the Legislature require UC to report on the program one year before the sunset date. The report should include the following information: (1) key data on cord blood units (including the number of units collected, registered, and transplanted—disaggregated by race/ethnicity—compared with nationwide data); (2) data on collection and storage costs as well as associated fee revenue and state, federal, and private funding; and (3) evidence as to why the program should or should not be extended beyond the new sunset date.

Staff Comments

SB 23 (Portantino) extends the Umbilical Cord Blood Collection Program until January 1, 2025, and increases the fee for a certified copy of a birth certificate by $1 to provide funds to implement and expand the program. SB 23 is currently pending in Senate Appropriations Committee. Using current fees for birth certificates, the UCBCP acquires an estimated $1.14 million annually from certified birth certificates to fund its operations. With an increase of $1 in certified birth certificate fees that would go towards the UCBCP, the program would collect an estimated $1.71 million annually. Additional funds to the program are expected to be used to expand the operations to more hospitals in the state with diverse patients, as well as add trained staff to existing locations where donations are currently only possible during certain hours.

Staff Recommendation. Hold open.

Issue 9: California Health Benefits Review Program (CHBRP)

Panel

- Jack Zwald, Department of Finance
- Jason Constantouros, Legislative Analyst’s Office
- Garen Corbett, University of California – CHBRP

Background

CHBRP was established under AB 1996 (Thomson), Chapter 795, Statutes of 2002, which requested UC to assess legislation that propose a health insurance mandated benefit or service and prepare a written analysis. These types of bills typically require health insurers and health care service plans to provide certain benefits, such as specific treatments or services, to certain individuals. Under AB 1996, legislative leadership (including the Assembly Speaker, President pro Tempore of the Senate, or chair of the relevant policy or fiscal committee) may request CHBRP to perform a bill analysis. Upon receiving a request, CHBRP has 60 days to assess the medical, financial, and public health impact of the bill. CHBRP staff works with a UC faculty task force that assembles teams of experts from several UC campuses to perform this analysis. For example, faculty experts at the San Francisco, Davis, and San Diego campuses analyze the potential medical and public health impacts of bills. UC contracts with a private company for the actuarial analysis, but faculty experts at the Los Angeles campus write the accompanying financial impact analyses. CHBRP staff coordinates each report as well as solicits feedback from a panel of experts outside of California. Since 2004, the program has analyzed 85 Assembly bills and 44 Senate bills, averaging about 10 analyses per year. CHBRP is a unit of the UC Office of the President and employs five program staff.

The CHBRP program is funded by the Health Care Benefits Fund, which provides CHBRP with up to $2 million annually from fees assessed on health insurance providers. CHBPR staff reports that it spends the maximum amount ($2 million) every year regardless of the number of analyses the Legislature asks it to produce. This is because CHBRP staff each year “buys out” in advance a fixed amount of faculty and staff time to ensure that adequate personnel is available during legislative sessions to conduct quick-turnaround analyses.

Governor’s Proposal

AB 1996 called for the program and its fund source to sunset on January 1, 2007. Subsequent legislation has since extended this sunset date several times, with SB 125 (Hernandez), Chapter 9, Statutes of 2015, extending the date to June 30, 2017. The Governor proposes trailer legislation that would eliminate the sunset date, thereby indefinitely authorizing the program and the Health Care Benefits Fund.

Legislative Analyst’s Office Comments

In a typical year of producing 10 reports, CHBRP spends on average $200,000 to complete each report. Workload varies from year to year, however—from four reports in 2012 to 16 reports in 2011. Because UC receives $2 million annually regardless of workload, the annual per-report cost has ranged from a low of $125,000 to a high of $500,000.

Health policy has changed significantly in recent years, which in turn has affected the number of proposed health insurance-related bills and CHBRP's workload. During the program's first years of operation, CHBRP reviewed on average 11 reports per year, peaking in 2011. After 2011, CHBRP's average workload declined to eight analyses per year. Some of this decline likely is due to the expansion of benefit coverage provided under the federal Affordable Care Act (ACA). The number of benefit mandate bills proposed in the future is uncertain, though CHBRP's workload in 2016 (14 reports) might reflect renewed interest in benefit mandate bills. Future action by the federal government on ACA also could increase or decrease the volume of health mandate bills proposed by legislators.

Legislative staff has found the program's reports to be credible sources of nonpartisan information and useful overall to the legislative process. However, some staff expressed concerns that that CHBRP consistently takes 60 days to complete reports, even for relatively straightforward analyses, that they believe could be completed sooner. These staff also indicated that the length of the reports, which sometimes total more than 100 pages, make them challenging and time-consuming to digest. Legislative staff did note that the regular sunset dates have provided opportunities for CHBRP staff and the Legislature to review past products and agree on expectations moving forward.

The LAO recommends rejecting the Governor's proposal. The sunset date has allowed legislative staff to revisit its expectations for CHBRP and that CHBRP's future workload is uncertain given federal changes. Previous extensions of the sunset date have ranged from two to five years. The Legislature could require a legislative or state agency to bid a contract competitively each year for a certain number of bill analyses. This approach could have the benefits of selecting the highest quality, fastest, and least expensive provider as well as change providers if problems with quality, timing, or usability emerged.

Staff Recommendation. Hold open.

Issue 10: Capital Outlay and Deferred Maintenance and Co-Generation Plant

Panel

- Sally Lukenbill, Department of Finance
- Jason Constantouros, Legislative Analyst's Office
- Kieran Flaherty, University of California
- Herbert Lee, Interim Executive Vice Chancellor and Provost, UC Santa Cruz
- David Lane, Senior Educational Facilities Planner, UC Santa Cruz

Background

Capital Outlay. Prior to 2013-14, 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 in the case of UC, research. The state does not fund nonacademic buildings, such as student housing and dining facilities.

AB 94 (Committee on Budget), Chapter 50, Statutes of 2013 and SB 860 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2014, 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 deferred maintenance for CSU. Additionally, the state allows each university to pay the associated debt service of academic facilities using its state support appropriation.

Deferred Maintenance. The 2015 Budget Act provided UC with $25 million one-time General Fund to support deferred maintenance projects. The 2016 Budget Act provided $35 million in one-time General Fund to UC. The Governor has made no similar proposal this year.

UC Santa Cruz Cogeneration Plant. In 2011, UC initiated the process for building a cogeneration replacement plant on the Santa Cruz campus. A cogeneration plant simultaneously generates electricity and heat. The purpose of the project was to ensure that the campus had a reliable uninterrupted, backup power for campus responders, critical life safety systems, and some instruction and research equipment. Additionally, UC Santa Cruz notes that the plant also reduces campus utility costs by generating electricity that normally would be purchased from the utility provider at a higher cost.

UC notes that at the time, the project would have been eligible for state funding, however the remaining GO bond authority for UC and CSU was nearly exhausted and were being allocated primarily to the final equipment phases of existing projects. Therefore UC did not submit the project for approval from the Legislature.

In April 2013, the UC Regents decided to move forward with the estimated $37.1 million project. UC Santa Cruz funded the project through non state campus funds and external financing. In February 2016, UC Santa Cruz recently completed the project and paid $1.1 million in associated debt service in

2015-16 using non state funds. The campus expects to continue incurring debt service through 2045, with annual payments ranging from $1.3 million to $1.6 million.

In a letter dated April 1, 2016, the Administration notified the Joint Legislative Budget Committee (JLBC) of their intent to authorize UC to use its General Fund appropriation to pay for debt service associated with a recently constructed cogeneration plant at the Santa Cruz campus. Under state law, DOF may grant UC authorization to use its General Fund support appropriation to pay for energy efficiency projects, including debt service, no sooner than 30 days after notifying the Joint Legislative Budget Committee.

In response to the Administrations letter, LAO recommended rejecting UC's request. Specifically, UC did not receive state approval prior to building the cogeneration plant, thereby violating the longstanding process of seeking state review and approval prior to proceeding with major capital outlay projects. The LAO notes that asking for state funding after completing a project is highly irregular. Second, even without state funding, UC indicates it has sufficient funding to retire the associated debt service. In May 2016, the JLBC responded to UC's request highlighting the concerns raised by the LAO, and as a result, the JLBC did not concur with UC's request.

Governor's Proposals

Capital Outlay. As part of its 2017-18 request to the state, UC submitted seven projects totaling $111 million. Of this amount, six projects (totaling $61 million in state funding) would correct seismic and life safety deficiencies for specific academic facilities and one project (associated with $50 million in state funding) would entail constructing a new science facility at the Irvine campus. DOF provided preliminary approval for these projects on February 3rd and final approval April 24th.

Deferred Maintenance. In addition to these seven capital outlay projects, UC also requested authority to use $50 million in bond funding for deferred maintenance. Of the $50 million, $15 million would fund a team of experts to visit each campus and assess the current condition of academic facilities. The goal of the program would be to provide a more accurate estimate of the system's total deferred maintenance backlog and prioritize each facility according to its current condition, likelihood of failure, and life-safety risk. UC estimates the assessment will take up to three years to complete. The remaining $35 million would fund deferred maintenance projects. Similar to the capital outlay proposals, DOF provided preliminary approval for these projects on February 3rd and final approval April 24th.

The Governor proposes trailer bill legislation to include deferred maintenance as an eligible capital expenditure for UC's capital outlay process. The Administration notes that this will conform to how deferred maintenance costs are handled at the CSU.

Due to a lack of resources, UC notes that campuses have not performed a comprehensive facility condition assessment as a part of their ongoing maintenance programs. Instead, campuses have only been able to collect limited deferred maintenance information as it is encountered during preventative and corrective maintenance visits. According to UC, this approach only identifies emergency and critical items, rather than providing for the systematic and comprehensive approach that a new facility conditions assessment would require.

Cogeneration Plant. Additionally, the Administration also submitted a budget change proposal to allow UC to use its AB 94 authority to use General Fund to pay the debt service for the UC Santa Cruz cogeneration plant. Although DOF has submitted back-up documentation for the proposal, no formal change has been proposed in the budget bill or trailer bill, nor has DOF provided preliminary or final approval for the project through the AB 94 capital outlay process.

Legislative Analyst's Office Comments

The LAO notes that it is unclear why UC could not regular assess the condition of facilities, and why it cannot use staff in existing plant and facility divisions, and that knowing facility conditions and system life spans seems a key responsibility of these divisions. The LAO and staff also question using bonds, which are intended to spread major infrastructure costs over many years, for a one-time facility assessment. Absent of a stronger justification, the LAO recommends UC to redirect the $15 million for the conditions assessment into maintenance of projects. Additionally, the LAO notes that UC lacks a plan to eliminate its $3.17 billion backlog (this includes 4,600 projects) and improve ongoing maintenance practices. the LAO continues to have concerns regarding the UC Santa Cruz cogeneration plant. If the state were to provide UC with authority to use its state funds for remaining debt service, UC could free up campus funds for other purposes. Campus funds generally are less restrictive than state funds.

Staff Comments

Staff agrees with the LAO and the JLBC that the UC Santa Cruz cogeneration plant request is highly unusual since UC did not ask for state approval prior to building the cogeneration plant. Additionally, it is unclear why in 2016, UC indicated that it has sufficient non-state funding to retire the associated debt service, but has since then told staff that they have limited availability of non-state funds, and now want to free up funds with General Fund to pay for other projects. Lastly, it is unclear if there are other projects that the Legislature previously did not approve, that may have been eligible for state funding. Approving such an exception may set precedence for other projects not approved by the state to request for AB 94 authority. Staff also notes that the cogeneration plant was not built into the Governor's January budget proposal.

Staff Recommendation. Hold open.

6610 California State University

Issue 11: Enrollment and Impaction

Panel

- Yong Salas, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University
- Jeff Gold, California State University

Background

As noted in earlier in the agenda, the California Master Plan for Higher Education establishes student eligibility policies. For freshman eligibility, CSU is to draw from the top 33 percent, and for transfer students, CSU is to admit those with at least a 2.0 grade point average. Additionally, as a minimum, CSU requires high school students to complete A-G courses.

A 2011 report by the LAO noted that historically most CSU campuses have served as regional institutions, with admissions policies and practices reflecting a focus on regional needs. Most campuses have a "local service area," which allows for priority admission for local students, and campus outreach programs target high schools within the local service area. This regional focus, however, is not specifically required by statute.

Recent Budget Acts. Historically, the state funded enrollment growth at CSU based on a marginal cost formula, and set enrollment targets annually. At CSU, the marginal cost for admitting one additional student at CSU is about $8,000. As noted previously, during the economic recession, the state did not include enrollment targets to provide CSU flexibility to manage state funding reductions. The 2015-16 budget resumed enrollment targets for CSU. In fact, the 2015-16 budget fully funded CSU's budget request of $97 million General Fund above the Governor's proposal of $119 million. Budget bill language included intent language to increase enrollment by at least 10,400 FTES, or three percent, by the end of fall 2016, when compared to 2014-15.

Additionally, the 2016-17 Budget Act sets an expectation for CSU to increase resident enrollment by 1.4 percent (an additional 5,194 FTE students) over 2015-16. Based on preliminary enrollment data provided by CSU, campuses appear to be on track to meeting this target, with fall 2016 FTE student enrollment about 1.3 percent higher than the previous fall.

As a part of the CSU's 2017-18 total budget request of an additional $168 million, about $38.5 million from all fund sources will provide for a one percent enrollment (2,616 FTES) increase. Under the Governor's proposed budget increase of $157 million, CSU notes they would only fund existing compensation contracts and mandatory costs, such as health and dental benefits, and would not be able to increase enrollment at CSU.

Impaction. When the number of applications received from fully qualified applicants exceeds the number of available spaces an undergraduate major or campus is designated as impacted. Such majors or campuses are authorized to use supplementary admissions criteria to screen applicants. According to the CSU' student academic services website, impaction is defined as the following:

- Major impaction means that the number of applications from fully eligible students to a designated major on a CSU campus during the initial filing period far exceeds the number of spaces available in that major. However, students can still be admitted to the campus in an alternate major, or they may eventually be admitted to the oversubscribed major if they meet the supplementary admission criteria. Fullerton, Long Beach, San Diego, San Jose, and San Luis Obispo campuses are impacted in all majors.

- Campus impaction (otherwise known as campus wide impaction) means that a campus has exhausted existing enrollment capacity in terms of the instructional resources and physical capacity of the campus. Because the campus receives more eligible applicants during the initial admission application filing period than can be accommodated, the campus must therefore restrict enrollment to the campus for a specific enrollment category (i.e. first-time freshmen or transfers).

CSU notes that in most cases, students admitted into impacted majors are first given "pre-major" status. In this status, the student must complete the lower division courses established as prerequisites for admission to the impacted major. They must also complete all other supplemental admission criteria required for admission to the impacted major

Although most impacted campuses guarantee admission to eligible local applicants, six campuses that have declared every major to be impacted (Fresno, Fullerton, Long Beach, San Diego, San Jose, and San Luis Obispo) do not guarantee admission even to their local students.

No Campus Impaction	Campus Impaction	Impaction in All Programs
Bakersfield	Chico	Fresno
Channel Islands	Humboldt (for first-time freshman)	Fullerton
Dominguez Hills	Los Angeles	Long Beach
East Bay	Monterey Bay	San Diego
Maritime Academy	Northridge	San Jose
	Pomona	San Luis Obispo
	Sacramento	
	San Bernardino	
	San Francisco	
	San Marcos	
	Sonoma	

Impaction has existed in the CSU system since the 1970s, though all-program impaction generally is a more recent phenomenon. For example, Fresno State University declared all of its programs impacted in 2016-17. An impaction process was codified by AB 2402 (Block) in 2010, “to provide notice to the public and ensure the transparency of decisions affecting admissions criteria for all of the campuses of the California State University” in response to concerns that impaction was happening without considering the needs of local stakeholders.

Qualified, But Denied Students. Despite significant increases in state funding for CSU during the past five years, CSU continues to deny admission to thousands of students who have the minimum qualifications for systemwide admission. That number increased by more than 9,000 students between 2012 and 2016, as the chart below indicates.

	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016
Admitted	194,564	212,152	212,538	216,755	222,192
Qualified But Not Admitted	22,123	26,430	30,665	31,825	31,402

CSU has conducted an analysis of these qualified-but-denied students and found data in the National Student Clearinghouse that about 77 percent of qualified-but-denied students enrolled other higher education institutions. Specifically, about 57 percent appeared to be attending a California college: either a UC, private college, or a community college. CSU notes that about 7,100 students cannot be found in national college databases, indicating these students had good enough grades and test scores to attend CSU but may not be attending college. (CSU notes, however, that not all colleges report their attendance to a national clearinghouse, so it is possible that some of these students have enrolled in college.)

CSU also notes in 2016, about 60 percent, or 19,000 of the 31,402 qualified students denied admission applied to only one CSU campus, and may have therefore been seeking admission to a specific, selective program or location. CSU notes that 6,748 students denied admission to CSU applied only to San Luis Obispo, and 5,479 students applied only to San Diego State. These are generally considered to be among the most selective CSU campuses, with highly-impacted programs. It is not clear how many of these qualified-but-denied students are local area students.

Program impaction may unfairly harm local students' admittance to the CSU closest to home. While local students do receive preference in the admissions process to the CSU campus closest to their homes, they may receive no preference or only a slight preference in admission to specific programs that are impacted. For local students seeking admission to campuses with all programs impacted, this may unfairly limit their ability to stay close to home and obtain a bachelor's degree at CSU.

CSU officials suggest that lack of funding is the biggest reason why thousands of qualified students are being turned away. However, staff notes that when the Legislature fully funded the CSU’s budget request in 2015-16, the CSU reports minimal changes in the number of qualified-but-denied students. Additionally, CSU previously indicated that CSU lacks capacity to increase enrollment. CSU reports addressing this issue in several ways, including a revamped application system that warns students that they are applying to an impacted campus or program, and provide suggestions for other CSU campuses and programs that may have more room. CSU also notes that it sent $2.9 million in extra funding to four campuses in 2016-17 that were forced to admit transfer students redirected from impacted campuses.

The LAO has recommended that the Legislature should enact statute formalizing CSU's role as a regional education system and consider specifying that local students be given admission priority at CSU. CSU could adopt a more formalized redirection process for students who are denied admission to a specific program or campus. CSU could change program impaction to provide significantly more preference to local students. Additionally, CSU does not have a referral process like UC, where a qualified student gets referred and admitted to another CSU campus.

The past several years CSU has reported denying admission to about 10,000 eligible transfer students (which are included in the numbers in the above table). Given this development, together with statute that requires CSU campuses to prioritize eligible transfer applicants over freshman applicants, the Legislature may want to consider targeting enrollment growth funding for transfer students in 2017-18.

Similar to the UC, given that a freshman eligibility study is currently underway, the Legislature may wish to wait until the May Revision before deciding on enrollment growth funding for freshmen.

Staff Recommendation: Hold open

Issue 12: Graduation Rates

Panel

- Yong Salas, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Jeff Gold, California State University

Background

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.

As described earlier in the agenda, the 2014-15 budget act required the UC and CSU to annually adopt three-year sustainability plans by November 30. 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. Additionally, AB 94 required UC and CSU to report each year by March 1st on various performance measures.

Graduation Rates. In March, CSU submitted their state performance measures report to the Legislature for freshman and transfer students. Regarding freshmen, CSU reports meeting or exceed all of its graduation improvement goals. The figure below displays freshman graduation rates. During the past few years CSU notes that graduation rates have steadily increased for first-time freshmen.

Cohort	4- year graduation rate	5- year graduation rate	6-year graduation rate
2010	18.6%	46.8%	59.1%
2011	19.1%	47.3%	N/A
2012	20%	N/A	N/A

Regarding transfer students, CSU also met most of its graduation rate goals. The two-year rate at CSU has increased from 21 percent to 31 percent over the same period. CSU, however, did not meet its target for the three-year graduation rate for transfer students (analogous to a six-year graduation rate for freshmen entrants)—aiming for 65 percent but falling short at 62 percent. As with the graduation targets for freshmen entrants, CSU has set higher out-year graduation targets for transfer students.

Although CSU reports that graduation rates are improving, achievement gaps by race/ ethnicity, and socioeconomic status still persist. The chart below displays graduation rates by race/ethnicity for the fall 2006 cohort compared to fall 2010 cohort.

Race/ Ethnicity	4- year Graduation Rate of 2006 Cohort	4- year Graduation Rate of 2010 Cohort	5- year Graduation Rate of 2006 Cohort	5-year Graduation Rate of 2010 Cohort	6- year Graduation Rate of 2006 Cohort	6-year Graduation Rate of 2010 Cohort
White	22.5%	29.2%	49.7%	58.2%	58.4%	66.5%
Asian/ Pacific	12.6%	14.7%	39.1%	46.1%	53.4%	63%

Islander						
Black or African American	8.3%	8.7%	24.7%	31.9%	34.7%	43.6%
Hispanic or Latino	10.4%	12.1%	32.4%	39.4%	44.6%	53.4%

Moreover, the report notes 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, and it appears that the achievement gap between these students has not improved. The chart below displays graduate rates by Pell Grant status for the fall 2006 cohort and 2010 cohort.

	4- year Graduation Rate of 2006 Cohort	**4- year Graduation Rate of 2010 Cohort**	**5- year Graduation Rate of 2006 Cohort**	**5-year Graduation Rate of 2010 Cohort**	**6- year Graduation Rate of 2006 Cohort**	**6-year Graduation Rate of 2010 Cohort**
Pell Grant	10%	11.8%	31.2%	39.3%	44.2%	53.5%
Non Pell Grant	18.4%	24%	44.6%	52.8%	54.6%	63.5%

College Readiness. Many studies indicate that student completion is significantly tied to a student's college proficiency upon arrival on campus. While the percentage of students who are ready for college-level English and math has increased from 58.7 percent in the fall of 2014 to 62 percent in fall 2016, the March BOT agenda item shows there is a readiness gap, with 80 percent of white students who are proficient in both English and math, compared to 53 percent of Hispanic or Latino students, and 41 percent of Black or African American students. However, this is an improvement compared to fall 2014 first-time freshman, where the 80 percent of white students were proficient in both English and math, compared to 48 percent of Hispanic or Latino students, and 38.3 percent of Black or African American students.

CSU appears to be starting to address the remedial education issues. At the March board meeting, CSU administrators discussed four ways in which the system was looking at this issue to improve student outcomes and time-to-degree:

- Promoting the completion of four years – instead of three – of mathematics and quantitative reasoning during high school, which will better prepare Californians to begin CSU at college-level math courses.
- Shift to a heavier reliance on high school grades to place students as they enter CSU.
- Strengthen the Early Start program, which provides remedial courses for students in the summer before they begin CSU.
- Restructuring remedial education programs to reflect national best practices.

Graduation Initiative. As noted previously, in March 2017, the CSU Board of Trustees voted for a five percent tuition increase, which would generate $78 million in additional net revenue, which CSU officials have indicated would be used primarily to augment funding for the Graduation Initiative. CSU recently updated this initiative, the Graduation Initiative 2025, which seeks to more than double its four-year graduation rate (for all entering freshmen) between now and 2025, moving from its current rate of 19 percent to 40 percent. Moreover, the CSU seeks to increase their transfer students two-year graduation rate from the current 31 percent to about 45 percent in 2025. Additionally, the CSU is seeking to increase the average four-year graduation rates for underrepresented students from 12 percent to 40 percent. This 2025 initiative includes hiring more faculty and increasing the faculty-to-student ratio, encouraging faculty to adopt new instructional methods, and providing enhanced student support services such as tutoring and advising. CSU reports spending $48 million in base funds on these Graduation Initiative strategies.

Recent Budget Acts. Student achievement has been a priority of the Senate, and as a result, the 2015-16 budget act fully funded the CSU's budget request, which included $38 million for the CSU's Graduation Initiative. The goals of this initiative, which was originally launched by the Chancellor's Office in 2009, are to boost graduation rates for freshmen and transfer students as well as eliminate achievement gaps for low-income and other traditionally underrepresented students. Furthermore, the 2016-17 budget included $35 million one-time for CSU to address its graduation rates, and required CSU develop a plan to improve four–year and two–year graduation rates for freshman and transfer students, respectively, and close gaps in graduation rates for three groups of students: those who are (1) low income, (2) underrepresented minorities, and (3) first–generation college–goers. Each campus submitted plans to the CSU on the types of investments and methods they would use to increase graduation rates at their campuses. The 2016-17 budget also provides $1.1 million ongoing to support a network of working groups comprised of staff and employees. The purpose of the network is to investigate the underlying causes of low graduation rates at CSU. The Education Insights Center, located at the Sacramento campus, will administer this funding.

According to the CSU, the $35 million one-time funds from the 2016-17 budget, were distributed to campuses as follows:

1) $12 million was proportionally allocated to campuses based on historic numbers of freshman who graduated in 4.5 years, and transfer students who graduated in 2.5 years;
2) $20.5 million was proportionally allocated to campuses based on the number of students receiving Pell Grants, and developmental (remediation) needs; and
3) $2.5 million to small campuses with less than 11,000 FTES.

Legislative Analyst's Office Comments

The LAO notes that CSU is employing a number of strategies aimed at improving graduation rates. The LAO observes that the CSU has opportunities to further boost student outcomes by rethinking its assessment and placement policies. Currently, CSU primarily uses placement tests to assess college readiness. Based on these test results, CSU deems about 40 percent of its admitted freshmen as unprepared for college-level math, English, or both. Students who do not demonstrate college-level skills are required to enroll in remedial coursework. National research has shown that relying solely on placement tests routinely results in college-ready students being misplaced into remedial courses, which, in turn, increases education costs for them and the state while also reducing their chances of graduating on time. A growing amount of research is finding that a better way to assess college readiness is to use multiple measures (including data from students' high school records) to place students.

Additionally, a number of CSU campuses currently have policies requiring even students who are deemed college ready in math to take a second diagnostic (department) test in order to enroll in many lower-division math courses (such as calculus and college-level algebra). Students who fail to obtain a specified cut score on these department exams may be required to enroll in precollegiate-level courses (such as intermediate algebra), thereby delaying their progress toward a degree. These secondary diagnostic tests also are at odds with national research on effective ways to identify students who are capable of success in college-level coursework.

CSU continues to have a problem with excess unit-taking by both freshman entrants and transfer students. Students who accrue more units that their degree requires generally take longer to graduate, generate higher costs for the state and themselves, and crowd out other students. Based on the experience of other institutions, a number of causes may be contributing to CSU's high rate of excess units, including unclear degree pathways for students and uneven articulation of lower-division transfer courses between community colleges and CSU. Were CSU to reduce excess course-taking, it could increase the availability of required courses within existing resources.

The LAO recommends the Legislature direct CSU to study these issues in more depth and, based on its findings, implement new policies using existing Graduation Initiative monies and other system resources. Specifically, the LAO recommends the Legislature require CSU to report by January 1, 2018 on (1) its plans to put in place research-based methods for assessment and placement, as well as (2) opportunities for campuses to make available more course slots by reducing the number of excess units that students earn. Given these opportunities for further reform and given the many other competing cost pressures facing CSU in the budget year, the Legislature may wish to place a lower priority on providing additional funding for the Graduation Initiative in 2017-18.

Similarly, the State Auditor recently released an audit report on CSU, *California State University: Stronger Oversight Needed for Hiring and Compensating Management Personnel and for Monitoring Campus Budgets,* which recommended the Legislature improve its oversight of CSU by requiring CSU to submit an annual report that provides information on specific activities that CSU engaged in during the previous years to meet the State's goals for student success.

Staff Comments

Improving graduation rates is a shared goal of the Legislature, CSU and the Administration. The revised graduation goals of CSU are laudable. However, staff shares the concerns of the LAO as to whether there are additional steps the CSU could take to address its graduation rates. Specifically, staff is concerned about duplicative diagnostic and placements tests, and overreliance on these for course placement. CSU appears to be making progress on addressing this; however the subcommittee may wish to consider the LAO's recommendation to require CSU to report on its progress in making changes to their remedial education practices and policies. Additionally, since improving graduation rates is a priority of the Legislature, the subcommittee may wish to consider the State Auditor's recommendation on additional detailed reporting on CSU's student success activities.

Staff Recommendation. Hold open

Issue 13: Other Post-Employment Benefits Vesting Schedule Trailer Bill Language

Panel

- Yong Salas, Department of Finance
- Paul Steenhausen, Legislative Analyst's Office
- Ryan Storm, California State University

In April 2016, the CSU announced a collective bargaining agreement with the California Faculty Association (CFA). The agreement covers the 2015-16, 2016-17 and 2017-18 fiscal years and includes the following changes:

- Five percent general salary increase for all faculty on June 30, 2016.
- Two percent general salary increase for all faculty on July 1, 2016.
- 3.5 percent general salary increase for all faculty on July 1, 2017.
- 2.65 percent service salary increase for all eligible faculty in 2017-18. It is estimated that about 43 percent of faculty would be eligible for this step increase.
- An increase in the vesting period for full retiree healthcare benefits for new employees from five years to 10 years, meaning new employees hired after July 1, 2017 must work for CSU for 10 years to receive retiree healthcare benefits.
- An increase in salaries for faculty when they are promoted. Promoted faculty would receive a minimum nine percent salary increase instead of the current minimum of 7.5 percent.

In order to implement the revised vesting period for retiree healthcare benefits, CSU is requests amending existing statute.

Governor's Proposal. The Administration and CSU is proposing trailer bill language to amend the Government Code to stipulate that members of CFA and non represented employees hired after July 1, 2017, will not receive retiree health and dental benefits until working for the CSU for 10 years. This language would only be operative if the trustees adopted this proposal, or if agreed to in collective bargaining agreement.

Staff believes that CSU administration, the CFA and the Department of Finance have agreed on this language.

Staff Recommendation: Hold open.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Thursday, May 11, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Elisa Wynne

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6100 DEPARTMENT OF EDUCATION

Issue 1: After School Education and Safety Program

Panel:

- Virginia Early, Legislative Analyst's Office
- Jason Weiss, Executive Director, California Alliance of Boys & Girls Clubs
- Lanayah Gholar, Student

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.

Related legislation, SB 78 (Leyva), currently in the Senate Appropriations Committee, would increase the funding for the ASES by an additional $99,135,000 in the 2017-18 fiscal year and each fiscal year thereafter, and further require additional increases commencing with the increases to the minimum wage.

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 2017-18.

Related Proposals:

The California After School Coalition (CASC) and the California Afterschool Advocacy Alliance (CAAA) are requesting a budget augmentation of $99.1 million in ongoing Proposition 98 General Fund for the ASES program. The augmentation reflects an increase in the ASES ADA rate from $7.50 to about $9.00, a 20 percent increase.

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 Local Control Funding Formula funds to provide for after school activities?

Staff Recommendation: Hold issue open pending the May Revision.

6100 DEPARTMENT OF EDUCATION

Issue 2: Multi-Tiered Systems of Support (MTSS)

Panel:

- Christine Olmstead, Associate Superintendent, Instructional Service, Orange County Department of Education
- Edgar Montes, MTSS Director, Orange County Department of Education
- Susan Hukkanen, Assistant Superintendent, Butte County Office 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).

In the 2016-17 Budget Act, and additional $20 million in one-time Proposition 98 funding for the OCDE to provide grants to LEAs across the state to create or expand local programs that implement MTSS strategies. Of the total additional funding, up to $1 million could be used for administrative support of LEA grantees.

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 the partnership with their program provides the basis for the SUMS initiative professional learning work. Butte COE is supporting the design, management, and editing of the SUMS initiative website and provide insight on the unique needs of small, and rural LEAs.

The goal of the SUMS initiative is to provide a framework for all districts to engage schools, families, and communities in providing all students with educational access focused on the needs of the whole child. Identified short-term goals include:

- Increasing and improving services for all low-income, English learner, and foster youth students.

- Developing strategies to support student success in the most inclusive learning environment.

- Increase the use and coordination among multiple school and community resources.

- Implement multi-tiered, evidence-based, data-driven districtwide and school-wide systems of academic, behavioral, and social-emotional support.

Under the SUMS initiative, the OCDE has created 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 52 counties (some counties have combined), 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 is provided by OCDE and the SWIFT center. Of the total $30 million, OCDE will provide $21.5 million for subgrants to LEAs to develop, align, or enhance evidence-based supports within an MTSS framework. The remaining funding is used to hire staff, works with partners to develop a system and frameworks, and establish and fund regional and COE leads. Initially, it was anticipated that the SUMS Initiative would work with approximately 300 LEAs each year for each year of a three year cycle. OCDE has reported that the first cohort instead includes 113 LEAs, as a result of a slower than anticipated build-out of the framework. OCDE anticipates future cohorts to absorb additional LEAs such that the program will have the capacity to serve most districts in the state.

LEAs are to use MTSS sub-grants to focus on specific needs identified when going through the MTSS process and could include professional development or training support. LEAs receiving sub-grants are required to provide annual reports on the implementation, integration, and scaling up of their MTSS supports, including integration with Local Control and Accountability Plans (LCAPs) and student outcomes over time.

Suggested Questions:

- What is the process that a district or school goes through when working with OCDE under the SUMS Initiative?

- What measurable outcomes should the state look for to ensure success of the program in an individual district or statewide?

- How does MTSS through the SUMS Initiative integrate and support the development of LCAPs and the actions LEAs take to meet the state's priorities under the LCFF?

Staff Recommendation: Information Only.

6100 DEPARTMENT OF EDUCATION

Issue 3: Proposition 47

Panel:

- Ryan Anderson, Legislative Analyst's Office
- Ed Hanson, 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.

The 2016-17 budget act provided $9.9 million in Proposition 47 Safe Neighborhoods and Schools Funds, based on the DOF estimate, and an additional $18 million in one-time Proposition 98 funding for dropout and truancy prevention programs to be allocated pursuant to the formula determined through legislation adopted in the 2015-16 legislative year. SB 527 (Liu), Chapter 533 and AB 1014 (Thurmond), Chapter 397, Statues of 2016 created the Learning Communities for School Success program for the expenditure of K-12 Proposition 47 funds. Pursuant to this legislation, the Department of Education has developed a request for application (RFA) process for LEAs to apply for grant funding that may be expended over a three-year period and applications are due in May, 2017. According to CDE, grants for the first cohort would be funded through both funding allocated in 2016-

17 and the additional Proposition 47 funds provided in 2017-18. CDE will also provide training and technical assistance to grantees on pupil engagement, school climate, truancy reduction, and supporting pupils who are at risk of dropping out of school or who are victims of crime.

Governor's Budget Proposal:

The Governor's 2017-18 budget estimates a total savings of $42.9 million from Proposition 47 in 2017-18. Of this amount, the Governor's budget estimates $10.1 million to be available for the CDE to allocate additional grants to LEAs. The Department of Finance estimates that these savings will increase slightly in future years.

Suggested Questions:

- How did stakeholder input shape the RFA process?

- When does CDE anticipate funds will be awarded?

Staff Recommendation: Hold open pending updated estimates of the SNSF at the May Revision.

6100 DEPARTMENT OF EDUCATION

Issue 4: Proposition 56

Panel:

- Ryan Anderson, Legislative Analyst's Office
- Ed Hanson, Department of Finance
- Debra Brown, Department of Education

Background:

Proposition 56 was approved by voters in 2016 and increases the cigarette tax by $2.00 per pack of cigarettes and increases taxes on other tobacco products. Revenue generated through Proposition 56 is primarily allocated to increase funding for existing healthcare programs, but is also used for tobacco use prevention programs, tobacco-related disease research and law enforcement, University of California physician training, dental disease prevention programs and administration. Additionally, the proposition excluded these revenues from the Proposition 98 calculation.

After making specified allocations, approximately two percent of the Proposition 56 revenue is provided to the CDE to administer tobacco prevention programs in schools. Specifically, the proposition allocates the funding for the existing Tobacco-Use Prevention Education (TUPE) program, administered by the CDE. The proposition also states that “not less than 15 percent of the funding shall be used to address tobacco-related disparities.”

Tobacco-Use Prevention Education Program. Proposition 99, approved by the California voters in the November 1988 general election, increased, by 25 cents, the tax on each pack of cigarettes sold in the state. The annual budget act appropriates funds from the Tobacco Surtax Fund for several purposes, including tobacco-use prevention education in schools. Of the TUPE funds, two-thirds is provided to LEAs for school-based tobacco-use prevention programs through competitive grants and one-third is used by the CDE for technical assistance, program evaluation and regional coordinating activities.

The TUPE program provides funding for programs in grades six through twelve through a competitive application process for tobacco-specific student instruction, reinforcement activities, special events, and intervention and cessation programs for students. All LEAs that are certified as having a fully implemented tobacco-free school district board policy are eligible to apply for funding. Programs are locally developed, but they are expected to align with state and federal guidelines. Each county office of education is eligible to receive funding through the County Technical Assistance and Leadership Funds application to assist school districts within their county in program development, to provide staff development for school and district personnel, and to provide technical assistance as needed.

Governor's Budget Proposal:

The Governor’s budget estimates the total revenue generated from Proposition 56 to be $1.7 billion in 2017-18. After making specified allocations, Proposition 56 requires two percent of the revenue to be allocated to the CDE to be used for school programs to prevent and reduce the use of tobacco and nicotine products by young people. The Governor’s budget provides $31.5 million for tobacco and nicotine prevention programs at K-12 schools (of this amount $1.6 million is provided for CDE to administer the program). The Governor's budget also includes placeholder trailer bill language allowing the use of the additional funding to be directed pursuant to legislation.

Suggested Questions:

- Is there demand in the TUPE program for additional LEAs to participate or are existing participants seeking to expand their programs?

- Does CDE, DOF, or LAO have a position on how funds should be used to address “tobacco-related disparities?”

Staff Recommendation: Hold Open.

6100 Department of Education

Issue 5: Districts of Choice (Information Only)

Panel:

- Ken Kapphahn, Legislative Analyst's Office

Background:

The District of Choice program was put into place in 1993, as part of a package of legislation that was intended to provide parents more choice in selecting the best schools to meet their children's needs and encouraging schools to be more responsive to community needs. Although originally designed as a five-year pilot program, the state has reauthorized the district of choice program multiple times and it is now scheduled to sunset July 1, 2017. Basic program requirements are described below:

Key Components of the District of Choice Program

- ***District Participation.*** A district deems itself a District of Choice through a local resolution and specifies in this resolution how many new transfer students it will accept each year.
- ***Transfer Rules.*** A student's "home district" must allow the student to transfer unless the transfer would affect the home district in one of the following ways:
  - Exceed an annual cap equal to 3 percent of the home district's student attendance for the year.[a]
  - Exceed a cumulative cap equal to 10 percent of the home district's average annual attendance over the life of the program.[a]
  - Exacerbate severe fiscal distress.
  - Hinder a court–ordered desegregation plan.
  - Negatively affect racial balance.
- ***Admission Procedures.*** A District of Choice must accept all interested students up to its locally approved amount and conduct a lottery if oversubscribed.
- ***Funding Allocations.*** When a student transfers, the home district no longer generates funding for that student and the District of Choice begins generating the associated funding.[b]

[a]For districts with more than 50,000 students, the annual cap is 1 percent and the cumulative cap is not applicable.

[b]Different rules apply if the District of Choice is a basic aid school district.

Source: Legislative Analyst's Office

Funding. There is no specific funding for the program; however, the school district in which a student enrolls would receive any per average daily attendance (ADA) funding allocation based on the student.

Accountability. Each district of choice must collect the following information about students who transfer in under this program: 1) total amount of students applying each year; 2) outcome of the application and the reason for any denials; 3) total number of students entering or leaving each year; and the number of students entering or leaving the district each year who are English learners or students with disabilities. Reports are required to annually be submitted to the governing board of the district, every neighboring district, the county office of education and the Department of Education (CDE). Information from the reports has not been compiled or analyzed by the CDE and there is no requirement for the CDE to do so.

In addition, since 2009, a district of choice participant must include in its annual independent audit verification that the district used an unbiased admissions and lottery process and provided factually accurate communication. Per statute, instructions for completing these tasks are not included in the independent audit guide.

Legislative Analyst's Office Findings and Recommendations:

The LAO released a report in January 2016, *Evaluation of the School District of Choice Program*, in response to legislation that required the LAO to evaluate the district of choice program and make recommendations about future reauthorization. In order to inform the report, the LAO conducted extensive outreach to districts participating in the program and home districts and reviewed research and spoke to researchers on similar programs.

The LAO found that there are 47 districts of choice, serving approximately 10,000 transfer students, making up an average of 26 percent of enrollment for districts of choice. Transfer students are 27 percent low income. Districts of choice are often using the program to help avoid declining enrollment, although there may be some impact on the fiscal distress of home districts. Under the program students can access courses not offered by their home districts, although home districts often make program changes as a result. Finally, almost all students transfer to districts with higher test scores than their home districts.

The LAO recommends that the program be reauthorized for at least an additional five-year period based on the benefits to students, and the need to avoid disruption for students and districts if the program were to sunset. However the LAO makes the following additional recommendations to improve the program and provide for more transparency:

- Repeal the cumulative cap on the percentage of a home district's students that can utilize the program. Districts already have an option to prohibit transfers that contribute to severe fiscal distress.

- Assign the CDE specific administrative responsibilities including tracking all districts that participate in the program, collecting required reports in a consistent format and provide them online, provide additional information to districts about the program, and explore using the state's existing student-level data collection systems to collect data about the program.

- Replace the current audit requirements with oversight by the county offices of education. Complaints in regards to the program could be filed with the county office of education.

- Improve local communication by requiring districts of choice to post application information on their websites and provide home districts with a list of transfer students.

Related Legislation. SB 52 (Newman), currently in the senate appropriations committee, would extend the district of choice program through July 1, 2022.

Suggested Questions:

- What is the fiscal impact of the program on districts of choice and home districts?

- What types of benefits are students generally receiving under the program?

Staff Recommendation: Information Only.

6100 DEPARTMENT OF EDUCATION

Issue 6: State Operations

Panel:

- Keith Nezaam, Department of Finance
- Debra Brown, Department of Education
- Virginia Early, Legislative Analyst's Office

Background:

Funding and authorized positions for the CDE are summarized by the table below:

CDE State Operations Funding
(dollars in thousands)

Fund Source	2015-16 (Actuals)	2016-17 (Projected)	2017-18 (Proposed)	BY to CY Changes	% Change
General Fund	$152,125	$162,056	$156,967	-$5,089	-3.14%
Federal Funds	$149,985	$163,321	$160,678	-$2,643	-1.62%
Fee Revenue	$6,063	$8,153	$7,608	-$545	-6.68%
Bond Funds	$2,238	$2,991	$2,991	$0	0.00%
Other Funds	$20,495	$27,466	$29,080	$1,614	5.88%
Total Expenditures	**$330,906**	**$363,987**	**$357,324**	**-$6,663**	**-1.83%**
Percentage of FF to Total	45.33%	44.87%	44.97%		
Positions	2,232.20	2,249.70	2,245.20	-4.50	-0.20%

Source: Department of Education

Governor's Budget Proposals:

The Governor's budget includes no General Fund increases for CDE's state operations, but includes the following federal fund increases:

- **Child Nutrition Program Procurement Reviews.** The Governor's budget provides $479,000 in ongoing Federal Nutrition State Administration Expense (SAE) funds to comply with federal procurement regulations and respond to U.S. Department of Agriculture audit findings related to management and oversight of school nutrition programs.

- **Special Education English Learners.** The Governor's budget includes $143,000 in one-time federal Individuals with Disabilities Education Act (IDEA) funds to develop an English learners with disabilities manual and provide technical assistance to local educational agencies in identifying, assessing, supporting, and reclassifying English learners who may qualify for special education services, and pupils with disabilities who may be classified as English learners, pursuant to AB 2785 (O'Donnell) Chapter 579, Statutes of 2016.

- **Homeless Youth Liaisons.** The Governor's budget allocates $49,000 available from the federal McKinney-Vento Homeless Assistance grant to provide professional development and training materials to local educational agency liaisons for homeless children and youth pursuant to SB 1068 (Leyva) Chapter 538, Statutes of 2016. Of the amount provided, $10,000 is available on a one-time basis for the development of informational and training materials for homeless youth liaisons.

Additionally, as discussed in the agenda for this subcommittee's hearing on April 20, 2017, the Governor has suspended funding for the Instructional Quality Commission in 2017-18 due to the reduction in available General Fund resources, resulting in one-time savings of $948,000 in 2017-18. The workload of the commission in 2017-18 is related to statutory deadlines for updating or creating standards in the following areas: computer science, world languages, visual and performing arts and the creation of a model curriculum for ethnic studies. The Governor has proposed trailer bill language that delays each of these workload requirements by one year.

Other state operations requests, not included in the Governor's budget, include:

- $3.2 million in ongoing federal funds authority to support the administration of child nutrition programs, specifically to provide technical assistance and program monitoring.

- $806,000 in federal individuals with disabilities act funds to cover increased costs associated with contracting with the Office of Administrative Hearings for mediations and due process hearings.

- $3.5 million in one-time General Fund for CDE to create an equity and performance improvement team to promote equity in California's public schools, though addressing the achievement gap, school discipline, school climate, and bullying that is gender or racially motivated.

Staff Recommendation: Hold Open

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Monday, May 15, 2017
Upon Adjournment of Session
State Capitol - Room 3191

Consultants: Elisa Wynne and Anita Lee

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

Proposition 98 Overall Funding—K-12 and Community Colleges

Changes to the Minimum Guarantee. The May Revision provides increased Proposition 98 funding of $1.5 billion over the Governor's budget for the three-year period of 2015-16 to 2017-18. More specifically, the May Revision funds the Proposition 98 guarantee for the 2015-16 through 2017-18 fiscal years at $69.1 billion, $71.4 billion, and $74.6 billion, respectively. Compared to January, this reflects the following yearly changes:

- An increase of approximately $533 million in 2015-16.
- An increase of approximately $22 million in 2016-17.
- An increase of approximately $1.1 billion in 2017-18.

These levels reflect over-appropriating the guarantee in the 2015-16 and 2016-17 fiscal years, resulting in a higher minimum guarantee level in the 2017-18 year. Proposition 98 Maintenance Factor balances at the end of 2017-18 are $823 million. Finally, the May Revision includes a proposal to suspend what is known as the "3B supplemental appropriation" calculation for the 2016-17 through 2020-21 fiscal years. The 3B supplement is a component of the Proposition 98 calculation that ensures that school funding grows at the same rate as the rest of the budget when the state is experiencing low General Fund growth. Suspending this statutory portion of the calculation reduces the Proposition 98 obligation in future years, but this reduction amount is added to the maintenance factor calculation to be paid back when the state experiences higher General Fund growth.

Comparing K-12 Proposition 98 Funding Under Governor's Budget and May Revision *(Total Funding In Millions)*			
	2015-16	**2016-17**	**2017-18**
January Budget			
General Fund	$43,686	$44,887	$45,886
Local property tax	17,052	18,236	19,200
Total	**$60,738**	**$63,122**	**$65,087**
Students[a]	5,971,343	5,958,933	5,958,288
Dollars per student	$10,171	$10,593	$10,924
May Revision			
General Fund	$44,040	$45,114	$47,178
Local property tax	17,048	18,035	18,858
Total	**$61,088**	**$63,148**	**$66,036**
Students	5,971,790	5,962,962	5,960,101
Dollars per student	$10,229	$10,590	$11,080
Change			
General Fund	$354	$227	$1,292
Local property tax	-4	-201	-343
Total	**$350**	**$26**	**$949**
Students	447	4,029	1,813
Dollars per student	$58	-$3	$156

a: Reflects Average Daily Attendance
Source: Legislative Analyst's Office

- **Deferrals.** The May Revision does not include funding deferrals, undoing the January proposal to shift $859.1 million of the funding scheduled to be provided for Local Control Funding Formula (LCFF) implementation from 2016-17 to 2017-18.

- **Settle-Up.** The proposal provides $603 million in settle-up payments that count towards the 2009-10 guarantee level; of this $514 million is provided in LCFF payments in the 2016-17 fiscal year.

- **Local Control Funding Formula.** The May Revision includes approximately $1.4 billion for implementation of the LCFF formula, which brings the formula to 97 percent of full implementation in the 2017-18 fiscal year. This is an increase of $661 million over the January proposal of almost $770 million in ongoing investments in LCFF.

- **Mandates.** The May Revision includes a total of up to $1 billion in one-time Proposition 98 General Fund to provide discretionary funds to LEAs and to pay down the backlog of the state's obligations attributable to K-12 education mandates. This funding would count towards the 2017-18 Proposition 98 guarantee, but the Governor proposes to delay the release of these funds until May 2019, with the appropriation amount contingent upon the 2017-18 guarantee level remaining at the level determined at the 2017-18 budget act. To the extent the 2017-18 minimum guarantee calculation decreases in future years, the appropriation amount would be adjusted.

Major Program Changes — K-12 Education

- **Proposition 39 Energy Efficiency Programs for K-12 Education.** The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2017-18 by 46.7 million, to $376.2 million, to reflect decreased revenue estimates.

- **Other Technical Adjustments.** The May Revision also includes the following adjustments:

    - **Local Property Taxes.** An increase of $188.7 million in 2016-17 and a decrease of $327.9 million in 2017-18 in Proposition 98 General Fund for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.

    - **Average Daily Attendance.** An increase of $26.2 million in 2016-17 and $74.1 million in 2017-18 for school districts, charter schools, and county offices of education as a result of changes in projected attendance.

    - **Categorical Program Growth.** An increase of $2.4 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected attendance growth.

    - **Cost-of-Living Adjustments.** An increase of $3.2 million Proposition 98 General Fund to selected categorical programs, including state preschool, based on a revised cost-of-living factor of 1.56 percent for 2017-18, increased from the 1.48 percent estimated in January.

Child Care and Early Childhood Education. The May Revision restored the portions of the 2016-17 budget agreement for the 2017-18 year that were not included in the January proposal, including rate increases and additional preschool slots for a total of $210 million ($112 Proposition 98 funding).

Major Program Changes — California Community Colleges

- **Increased Operating Expenses.** The May Revision includes an increase of $160 million Proposition 98 General Fund to support community college operating expenses.

- **State Operations.** The May Revision proposes $618,000 General Fund and $454,000 in reimbursement authority to the Chancellor's Office for six positions and funding to support a second Deputy Chancellor.

- **Apportionment.** The May Revision proposes an increase of $34.1 million Proposition 98 General Fund, which accounts for unused prior-year enrollment growth funding, declining enrollment, and an increase in cost-of-living adjustment.

- **Local Property Tax Adjustment.** The May Revision includes an increase of $68.2 million Proposition 98 General Fund in 2016-17, as a result of decreased offsetting local property tax revenues.

- **Deferred Maintenance.** The May Revision proposes an increase of $92.1 million one-time Proposition 98 General Fund and settle-up for deferred maintenance, instructional equipment, and specified water conservation projects.

- **Equal Employment Opportunity Program.** The May Revision proposes an increase of $1.8 million Employment Opportunity Fund to promote equal employment opportunities in hiring and promotion at community colleges.

- **Full-Time Student Success Funding.** The May Revision proposes an increase of $1.9 million Proposition 98 General Fund to reflect an increased estimate of eligible Cal Grant B and C recipients in 2017-18.

- **Cost-of-Living Adjustments.** The May Revision proposes an increase of $229,000 Proposition 98 General Fund to provide a COLA for the Disabled 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.

- **Proposition 39.** The May Revision proposes a decrease of $5.8 million, for a total of $46.5 million, to reflect reduced revenue estimates.

- **Student Enrollment Fee Adjustment.** The May Revision proposes a decrease of $24.8 million Proposition 98 General Fund as a result of increased offsetting student enrollment fee revenues.

6440 UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
CALIFORNIA STUDENT AID COMMISSION

Issue 2: Overview of Governor's 2017-18 May Revision Budget Proposals

Panel: Department of Finance
Legislative Analyst's Office
University of California
California State University
California Student Aid Commission

The Governor's May Revision proposal increases investment in higher education, primarily due to recognition of UC and CSU's tuition increase. Specifically, tuition increases also increase Cal Grant spending estimates by $48 million in the budget year.

Major Program Changes — University of California

- **Cost Structure.** The May Revision proposes to set-aside $50 million General Fund from UC's base, which will be released when UC has achieved the commitments made in the agreement with the Governor related to activity-based costing, enrollment of transfer students, and completed recommendations made by the State Auditor in its recent report on the UC Office of the President.

Major Program Changes — California State University and University of California

- **Redirection.** The May Revision proposes to redirect $4 million General Fund from UC and CSU each to eliminate the scheduled award reductions for Cal Grants for students attending private institutions accredited by the Western Association of Schools and Colleges.

- **Transportation Research.** The May Revision proposes an increase of $2 million for CSU and $5 million for UC, from the State Transportation Fund, for transportation research, pursuant to Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.

Major Program Changes — California Student Aid Commission

- **Offsets Cal Grants Costs with Federal Temporary Assistance for Needy Families (TANF) Funds.** The May Revision proposes an increase of $194 million in TANF reimbursements in 2017-18, which reduces General Fund support for Cal Grants. This would bring total TANF support for Cal Grants to $1.1 billion.

- **Caseload Adjustments.** The May Revision proposes Cal Grant spending increase by $33 million in 2016-17 and $71.6 million in 2017-18 to reflect revised estimates in Cal Grant caseload costs for the current year and budget year.

- **College Access Tax Credit Funding.** The May Revision assumes a $5.6 million decrease in College Access Tax Credit Funding for the Cal Grant B supplement**.** This decreases the per-student supplement to $24.

- **Middle Class Scholarship Program Costs.** The May Revision proposes a net decrease of $10 million for revised cost estimates related to the Governor's budget proposal to phase out the program.

- **Tuition Award for UC and CSU Students.** The May Revision proposes an increase of $28 million and $20.9 million to reflect the adopted tuition increases at CSU and UC, respectively. CSU and UC approved an increase in tuition of $270, and $282, respectively, and as a result, the maximum Cal Grant award would increase by a corresponding amount.

- **Cal Grants for Private Non-Profit Institutions.** The May Revision proposes an increase of $8 million General Fund, redirected from UC and CSU's base budget, in 2017-18, to maintain the maximum Cal Grant tuition award for students attending private non-profit institutions accredited by the Western Association of Schools and Colleges at $9,084. This funding is contingent on legislation requiring these institutions to increase enrollment of low-income students, ease the transfer process for community college students, and expand online education programs.

- **New Grant Delivery Infrastructure Technology (IT) System.** The May Revision proposes $546,000 one-time for the final year of planning the system. Funds are for costs of a project manager and for the California Department of Technology project planning and support.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Tuesday, May 16, 2017
10 a.m. or upon call of the Chair
State Capitol - Room 3191

Vote Only Items

Discussion and Vote Items

Higher Education Vote Only Items

6120 - California State Library: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
1	Asset Management System Replacement	The May Revision proposes $404,000 ($189,000 ongoing) for replacement of the asset management system. Of this funding, $215,000 is one-time to support costs of implementation of the new system to improve organization of the State Library's collections, allow for better linkages with other libraries, and create efficiencies for other state agencies that choose to maintain their materials using the system. Ongoing funding is for a cloud-based Software and repository of digital materials and data management.		BBL	Approve as proposed.
2	Assistant Bureau Chief, State Library Service Bureau	The May Revision proposes $137,000 ongoing to reclassify an existing position as an Assistant Bureau Chief in the State Library Services Bureau. No position authority is requested. The State Library Services Bureau is the state's central reference and research library. An Assistant Bureau Chief would be responsible for general management of functions related to the library's collections and for coordination of the State Library's initiative to digitize state records. These responsibilities are currently being performed by the Bureau Chief.		BBL	Approve as proposed.

6610 - Hastings College of Law: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
3	Base Augmentation	The Governor proposes a $1.1 million General Fund ongoing unallocated increase (9.2 percent) to Hastings budget. The Governor proposes to give Hastings flexibility to decide how to spend the state augmentation.		BBL	Approve as budgeted.

6440-University of California:Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
4	Base Augmentation	The Administration's January budget proposed a $132 million base increase for UC.		BBL	Approve as budgeted.
5	Umbilical Cord Blood Collection Program	The Administration proposes trailer bill language to eliminate the sunset date for the UC's Umbilical Cord Blood Collection Program. AB 34 (Portantino), Chapter 516, Statutes of 2007, established the Umbilical Cord Blood Collection Program, to be administered by the California Department of Public Health. Due to implementation challenges at the Department of Public Health, AB 52 (Portantino), Chapter 529, Statutes of 2010, shifted the program to UC. AB 52 imposed a mandatory $2 fee on California birth certificates, which, in turn, generates about $2.5 million each year for UC to administer the cord collection program. AB 52 will sunset on January 1, 2018. UC coordinates the collection and transportation of cord blood donations from hospitals in California to several banks across the country. UC enters into agreements with hospitals and banks to collect and store donated units. Under some agreements, UC uses its own hospital staff to collect donations and contracts with a third party for transportation services; whereas, under other agreements, it reimburses hospitals and banks for their associated costs.		TBL	Approve Placeholder TBL

Item	Subject	Description	Comments	Language	Staff Recommendation
6	UC Summer Institute for Emerging Leaders	UC offers a variety of outreach programs to attract graduate students. In particular, the Summer Institute for Emerging Leaders was created in 2012 as a joint effort of the UC business schools and UCOP to recruit underrepresented minority students for Masters in Business Administration programs at UC. Each of the six business schools rotates as a host for a two-week summer program for two summers, and targets freshman and sophomores from historically black colleges and universities (HBCU) and Hispanic serving institutions (HSI) across the country. The fellowship is open to 25 freshman per fellowship class. This program is funded by private donations, with an annual budget about $175,000. Because this program rotates among the UC business schools, it is difficult to identify or track long-term outcomes.	Staff notes that this program may benefit from a centralized database and a specific program lead across UC business schools in order to better track student outcomes.	BBL	Approve $150,000 ongoing to expand program services to serve additional California resident students, and $150,000 General Fund to UCOP for a dedicated program lead to coordinate their program.
7	Statewide Redistricting Database	Proposition 11 of 2008 required the Legislature to establish the Statewide Database (SWDB), which is the redistricting database for the state of California. This database houses voter registration information used in the redistricting processes. In 2001 and 2011, data was used for state legislative, congressional, Board of Equalization and local redistrictings following the 2000 and 2010 Censuses respectively as mandated by law. Data collection and processing for the redistricting are ongoing tasks conducted over a ten year period of time, starting with the collection of the decennial census at the beginning of each decade. With each statewide election between redistrictings, updated data sets are made available as a free, public resource as soon they are processed. Currently, data is being collected for 2021 redistricting. This database is located at UC Berkeley Law's Center for Research.	The 2014-15 budget approved approved budget bill language designating $770,000 GF, from within the UC's main support item, for the Statewide Database at UC Berkeley.	BBL	Approve an increase of $730,000 from within UC's main support item for the Statewide Database at UC Berkeley, for a total of $1.5 million.

Item	Subject	Description	Comments	Language	Staff Recommendation
8	**Sustainability Plan**	Beginning with the 2014-15 Budget Act, UC and CSU were required to submit performance reports (commonly referred to as “academic sustainability plans”) by November 30 each year. In these reports, UC and CSU are to set performance targets for various statutory measures, such as graduation rates, and degree completions, for each of the coming three years. The plans include several years of actual performance on each of the measures. The Governor proposes to eliminate the sustainability plan. The LAO notes that the biggest value of the sustainability plans are the out-year targets and past actuals for each of the statutorily required performance measures.	Staff notes that UC and CSU are also required to annually submit a report by March to the Legislature regarding performance. These measures includes four-year graduation rates for both UC and CSU and six-year graduation rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status).	BBL/TBL	Approve proposal to eliminate the sustainability plans, but change the statutory requirement for the March performance reports to (1) include targets as well as past actuals and (2) move the deadline up to November 30, which allows the LAO to report to the Legislature on the segments’ respective performance in the February Analysis.

Item	Subject	Description	Comments	Language	Staff Recommendation
9	California Health Benefit Review Program	CHBRP was established under AB 1996 (Thomson), Chapter 795, Statutes of 2002, which requested UC to assess legislation that propose a health insurance mandated benefit or service and prepare a written analysis. Under AB 1996, legislative leadership may request CHBRP to perform a bill analysis. The CHBRP program is funded by the Health Care Benefits Fund, which provides CHBRP with up to $2 million annually from fees assessed on health insurance providers. CHBPR staff reports that it spends the maximum amount ($2 million) every year regardless of the number of analyses the Legislature asks it to produce. AB 1996 called for the program and its fund source to sunset on January 1, 2007. Subsequent legislation has since extended this sunset date several times, with SB 125 (Hernandez), Chapter 9, Statutes of 2015, extending the date to June 30, 2017. The Governor proposes trailer legislation that would eliminate the sunset date, thereby indefinitely authorizing the program and the Health Care Benefits Fund.	The LAO recommends rejecting the Governor's proposal. The sunset date has allowed legislative staff to revisit its expectations for CHBRP and that CHBRP's future workload is uncertain given federal changes. Previous extensions of the sunset date have ranged from two to five years.	TBL	Reject Governor's proposal, and adopt placeholder TBL to extend CHBRP sunset date by three years to June 30, 2020.

Item	Subject	Description	Comments	Language	Staff Recommendation
10	UC Santa Cruz Co-Generation Plant	The Administration proposes trailer bill language to allow UC Santa Cruz to fund debt service for their Cogeneration Plant Phase 1 project with General Fund. In 2011, UC initiated the process for building a cogeneration replacement plant on the Santa Cruz campus. A cogeneration plant simultaneously generates electricity and heat. The remaining General Obligation bond authority for UC and CSU was nearly exhausted and were being allocated primarily to the final equipment phases of existing projects, therefore UC did not submit the project for approval from the Legislature. In April 2013, the UC Regents decided to move forward with the estimated $37.1 million project. UC Santa Cruz funded the project through non state campus funds and external financing. In February 2016, UC Santa Cruz recently completed the project and paid $1.1 million in associated debt service in 2015-16 using non state funds. The campus expects to continue incurring debt service through 2045, with annual payments ranging from $1.3 million to $1.6 million.	In a letter dated April 1, 2016, the Administration notified the Joint Legislative Budget Committee (JLBC) of their intent to authorize UC to use its General Fund appropriation to pay for debt service associated with a recently constructed cogeneration plant at the Santa Cruz campus. In response to the letter, LAO recommended rejecting UC's request. UC did not receive state approval prior to building the cogeneration plant, violating the longstanding process of seeking state review and approval prior to proceeding. Asking for state funding after completing a project is highly irregular, and even without state funding, UC indicates it has sufficient funding to retire the associated debt service. JLBC did not concur with UC's request.	TBL	Reject.
11	Deferred Maintenance	The Governor proposes trailer bill legislation to include deferred maintenance as an eligible capital expenditure for UC's capital outlay process. The Administration notes that this will conform to how deferred maintenance costs are handled at the CSU.			Adopt placeholder trailer bill language.

Item	Subject	Description	Comments	Language	Staff Recommendation
12	Breast Cancer Research	The May Revision proposes an increase of $2.07 million, for a total of $7.16 million from the Breast Cancer Research Account, Breast Cancer Fund for the Breast Cancer Research Program. Existing law requires that, upon appropriation, 90 percent of the moneys in the Breast Cancer Research Account, Breast Cancer Fund be allocated to the Breast Cancer Research Program.		BBL	Approve as proposed.
13	Tobacco-Related Disease Research	The May Revision requests an increase of $3,000 for a total of $10.14 million for tobacco-related research from the Research Account in the Cigarette and Tobacco Products Surtax Fund. Funds in the account are only available for appropriation for tobacco-related disease research.		BBL	Approve as proposed.
14	Transportation Research	The May Revision proposes $5 million from the Road Maintenance and Rehabilitation Account, State Transportation Fund to the University of California for transportation research. This is consistent with Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.		BBL	Approve as proposed.

6610 - California State University: Vote Only					
Item	**Subject**	**Description**	**Comments**	**Language**	**Staff Recommendation**
15	Base Augmentation	The Governor's budget proposes a $157.2 million base increase for CSU.		BBL	Approve as budgeted.
16	Sustainability Plan	Beginning with the 2014-15 Budget Act, UC and CSU were required to submit performance reports (commonly referred to as "academic sustainability plans") by November 30 each year. In these reports, UC and CSU are to set performance targets for various statutory measures, such as graduation rates, and degree completions, for each of the coming three years. The plans include several years of actual performance on each of the measures. The Governor proposes to eliminate the sustainability plan. The LAO notes that the biggest value of the sustainability plans are the out-year targets and past actuals for each of the statutorily required performance measures.	Staff notes that UC and CSU are also required to annually submit a report by March to the Legislature regarding performance. These measures includes four-year graduation rates for both UC and CSU and six-year graduation rates for CSU (disaggregated by freshman entrants, transfers, graduate students, and low-income status).	BBL/TBL	Approve proposal to eliminate the sustainability plans, but change the statutory requirement for the March performance reports to (1) include targets as well as past actuals and (2) move the deadline up to November 30, which allows the LAO to report to the Legislature on the segments' respective performance in the February Analysis.

17	Other Post Employment Benefits	The Administration and CSU is proposing trailer bill language to amend the Government Code to stipulate that members of California Faculty Association and non represented employees hired after July 1, 2017, will not receive retiree health and dental benefits until working for the CSU for 10 years. This language would only be operative if the trustees adopted this proposal, or if agreed to in collective bargaining agreement. This proposal is consistent with the collective bargaining agreement between CSU and the California Faculty Association, which was announced in April 2016.		TBL	Approve placeholder TBL.

Item	Subject	Description	Comments	Language	Staff Recommendation
17	Transportation Research	The May Revision proposes $2 million from the Road Maintenance and Rehabilitation Account, State Transportation Fund to the CSU for transportation research. This is consistent with Senate Bill 1 (Beall), Chapter 5, Statutes of 2017.		BBL	Approve as proposed.

6980 - California Student Aid Commission: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
19	Temporary Assistance for Needy Families	The May Revision proposes a decrease of $194 million General Fund in fiscal year 2017-18 to reflect an increase of $194 million in reimbursement authority available in Temporary Assistance for Needy Families (TANF) resources.		BBL	Approve as proposed.
20	Cal Grant Case Load	The May Revision proposes an increase of $71.59 million in case load due (1) to an increase in the estimated number of new recipients in 2016-17,which increases the estimates of renewal students in 2017-18, and (2) the revised estimate of new recipients in 2016-17 is used as the new base for estimates of new recipients in 2017 18, with growth applied.		BBL	Approve as proposed.
21	Maximum Cal Grant Award Adjustments Due to UC and CSU tuition Actions	Existing law specifies that the maximum tuition award for students attending the UC and CSU is equal to the system wide tuition and fees charged at those institutions. Because the UC Board of Regents and CSU Board of Trustees approved an increase in tuition of $282 and $270, respectively, the maximum Cal Grant award would increase by a corresponding amount. The May Revision proposes an increase of $20.85 million in 2017-18 to reflect the costs of an increase in the maximum Cal Grant tuition award for students attending UC. The May Revision assumes the maximum award would be $12,630. The May Revision also proposes an increase of $28 million in 2017-18 to reflect the costs of an increase in the maximum Cal Grant tuition award for students attending the CSU. The May Revision assumes the maximum award would be $5,742.		BBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
22	Updated Estimates for Various Loan Assumption Programs for Education	Assumption Program of Loans for Education (APLE): The May Revision proposes an increase of $612,000 to reflect revised cost estimates for APLE. The May Revision also scores reduced costs for APLE of $142,000 in 2015-16 and $72,000 in 2016-17. State Nursing Assumption Program of Loans for Education (SNAPLE): The May Revision proposes a decrease of $208,000 to reflect revised cost estimates for SNAPLE. The May Revision also scores reduced costs for SNAPLE of $84,000 in 2015-16 and $141,000 in 2016-17. Child Development Teacher and Supervisor Grant Program: The May Revision proposes decreasing reimbursements by $51,000 to reflect a change in the agreement between the CSAC and CDE for grants. The May Revision also scores reduced costs and reimbursements for the program of $34,000 in 2016-17. John R. Justice Loan Assumption Program: The May Revision proposes increasing reimbursements by $32,000 to reflect a change in the agreement between CSAC and the Office of Emergency Services that increases the award amount by $170 per recipient. The May Revision also assumes corresponding adjustments in 2016 17. Law Enforcement Personnel Dependent Grant Program: The May Revision proposes an increase of $49,000 to reflect revised cost estimates. The May Revision also scores reduced costs for the program of $3,000 in 2015-16 and $5,000 in 2016-17.		BBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
23	College Access Tax Credit Program	The May Revision proposes a decrease of $5.61 million to align with revised estimates of resources in the College Access Tax Credit Fund. Appropriations from this fund are used to make supplemental awards to students who receive Cal Grant B access awards. With this adjustment, the supplement would be $24 in 2017-18.		BBL	Approve as proposed.

Higher Education Items for Discussion and Vote

6440-University of California: Discussion and Vote

Item	Subject	Description	Comments	Language	Staff Recommendation
24	Graduate Student Enrollment	The UC is requesting $9 million for an additional 900 graduate students in order to allow the UC to keep pace with significant growth in undergraduate enrollment. Beginning in fall 2016, UC implemented a plan to increase enrollment of California undergraduates by 10,000 over three years. UC notes that when enrollment for undergraduates increase, UC typically adds faculty who are supported by graduate students. Additionally, graduate students also ensure that there are sufficient teaching assistants and graduate student instructors to handle the additional undergraduate instructional workload.		BBL	Approve $5 million General Fund ongoing to increase resident graduate student enrollment by 500 students.
25	Redirection to Cal Grant	The May Revision proposes to redirect $4 million from UC's budget to fund costs of the Cal Grant program for students attending private institutions accredited by the Western Association of Schools and Colleges. This adjustment, and a corresponding adjustment made to the appropriation for the CSU, would fund that cost.		BBL	Approve as proposed

Item	Subject	Description	Comments	Language	Staff Recommendation
26	State Audit Report	In April 2017, the State Auditor released a report regarding the UC Office of the President. The report found that UC failed to disclose a surplus accumulated over four years, and that UC does not properly document, adequately disclose, or review all the restrictions, fund sources for presidential or university initiatives, among other findings. The State Auditor made various recommendations for UC, including the adoption of a reserve policy, evaluation and identification of changes needed in employee benefit policies, and completion of CalHR's best practice workforce planning model. In response to the State Audit, the May Revision proposes to set-aside $50 million General Fund from UC's base, and DOF will not release the funds until UC has (1) completed the remaining activity-based costing pilots, (2) taken actions to attain, by the 2018-19 academic year, a ratio of at least one entering transfer student for every two entering freshmen at each campus, except for the Merced and San Francisco campuses, and (3) taken actions identified in the recommendations the Auditor made to the Regents and the Office of the President. The UC is required to submit evidence to the Director of Finance by May 1, 2018, that it has met these expectations.	The State Auditor's report also highlighted that UCOP requested increases in the system wide assessment fee in two of the four years that were audited, and that UCOP provides a supplemental retirement contribution to certain UC executives.	BBL	Modify proposed BBL to also require UC to (1) adopt a policy in 2017-18 to no longer provide supplemental retirement payments to newly hired senior management employees, (2) adopt a policy to freeze the system wide assessment fee for two years starting in 2018-19, and (3) starting in 2018-19, as a part of its annual budget process, UCOP shall disclose all revenue and expenditures, including carryover funds, and a full description of system wide and presidential initiatives, including revenue sources and how these initiatives further the mission of UC. This information shall be forwarded to the appropriate committees of the Legislature.

Item	Subject	Description	Comments	Language	Staff Recommendation
27	Capital Outlay	Existing law allows UC 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. This authority 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. Additionally, the state allows each university to pay the associated debt service of academic facilities using its state support appropriation. Under UC's capital outlay authority, existing law allows them to enter into contracts with private partners to finance, design, construct, maintain and operate state-eligible facilities. Existing law also allows UC to use state support funds to pay for availability payments, lease payments, installment payments, and other similar or related payments for capital expenditures. For the Merced project, which utilizes availability payments, statute requires UC to use its own employees for routine maintenance, meaning the partner only would perform maintenance on major buildings. Availability payments are performance-based payments made over the lifecycle of the facilities. Under UC Merced's 2020 project, if any facilities are not available in accordance with the contract's standards, the UC is entitled to deduct an established amount from the availability payment.		TBL	Adopt placeholder trailer bill language, for the 2017-18 fiscal year and each year thereafter, to require facility projects that utilize availability payments to proceed, pursuant to Section 92495, only if all work traditionally performed by persons with UC job classifications is performed only by employees of the UC.

6610 - California State University: Discussion and Vote					
Item	**Subject**	**Description**	**Comments**	**Language**	**Staff Recommendation**
28	Graduation Rates	CSU reports that graduation rates are improving, increasing the four year gradation from 18.6 percent to 20 percent for its 2010 and 2012 cohort. However, despite these improvements, achievement gaps by race/ ethnicity, and socioeconomic status still persist. For instance, the four year graduation rate for white students is about 30 percent, compared to 8.7 percent of African American Students and 12 percent of Latino student. In an effort to address this, CSU adopted the Graduation Initiative 2025, which seeks to increase its four year graduation rate to 40 percent, and to eliminate the achievement gap. CSU is requesting $75 million ongoing General Fund to support this initiative.	The LAO recommends the Legislature require CSU to report by January 1, 2018 on (1) its plans to put in place research based methods for assessment and placement, as well as (2) opportunities for campuses to make available more course slots by reducing the number of excess units that students earn. Given these opportunities for further reform and given the many other competing cost pressures facing CSU in the budget year, the Legislature may wish to place a lower priority on providing additional funding for the Graduation Initiative in 2017 18. Similarly, the State Auditor recently released an audit report, which recommended the Legislature improve its oversight of CSU by requiring CSU to submit an annual report that provides information on specific activities that CSU engaged in during the previous years to meet the State's goals for student success.	TBL	Approve $25 million one-time for the CSU Graduation Initiative, and adopt placeholder trailer bill language to require CSU to report to the Legislature regarding (1) its plans to adopt researched based methods for assessment and placement, (2) opportunities for campuses to make more courses available by reducing the number of excess units earned, and (3) specific activities and spending for each activity CSU engaged in to meet the State's goals for student success, including activities to improve close the achievement gap for low-income students, underrepresented minority students, and first generation college students.
29	Redirection to Cal Grant	The May Revision proposes to redirect $4 million from CSU's budget to fund costs of the Cal Grant program for students attending private institutions accredited by the Western Association of Schools and Colleges. This adjustment, and a corresponding adjustment made to the appropriation for the UC would fund that cost.		BBL	Approve as proposed.

6980 - California Student Aid Commission: Discussion and Vote

Item	Subject	Description	Comments	Language	Staff Recommendation
30	Cal Grant Awards for Students Attending Private Non-Profit Universities	The Governor's January budget proposed a scheduled reduction for Cal Grants to private-non-profits and private for-profits to go into effect. This would reduce the award from $9,084 to $8,056. CSAC estimates the reduction will affect about 8,500 new Cal Grant recipients in 2017-18 and projects an associated $7.4 million in savings. The number of recipients affected and the associated savings will more than triple over the following three years as recipients "grandfathered" in at the higher rate exit the program. The May Revision proposes an increase of $7.96 million to maintain the maximum Cal Grant tuition award for students attending private institutions at $9,084 (growing by $1,028 from $8,056 in existing law), subject to trailer bill language that requires these institutions to increase the number of low-income students enrolled, ease transfer for students who have earned associate degrees for transfer, and expand online education. Budget bill language makes this increase contingent on the adoption of legislation. The May Revision also scores reduced costs for the program of $55.7 million in 2015-16 to correct prior estimates and increased costs of $33.25 million in 2016-17 to account for the estimated increase in new recipients.	The subcommittee may wish to consider if it is appropriate to place conditions on Cal Grant awards. To date, the state has not placed special, unique conditions on private, nonprofit Cal Grant awards (apart from institutional eligibility criteria relating to graduation rates and student loan defaults, which also apply to UC and CSU campuses.)	BBL/TBL	Approve an increase of $7.96 million to eliminate the proposed budget reduction, and to maintain the award amount of $9,084 for students attending private institutions accredited by WASC. Reject proposed conditions related to legislation on increased enrollment, transfer process and online education, in BBL and TBL. Approve updated cost estimates for 2015-16 and 2016-17.

Item	Subject	Description	Comments	Language	Staff Recommendation
31	Competitive Cal Grant Awards	The May Revision proposes language to authorize CSAC to make 35,000 initial award offers for competitive Cal Grants for the 2017-18 award year. CSAC would be authorized to select the minimum scores used to determine which applicants receive offers based on the total offers specified in the item. Existing law authorizes CSAC to make 25,750 new competitive Cal Grant awards each year. CSAC currently limits initial award offers based on the number of statutorily authorized awards. However, many students who receive offers do not claim those awards. Therefore, to make the number of authorized awards, CSAC typically makes subsequent offers late in the award year. This proposal authorizes 35,000 award offers early in the year, based on recent data on the percentage of awards claimed, to better align Cal Grant notifications with student enrollment decisions.	LAO notes that current law places no cap on the number of awards CSAC may offer annually.	BBL	Approve proposal to allow CSAC to make additional initial award offers, without adjusting statutes total number of authorized awards.
32	Grant Delivery System Modernization Project	The May Revision includes $546,000 in one-time funding for CSAC to continue working on replacing its online grant delivery system. CSAC uses its grant delivery system to process financial aid applications, make aid offers, and process payments. The project currently is moving through the California Department of Technology's "Project Approval Lifecycle" process. Most state IT projects are required to go through this four-stage planning process. CSAC project currently is in stage two of the process. Of the proposed $546,000, $296,000 is to allow CSAC to continue contracting with an external project management team and $250,000 is for required contracting with the Department of Technology.		BBL	Approve as proposed.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

OUTCOMES

Tuesday, May 16, 2017
10 a.m. or upon call of the Chair
State Capitol - Room 3191

Vote Only Items

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Wednesday, May 17, 2017
9:00 a.m. or upon call of the chair
State Capitol - Room 3191

Agenda Part A

Consultant: Elisa Wynne

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Child Care and Early Education					
1	**Child Care CalWORKS Caseload Funding** 6100-194-0001 (May Revision)	The May Revision proposes that this item be decreased by $30,913,000 non-Proposition 98 General Fund to reflect revised cost estimates for the CalWORKs Stages 2 and 3 child care programs. Specifically, it is requested that Schedule (5) of this item be decreased by $18,093,000 and Schedule (6) of this item be decreased by $12,820,000.	Approve as proposed		Technical adjustment to align to available federal funds
2	**Federal Child Care and Development Fund** 6100-194-0001/ 6100-194-0890 (May Revision)	The May Revision proposes that Schedule (5) of Item 6100-194-0890 be increased by $10,917,000 Federal Trust Fund to reflect an increase in one-time federal carryover funds available from prior years. It is also requested that Schedule (6) of Item 6100-194-0001 be decreased by $10,917,000 non-Proposition 98 General Fund to reflect this change. The increased federal funds offset an identical amount of non-Proposition 98 General Fund in the California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 3 child care program. The Governor's Budget identified $19,101,000 one-time Federal Trust Fund carryover available in fiscal year 2017-18 and this adjustment will increase the total available carryover funds to $30,018,000.	Approve as proposed	BBL	Technical adjustment to expend available carryover funds.
3	**Early Head Start - Child Care Partnership Grant** 6100-294-0890 (Spring Finance Letter)	The Administration proposes that this item be increased by $2,608,000 Federal Trust Fund to reflect $2,829,000 in one-time carryover funds and a $221,000 decrease to the available federal grant. This program provides infant and toddler child care to low-income families enrolled in county offices, family child care home education networks, center-based homes, and specified tribal governments.	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
4	**Child Care and Preschool Programs - electronic applications** (January Proposal)	The Governor's Budget included trailer bill language that would allow providers to accept electronic applications and signatures from families applying to subsidized child care or state preschool programs.	Approve placeholder trailer bill to be refined as necessary.	TBL	
5	**Transitional Kindergarten Instructional Minutes** (January Proposal and May Revision)	The Governor's Budget included trailer bill language that would allow school districts to run transitional kindergarten and kindergarten programs on the same site for different lengths of time. The May Revision amended this language to include programs on different sites within the school district.	Approve placeholder trailer bill to be refined as necessary.	TBL	Programs may already seek a waiver from the State Board of Education for this purpose. This language eliminates the need for school districts to seek waivers.
6	**Child Care Programs - Homeless Youth Definition** (January Proposal)	The Governor's Budget included trailer bill language that would align the state definition of homeless youth with the definition used for the federal McKinney-Vento Homeless Assistance Act. The federal definition is more expansive and classifies children as homeless if they are temporarily staying with others due to the loss of funding.	Approve placeholder trailer bill to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
ISSUE 2: K-12 Local Assistance					
7	**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 2017-18 for offsetting property taxes (net decrease of $7.3 million) and base adjustments (Net decrease of 6.8 million).	Approve as proposed. Conform to Proposition 98 Package.	BBL	Staff notes that this item may change due to any adjustments made in the final Proposition 98 Package.
8	**Growth** 6100-161, 196, 203, 601, 608, 670 - 0001 (January Proposal and May Revision)	The May Revision provides a growth adjustment of $76.4 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 is in addition the $23.7 million proposed in the January Budget for a total growth adjustment of $100.1 million. Overall special education, preschool and charter LCFF received slight decreases, with all other items receiving increases.	Approve as proposed, and conform to Proposition 98 package	BBL	
9	**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 increase of $18.7 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 programs. This adjustment reflects an increase in COLA to 1.56 percent from the 1.47 percent proposed in the January Budget bringing the total COLA cost to $76.8 million for 2017-18.	Approve as proposed, and conform to Proposition 98 package	TBL/BBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
10	**Mandates Block Grant** 6100-296-0001 (January Proposal)	The Governor's Budget included an increase to this item of $8.5 million to reflect the addition of the mandatory reporters mandate to the block grant. The May Revision proposes trailer bill language to add the California Assessment of Student Performance and Progress (CASPP) into the mandates block grant with no additional funding. The January proposal and May Revision combined also propose a base reduction in this item of $616,000 to align mandate block grant funding with revised average daily attendance estimates.	Add $8.5 million and the mandatory reporters mandate to the block grant. Add a COLA to the mandates block grant on an ongoing basis. Reject proposal to add CASPP mandate.	BBL	Staff notes that providing a COLA would ensure the block grant retains its purchasing power.
11	**Proposition 39** 6100-139-8080, 6100-639-0001 and 6100-698-8080 (January Proposal and May Revision)	The May Revision includes $376.2 million Clean Energy Job Creation Fund to reflect increased projected revenues in 2017-18 tied to the corporate tax changes enacted by Proposition 39. This is a reduction of $22.6 million over the prior year	Approve as proposed, and conform to Proposition 98 package		Technical adjustment to reflect
12	**Proposition 39 Extension**	Staff proposes that the legislature adopt placeholder trailer bill language, to be revised as necessary to do the following: 1) Extend the encumbrance date of existing funds by 9 months to March 31, 2018; 2) extend existing program requirements, including use of funding and the Citizen Oversight Board; 3) Allocate any remaining funding for the program as follows: $75 million for school bus replacement, $100 million for low-interest and no-interest loans for energy retrofits and clean energy installs as allowed under the existing program, and to school districts for energy retrofits projects as allowed under the existing program; and 4) Specify program funding is contingent upon an appropriation in the annual budget act or another statute.	Adopt implementing trailer bill language as described to be refined as necessary.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
13	**Child Nutrition Program** 6100-203-0001 (May Revision)	The May Revision proposes that this item be increased by $1,226,000 Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2017-18.	Approve as proposed	BBL	
14	**California Assessment of Student Performance and Progress Mandate Reimbursement** 6100-295-0001 (May Revision)	The May Revision proposes that this item be increased by $1,000 Proposition 98 General Fund to reflect the addition of the California Assessment of Student Performance and Progress (CAASPP) mandate to the mandate reimbursement program.	Approve as proposed	BBL	
15	**Proposition 47** 6100-601-3286 6100-695-3286 5228-612-0001 6100-501-3286 (January Budget and May Revision)	The January Proposal and the May Revision propose to increase funds from the Safe Neighborhoods and Schools Act for the Learning Communities for School Success program by $1.4 million base don updated available funding estimates. This program provides grants to LEAs for 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. This includes an adjustment to the state operations portion of the grant program for CDE workload of $33,000.	Approve as proposed.		

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
16	**After School Education and Safety Program.** 6100-649-0001 (May Revision / Legislative Proposal)	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. 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.	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. The COLA amount in 2017-18 is $8.6 million. In addition, provide $25 million in ongoing funding for ASES.	TBL	

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
17	**K-12 High Speed Network Operating Reserve** 6100-182-0001 (January Budget and May Revision)	The May Revision proposes that this item be decreased by $8 million Proposition 98 General Fund (previously included in the January proposal) to reflect savings achieved by authorizing the K-12 High-Speed Network to expend available network connectivity infrastructure grant funding for operational support. It is also requested that provisional language be amended and added to reflect revised operational expenditure authority for the K-12 High-Speed Network. Specifically, the K-12 High Speed Network would be authorized to expend $11.9 million from E-rate and California Teleconnect Fund moneys, $8 million from available network connectivity infrastructure grant funding, and $2.5 million from available operational reserve funding. Additional language is also proposed to clarify that the specified spending authority does not apply to ongoing network connectivity infrastructure grant expenditures applicable to funding provided by Item 6110 182 0001, Budget Act of 2014 and Item 6100-182-0001, Budget Act of 2015, as well as professional development and technical assistance expenditures applicable to funding provided by Section 58 of Chapter 104, Statutes of 2014.	Approve as proposed.	BBL	
18	**Career Technical Incentive Grant Funding Source** 6100-602-0001 / 6100-488 6100-605-0001 / 6100-485 (January budget and May Revision)	The January Proposal and the May Revision propose to fund the Career Technical Incentive Grant Program with a variety of sources in 2017-18. These are technical adjustments, the total program funding amount of $200 million as agreed to in the 2015-16 budget act is unchanged. Specifically, the Administration proposes to use $126.3 million in directly re-appropriated Proposition 98 resources, $70.4 million in Proposition 98 reversion account, and $3.3 million in Proposition 98 settle-up payments counting toward the 2009-10 guarantee for a total of $200 million. This is a change from the January proposal which had included additional settle-up payments for this program.	Approve trailer bill language to be refined as necessary.	BBL/TBL	Conform to final Proposition 98 package.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
19	**Project Advancing Wellness and Resilience in Education (AWARE)** 6100-104-0890 (Spring Finance Letter)	The Administration proposes to increase Schedule (1) of this item by $660,000 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 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.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.
20	**Public Charter Schools Grant Program** 6100-112-0890 (Spring Finance Letter)	The Administration proposes to add this item and provide $40,964,000 federal Title V, Part B funds, be provided to reflect $15 million in one-time carryover funds and a $25,964,000 increase to the federal grant award. This reflects the state's receipt of a three-year renewal of the federal public charter schools grant program. Funds are used to provide startup and initial operating capital for new charter schools as well as grants to charter schools to disseminate best practices.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION VOTE ONLY					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
21	**Migrant Education / English Language Acquisition Program** 6100-125-0890 (Spring Finance Letter)	The Administration proposes to increase Schedule (1) of this item by $418,000 federal Title I, Part C funds, to reflect $10.6 million in one-time carryover funds and a $10,182,000 decrease to the federal grant award. It is also proposed that Schedule (2) of this item be decreased by $345,000 federal Title I, Part C funds, to reflect $1.8 million in one-time carryover funds and a $2,145,000 decrease to the federal grant award for state-administered Migrant Education program. It is also proposed that Schedule (3) of this item be increased by $20,537,000 federal Title III funds to reflect $2 million in one-time carryover funds and an $18,537,000 increase to the federal grant award. This program provides services to help students attain English proficiency and meet grade level academic standards. It is also proposed that Provision 2 of this item be deleted and that the $1 million in one-time carryover funds identified in this provision be redirected to Schedule (3) to support the existing program. The Governor's Budget proposed that $1 million federal Title III funds be allocated to county offices of education regional leads to review Title III plans and to provide technical assistance. However, the need to review Title III plans has been delayed based on new federal guidance.	Approve with modification to reduce the amount of one-time carryover funds provided in schedule (3) by $437,000.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds. Conforms to action on Issue 73.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
22	**Elementary and Secondary Education Act Program, School Improvement Act Program and Title I State Grant** 6100-134-0890 (Spring Finance Letter)	The Administration proposes that Schedule (3) of this item be decreased by $59,056,000 federal Title I funds to reflect the elimination of funding for the School Improvement Grant Program. The SDE used funds from this program to award school improvement grants to LEAs with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement. It is also requested that Schedule (4) of this item be increased by $66,937,000 federal Title I funds to reflect $31,727,000 in one-time carryover funds and a $35,210,000 increase to the federal grant award. LEAs use these funds to support services that assist low-achieving students enrolled in the highest poverty schools	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.
23	**McKinney-Vento Homeless Children Education Program** 6100-136-0890 (Spring Finance Letter)	The Administration proposes that Schedule (1) of this item be increased by $1,974,000 federal Title VII, Part B funds, to reflect $312,000 in one-time carryover funds and a $1,662,000 increase to the federal grant award. This program provides a liaison to ensure homeless students have access to education, support services, and transportation.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award.
24	**Rural and Low-Income Schools Program** 6100-137-0890 (Spring Finance Letter)	The Administration proposes that Schedule (1) of this item be increased by $2,076,000 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.	Approve as proposed.		Technical adjustment to align with the federal grant award.
25	**Adult Education Program** 6100-156-0890 (Spring Finance Letter)	The Administration proposes that that Schedule (1) of this item be increased by $7,356,000 federal Title II funds to reflect $6.5 million in one-time carryover funds and an $856,000 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.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.

6100 - CALIFORNIA DEPARTMENT OF EDUCATION
VOTE ONLY

Item	Subject	Description	Staff Recommendation	Language	Comments
26	**Special Education** 6100-161-0890 (Spring Finance Letter)	The Administration proposes that Schedule (1) of this item be decreased by $609,000 federal Individuals with Disabilities Education Act (IDEA) funds to reflect a $13,000 decrease to the federal grant award and a $596,000 decrease in the availability of local assistance grants as a result of an ongoing increase in administrative costs. It is further requested that Schedule (3) of this item be increased by $4,030,000 federal IDEA funds to align 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 $476,000 federal IDEA funds to reflect the availability of one-time 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 also requested that Schedule (6) of this item be increased by $100,000 federal Public Health Services Act funds to reflect the availability of one-time carryover funds. The SDE uses these funds to provide outreach to families of newborns with hearing disabilities.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.
27	**Vocational Education Program** 6100-166-0890 (Spring Finance Letter)	The Administration proposes that this item be increased by $13,318,000 federal Title I funds to reflect $12,059,000 in one-time carryover funds and a $1,259,000 increase 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.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.

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Item	Subject	Description	Staff Recommendation	Language	Comments
28	**Mathematics and Science Partnership Program** 6100-193-0890 (Spring Finance Letter)	The Administration proposes that this item be added and that $2,703,000 federal Title II funds be provided to reflect the availability of one-time carryover funds. The Mathematics and Science Partnership Program provides competitive grants to three-year partnerships of low performing K-12 schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers. While the federal Every Student Succeeds Act of 2015 eliminated this program, these carryover funds are available through 2017-18.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.
29	**Improving Teacher Quality** 6100-195-0890 (Spring Finance Letter)	The Administration proposes that Schedule (1) of this item be increased by $9,882,000 federal Title II, Part A funds, to reflect $1,155,000 in one-time carryover funds and an $8,727,000 increase to the available federal grant award. The federal Improving Teacher Quality Local Grant Program provides funds to local educational agencies on a formula basis for professional development activities focused on preparing, training, and recruiting high quality teachers, principals, or other school leaders. It is also requested that Schedule (3) of this item be increased by $75,000 federal Title II funds to reflect one-time carryover funds for the Improving Teacher Quality State Level Activity Grants. It is further requested that Schedule (4) of this item be added and that $1,541,000 federal Title II Higher Education Grant funds be provided to reflect one-time carryover funds for existing grantees. This program provides grants to partnerships of local educational agencies and institutions of higher education for teacher professional development in core academic subjects. While the federal Every Student Succeeds Act of 2015 eliminated funding for this program beginning in 2017-18, the state has carryover funds available to augment existing grants for one additional year.	Approve as proposed.	BBL	Technical adjustment to align with the federal grant award and expend available carryover funds.

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Item	Subject	Description	Staff Recommendation	Language	Comments
30	**Federal 21st Century Community Learning Centers** 6100-197-0890 (Spring Finance Letter)	The Administration proposes that this item be increased by $5 million federal Title IV, Part B funds, to reflect one-time carryover funds. This program establishes or expands before and after school programs that provide disadvantaged kindergarten through twelfth-grade students with academic enrichment opportunities and supportive services to help the students meet state and local standards in core content areas.	Approve as proposed.	BBL	Technical adjustment to expend available carryover funds.
31	**Advanced Placement Fee Waiver Program** 6100-240-0890 (Spring Finance Letter)	The Administration proposes that Schedule (1) of this item be decreased by $2,612,000 federal Title I, Part G funds, 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.	Approve as proposed.		Technical adjustment to align with the federal grant award.
32	**Uniform Complaint Procedures** (Legislative Proposal)	Based on the subcommittee hearing of the UCP audit, staff recommends adopting supplemental reporting language (SRL) as follows: "The Superintendent of Public Instruction shall report to the Legislature no later than November 30, 2017 with recommendations for any legislative changes to the Uniform Complaint Procedures (UCP) process on timeframes for completion of investigations and reviews of appeals. The required report shall also include an update on the Department of Education's efforts to centralize tracking of UCP complaints and appeals and to streamline UCP processes across divisions."	Approve SRL language as proposed.	SRL	

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Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
33	**Tobacco Use Prevention and Control Program** 6100-101-3309 (January Proposal and May Revision)	The May Revision proposes that Schedule (1) of this item be increased by $471,000 Tobacco Prevention and Control Programs Account, California Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund (Proposition 56) to reflect revised revenue estimates. These funds are used for school programs that prevent and reduce the use of tobacco and nicotine products by young people as specified by Proposition 56. This adjustment brings the total to $30.4 million.	Approve as proposed, adopt placeholder trailer bill language to provide funding to supplement the existing Tobacco Use Prevention Education program.	TBL	
34	**Tobacco Use Prevention Education Program** 6100-102-0231 (May Revision)	The May Revision proposes that Schedule (1) of this item be decreased by $30,000 to reflect decreased revenue estimates for the Health Education Account, Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are used for health education efforts aimed at preventing and reducing tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.	Approve as proposed.		

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Item	Subject	Description	Staff Recommendation	Language	Comments
35	**Proposition 98 Reappropriations** 6110-488	Increase the 6100-488 item by $20 million to reflect available unspent Proposition 98 funds allocated in the 2016-17 budget intended to supplement the federal Public Charter Schools Grant Program to the extent no additional federal funding was available. The state received a new federal grant award and this funding was not utilized.	Approve as proposed	BBL	
36	**Career Technical Education Pathways Program** 6100-170-0001	Staff recommends adding Budget Bill Item 6100-170-0001 and $15,360,000 for the California Department of Education to continue administration of the K-12 portion of the Career Technical Education Pathways Program.	Approve as proposed.	BBL	Staff notes that this action conforms to actions taken in the CCC budget.

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Item	Subject	Description	Staff Recommendation	Language	Comments
		Issue 3: State Operations			
37	**Professional Development Video Series** 6100-001-0890 (Spring Finance Letter)	The Administration requests that Schedule (1) of this item be increased by $1,246,000 federal Title III funds to reflect the availability of one-time carryover funds for the development of a professional development video series and to update an English learner guidance publication. Funding for this purpose was included in the 2016 Budget Act, however the project was delayed to include the new History Social Science and the Science and Math Frameworks.	Approve as proposed	BBL	
38	**Improving Teacher Quality** 6100-001-0890 (Spring Finance Letter)	The Administration requests that Schedule (1) of this item be increased by $447,000 federal Title II Improving Teacher Quality Higher Education Grant funds to reflect the availability of one-time carryover funds to support the final year of existing grants for partnerships of Local Education Agencies and institutions of higher education for teacher professional development in core academic subject areas.	Approve as proposed	BBL	
39	**Special Education** 6100-001-0001/ 6100-001-0890 (May Revision)	The May Revision increases Schedule (1) of Item 6100-001-0890 by $806,000 Individuals with Disabilities Education Act funds and decreases Schedule (1) of Item 6100-161-0890 by $806,000 Individuals with Disabilities Education Act funds to support increased costs associated with special education dispute resolution services, which are required by both state and federal law. The 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 Governor's Budget included an ongoing increase of $2,653,000 Individuals with Disabilities Education Act funds to support these costs.	Approve as Proposed	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
40	**Child Nutrition Program Procurement Review** 6100-001-0890 (January Proposal)	The Governor's budget provides $479,000 in ongoing Federal Nutrition State Administration Expense (SAE) funds to comply with federal procurement regulations and respond to U.S. Department of Agriculture audit findings related to management and oversight of school nutrition programs.	Approve as proposed		
41	**Special Education English Learners** 6100-001-0890 (January Proposal)	The Governor's budget includes $143,000 in one-time federal Individuals with Disabilities Education Act (IDEA) funds to develop an English learners with disabilities manual and provide technical assistance to local educational agencies in identifying, assessing, supporting, and reclassifying English learners who may qualify for special education services, and pupils with disabilities who may be classified as English learners, pursuant to AB 2785 (O'Donnell) Chapter 579, Statutes of 2016.	Approve as proposed		
42	**Homeless Youth Liaisons** 6100-001-0890 (January Proposal)	The Governor's budget allocates $49,000 available from the federal McKinney-Vento Homeless Assistance grant to provide professional development and training materials to local educational agency liaisons for homeless children and youth pursuant to SB 1068 (Leyva) Chapter 538, Statutes of 2016. Of the amount provided, $10,000 is available on a one-time basis for the development of informational and training materials for homeless youth liaisons.	Approve as proposed		

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Item	Subject	Description	Staff Recommendation	Language	Comments
43	**Instructional Quality Commission.** **6100-001-0001** **51226.7, 53310-53313, 60605.4, 60605.5, 60605.13,** (January Proposal and May Revision)	The Administration proposes to suspend funding for the IQC in 2017-18 (a savings of $948,000 General Fund) and adds trailer bill legislation that would delay required workload for the IQC - related to standards and curriculum frameworks and instructional materials adoptions by one year.	Provide $245,000 in one-time General Fund resources and provisional language to ensure that the IQC complete workload related to adoption of history social science instructional materials and completion of the health curriculum framework. Adopted trailer bill to be refined as necessary as proposed by the Administration.	BBL/TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 4: Capital Outlay					
44	**Fremont School for the Deaf: Middle School Activity Center** 6100-492 (Spring Finance Letter)	The Administration requests that this item be added to reappropriate the balance of funds provided in the 2016-17 budget act to construct a new building for the middle school activity center at the California School for the Deaf in Fremont. The 2016-17 budget provided $1.749 million in non-Proposition 98 General Fund for this purpose, however the project was delayed due to design and contracting delays.	Approve as proposed.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
		Issue 4: Trailer Bill Language			
45	**Emergency Repair Program Balances and Clean-up** Education Code 17080 and 17592.71 (January Proposal and May Revision)	The Administration proposes trailer bill language that would direct any remaining balance in the Emergency Repair Program Account to the Proposition 98 Reversion account.	Adopt placeholder trailer bill language to be refined as necessary.	TBL	The state fulfilled its obligation to fund the Emergency Repair Program and this language is technical, providing for closeout of the associated fund.
46	**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 2017 Budget Act.	Approve trailer bill language to be refined as necessary.	TBL	
47	**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	

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Item	Subject	Description	Staff Recommendation	Language	Comments
48	**Southern California Regional Occupational Center (SoCalROC) Transition Funding** (May Revision)	The Southern California Regional Occupational Center (SoCalROC) is a joint powers agency that provides career technical education. The Administration proposes trailer bill legislation to appropriate $4 million Proposition 98 General Fund in 2017-18 to the SoCal ROC for instructional and operational costs. This allocation, the first of four over the next four years, is intended to help SoCal ROC transition to a fully fee supported funding model as the LCFF reaches full implementation.	Approve as proposed with placeholder trailer bill language, to be refined as necessary, to require SoCalROC to develop a plan that includes the following: 1) Information on how SoCalROC will become a regional CTE provider for high school students, including serving students in multiple districts; 2) A permanent cost structure in order for SoCalROC to operate for multiple years; 3) An annual budget; and 3) The reporting of data regarding the number of students served.	TBL	
49	**LCFF Related Clean-Up** Education Code 2558.2, 2572, 33676, 47662 (January Proposal)	The Administration proposes trailer bill language for technical revenue limit and property tax reference clean-up.	Approve trailer bill language to be refined as necessary.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
50	**Facilities Program Audit Language** Education Code 41024	The Administration proposed the following two fold approach to ensure the appropriate use of all School Facilities Program bond funds and effective program accountability and oversight: (1) Designing grant agreements that define basic terms, conditions, and accountability measures for participants that request funding through the School Facilities Program. The Office of Public School Construction has been collecting stakeholder feedback to inform the development of the final grant agreements, and the Administration anticipates that the State Allocation Board will take action on a final grant agreement at its next meeting. (2) Enacting trailer bill language that requires facility bond expenditures to be included in the annual K 12 Audit Guide, where independent auditors verify that local educational agencies participating in the School Facilities Program have appropriately expended state resources. The local audit requirement would apply to all completed School Facilities program projects and projects savings applicable to other high priority capital outlay projects.	Approve audit trailer bill language to be refined as necessary.	TBL	
51	**Deferred Maintenance** Education Code 17224 (January Proposal)	The Administration proposes trailer bill language to clarify that any unencumbered funds in the State School Deferred Maintenance Fund after July 1, 2014 be transferred to the State School Site Utilization Fund.	Approve trailer bill language to be refined as necessary.	TBL	
52	**SBE Testing waiver** Education Code 33050 (January Proposal)	The Administration proposes trailer bill language to clarify code references in relation to assessment waivers.	Approve trailer bill language to be refined as necessary.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
53	**Suspend K-12/CCC P98 Split** Education Code 41203.1	The Administration proposes trailer bill language to suspend the split between K-12 and Community Colleges for purposes of Proposition 98 expenditures.	Approve trailer bill language to be refined as necessary.	TBL	
54	**CCEE - Charter Schools** Education Code 47607.3 (January Proposal)	Current law states that the SPI, with after consultation with the chartering authority and the approval of the SBE, may assign a charter school for assistance from the CCEE. The Administration proposes to instead allow a chartering authority to request, after consultation with the SPI and the approval of the SBE, that the CCEE provide advice and assistance a charter school. This change in assignment of the CCEE's services aligns with the structure for school districts and county offices of education to access technical assistance from the CCEE.	Approve trailer bill language to be refined as necessary.	TBL	
55	**California Assessment of Student Progress and Performance** (May Revision)	The Administration proposes trailer bill legislation to specify that contractors for the CAASPP are paid or can recover payments by test administration rather than by fiscal year. These changes will align with current practice and allow CDE to be more targeted in its payment to and fund recovery from CAASPP contractors	Approve placeholder trailer bill language to be refined as necessary.	TBL	
56	**Child Nutrition Advisory Council** (May Revision)	The Administration proposes trailer bill legislation that would require the Superintendent of Public Instruction to make the member appointments to the Child Nutrition Advisory Council rather than the SBE as currently required.	Approve placeholder trailer bill language to be refined as necessary.	TBL	
57	**Charter In-Lieu Taxes** Education Code 47635 (January Proposal)	The Administration proposes trailer bill language to clarify the calculation on in-lieu property taxes provided to charter schools.	Approve trailer bill language to be refined as necessary.	TBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
58	**SELPA Re-Org** Education Code 56836.29 (January Proposal)	The Administration proposes trailer bill language to ensure that if Special Education Local Plan Areas (SELPAs) reorganize, the CDE is required to adjust rates so that overall SELPA funding neither increases or decreases.	Approve trailer bill language to be refined as necessary.	TBL	
59	**Instructional Materials Fee** Education Code 60209-60213 (January Proposal)	The Governor also proposes trailer bill language that would allow the CDE to charge publishers a fee for participation in the instructional materials adoption process. This practice has been in place since the recession for the adoption of instructional materials for specific subject area adoptions and the new language would allow CDE to continue a fee-based process for any instructional materials adoption. The Governor also proposes other minor technical trailer bill language related to assessments.	Approve trailer bill language to be refined as necessary.	TBL	
60	**Local Control and Accountability Plan Template** (January Proposal and May Revision)	The Administration proposes trailer bill legislation to allow the SBE to adopt revisions to the Local Control and Accountability Plan (LCAP) template under Bagley Keene Open Meeting Act requirements, rather than the Administrative Procedures Act. Current law allows this exemption through January 31, 2018.	Adopt amended trailer bill language to be refined as necessary to extend the exemption from the Administrative Procedures Act for the adoption of the LCAP through December 31, 2018.	TBL	
61	**Career Technical Education - K-12 School Facilities Program** (May Revision)	The Administration proposes trailer bill legislation to allow $500 million in state General Obligation bond funding for the Career Technical Education Program (CTE) to align with the language approved by voters in Proposition 51 Kindergarten through Community College Public Education Facilities Bond Act of 2016. Prior to the passage of Proposition 51, the State Allocation Board, governing body of the School Facilities Program, took action to suspend funding for CTE projects and to prioritize remaining program funding for new construction and modernization projects.	Approve placeholder trailer bill language to be refined as necessary.	TBL	This language clarifies that funding from the new bond may be used for CTE facilities pursuant to the existing program.

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Item	Subject	Description	Staff Recommendation	Language	Comments
62	**Districts of Choice** Education Code Section 48315	The District of Choice program was put into place in 1993 to provide parents more choice in selecting the best schools to meet their children's needs and encouraging schools to be more responsive to community needs. Although originally designed as a five-year pilot program, the state has reauthorized the district of choice program multiple times and it is now scheduled to sunset July 1, 2017.	Approve trailer bill language to be refined as necessary that would extend the sunset date of this program until July 1, 2022.	TBL	

6360 - Commission on Teacher Credentialing					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
Vote Only					
63	**Reappropriation for Attorney General Services** 6360-490 (May Revision)	The May Revision includes the reappropriation of $4.5 million from the Budget Act of 2016, for use in the 2017-18 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 and 2016-17, 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.

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Item	Subject	Description	Staff Recommendation	Language	Comments
		Issue 2: K-12 Local Assistance			
64	**Schoolbus Driver Training Program** 6100-001-0903 (May Revision)	The May Revision proposes that Schedule (2) be added to this item in the amount of $175,000 reimbursements to support the Schoolbus Driver Instructor Training program. It is also requested that provisional language be added to reflect the availability of $170,000 Special Deposit Fund to support program operations and to specify total program funding of $1,389,000. This program trains and certifies instructors responsible for training drivers of school buses, school pupil activity buses, transit buses, and farm labor vehicles. The Administration further proposes trailer bill language that would clarify that CDE may charge all participants fees to offset costs for administering the program.	Approve as proposed with implementing placeholder trailer bill language to be refined as necessary.	BBL/TBL	
65	**State Special Schools - Ed Tech Voucher** 6100-006-0001/ Reimbursements (May Revision)	The May Revision proposes that Schedule (5) of this item be increased by $1 million reimbursements, Schedule (6) of this item be increased by $1.2 million reimbursements, Schedule (7) of this be item increased by $1.3 million reimbursements, and Schedule (8) of this item be increased by $1.2 million reimbursements. These adjustments reflect a one-time increase in reimbursements for the three state special schools and the Diagnostic Centers to purchase technology through the Education Technology K-12 (Ed Tech) Voucher Program. The Ed Tech Voucher Program is a grant program established with funds from a settlement agreement between California consumers and the Microsoft Corporation. Through this agreement, K-12 schools were awarded grants to purchase specified information technology products and services. After the first of five grant distribution periods, a balance of $4.7 million was available for reallocation. The CDE, with approval from the Microsoft Corporation, has proposed awarding the remaining balance to the state special schools and diagnostic centers. The state special schools and Diagnostic Center serve students with low incidence disabilities requiring high-cost adaptive equipment and technology.	Approve as proposed with implementing placeholder trailer bill language to be refined as necessary.	BBL	

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Item	Subject	Description	Staff Recommendation	Language	Comments
66	**School Improvement Grant** 6100-134-0890 (May Revision)	The May Revision proposes that provisional language for schedules (1) and (2) of this item be amended to allow funds that were previously used for the School Improvement Grant program to be available for activities that support the Every Student Succeeds Act State Plan.	Approve with amended language that the CDE is required to submit an expenditure plan to the Joint Legislative Budget Committee detailing the use of federal funds pursuant to the Every Student Succeeds Act State Plan.	BBL	
67	**Student Assessment Program** 6100-113-0001/ 6100-113-0890 (May Revision)	The May Revision proposes that Schedule (2) of Item 6100-113-0890 be decreased by $59,000 federal Title VI funds to reflect a $2,844,000 decrease in the federal grant award and an increase of $2,785,000 in one-time carryover funds. It is also requested that Schedule (2) of Item 6100-113-0001 be increased by $59,000 Proposition 98 General Fund to reflect a corresponding adjustment due to the federal funds decrease. Federal funds for state assessments are provided for costs associated with the administration of statewide testing. It is also requested that $502,000 Proposition 98 General Fund in Schedule (3) of Item 6100 113-0001 be specified to support professional development for instructional leaders on California Next-Generation Science Standards (NGSS) through the California Assessment of Student Performance and Progress (CAASPP) Science Academy.	Approve proposed amendments to schedule (2) of Item 6100-113-0001 and 6100-113-0890. Reject adjustment to schedule (3) of Item 6100-113-0001 to designate $502,000 for the California Assessment of Student Performance and Progress (CAASPP) Science Academy.	BBL	Staff notes that several professional development initiatives are currently underway for NGSS, including funding through the Exploratorium.

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Item	Subject	Description	Staff Recommendation	Language	Comments
68	**Assessment Resources** 6100-113-0001	AB 484 (Bonilla, Chapter 289, Statutes of 2013) established the California Assessment of Student Performance and Progress (CASSP), state's new assessment system, to replaced the prior assessment system—the Standardized Testing and Reporting program. AB 484 also required the Superintendent to provide recommendations on the expansion of the assessment system. These recommendations were released in March 2016, and included the following: 1) Provide state-supported formative assessment resources that are aligned with the California Next Generation Science Standards in the Digital Library. 2) Vet state-supported resources and tools that support implementation of a comprehensive assessment system and provide those resources for local use. 3) Provide regional assessment support to schools and districts on the implementation of the comprehensive assessment tools and resources.	Adopt BBL to provide $502,000 in schedule (3) of Item 6100-113-0001 to establish a process for identifying and evaluating locally developed assessments and tools to support implementation of the Next Generation Science Standards, Career Technical Education and the English language development standards, as specified.	BBL	Staff notes that in addition to the state's summative assessments, LEAs benefit from having access to vetted, state-supported, resources that supplement the statewide assessment system.

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Item	Subject	Description	Staff Recommendation	Language	Comments
69	**California Regional Environmental Education Community Network** **6100-488/602**	The California Department of Education formed the statewide California Regional Environmental Education Community (CREEC) Network in the late 1990s to increase resource sharing among education providers at the state, regional, county, and local levels. The Education and the Environment Initiative (EEI) was established in the early 2000s, which a number of things, including the creation of California's Environmental Principles and Concepts (EP&Cs) to complement existing standards and the creation of an environment-based model curriculum driven by the state's science and history-social science standards. The EP&Cs are required to be included in textbook adoption criteria for science and history-social sciences, mathematics, and English language-arts. The State Board of Education unanimously approved the model curriculum in 2010, which included the EP&Cs. The Office of Education and the Environment, in coordination with CREEC Network, began working with K-12 educators to implement the curriculum on a voluntary basis. The CREEC Network is a communication network supporting environmental literacy by providing teachers with access to high-quality environmental education resources. The CREEC Network is administered by the department in partnership with the San Luis Obispo County Office of Education and the California Department of Water Resources. Along with statewide sponsors and partners, each CREEC region is supported by a regional coordinator who provides professional development and resources to educators as well as foster communication among schools and organizations interested in supporting environmental literacy of California's teachers and students.	Allocate $4 million in one-time Proposition 98 funding for the existing CREEC Network to provide technical assistance and disseminate information to local education agencies on how to integrate high-quality environmental literacy in curriculum, including, but not limited to, Next Generation Science Standards, history-social science standards, and career technical education.	BBL/TBL	

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
70	**History Social Science and Health Frameworks Professional Development and Resources** **6100-488 / 602**	The State Board of Education adopted the history social science curriculum framework in July 2016, with an adoption of the aligned instructional materials list anticipated in November of 2017. Pursuant to legislation, the history social science curriculum includes several new sections and areas of increased focus, including but not limited to the Armenian genocide, labor movements, contributions of lesbian, gay, bisexual, and transgender (LGBT) Americans, and civics learning content. In addition, the new frameworks reflect changing instructional practices with an increased emphasis on inquiry-based learning and literacy. The Health frameworks are scheduled for revision in 2019 and will include several new components, including a focus on sexual harassment and violence.	Provide $16 million in one-time Proposition 98 funds and adopt placeholder trailer bill language to specify that funds are available over three years to support the History Social Science curriculum framework and the upcoming Health curriculum framework. Activities may include regional trainings and professional development available for teachers, administrators and paraprofessionals and the development of an online repository of resources available to support instruction. Activities and resources shall focus on new components of the frameworks, including the Armenian Genocide, labor, LGBT, and civic education components of the History Social Science framework and the sexual harassment and violence prevention component of the Health framework.	BBL/TBL	

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
		State Operations			
71	**Federal Title II State Administration** 6100-001-0890 (May Revision)	The May Revision amends Provision 11 of this item to require the State Department of Education (SDE) to receive Department of Finance approval prior to expending federal Title II state administration funds, and to require CDE to submit a plan to Finance illustrating how the funds will support the priorities identified in the Every Student Succeeds Act State Plan adopted by the State Board of Education.	Approve with an amendment to provisional language to also require the plan to be submitted to the Joint Legislative Budget Committee.	BBL	
72	**Title XI Training** 6100-001-0890	Title IX states no person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program of activity receiving Federal financial assistance. State law requires each educational institution in California (K-12 and postsecondary education) to have a written policy on sexual harassment, as specified.	Allocate $275,000 one-time GF to the State Department of Education to develop guidance on helping local education agencies comply with state and federal law provisions to prevent and address sexual harassment and violence.	BBL	
73	**English Learner Reclassification** 6100-001-0001	English Learner reclassification is currently guided by state and federal law, but subject to significant discretion at the local level, as a result LEAs have differing policies for reclassifying, tracking, and supporting English learners. In addition, the state is transitioning to a new assessment of English language proficiency, the English Language Proficiency Assessment for California (ELPAC) which will be a tool in determining whether a student is ready for reclassification. Likewise, the California School Dashboard requires an English learner academic indicator, including reclassification info, to measure how English learner pupils are performing academically. Staff recommends providing $437,000 in Title III funding for supporting standardizing statewide processes and requirements for reclassifying English learners, including support of the ELPAC, pursuant to legislation enacted in the 2017-18 legislative session.	Provide $437,000 in Title III federal state operations funding for workload related to English Learner reclassification to be programmed pursuant to legislation enacted in the 2017-18 legislative session.	BBL	

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
		Trailer Bill Language			
74	**English Learners with Exceptional Needs Manual**	AB 2785 (O'Donnell) Chapter 579, Statutes of 2016 required the CDE to develop an English learners with disabilities manual and provide technical assistance to local educational agencies in identifying, assessing, supporting, and reclassifying English learners who may qualify for special education services, and pupils with disabilities who may be classified as English learners. The Department of Education requests trailer bill language to extend the due date of the English Learners with exceptional needs guidance manual for local educational agencies by 6 months from July 1, 2018 to December 31, 2018. The CDE also requests additional clarifying language and technical changes to specify the type of guidance required in the manual.	Approve placeholder trailer bill language to be refined as necessary.	TBL	Staff notes that work is underway on the specified manual. The requested deadline extension would allow the CDE adequate time to complete the manual.
75	**Middle and Early College High School Instructional Minutes Averaging** (May Revision)	The Administration proposes trailer bill legislation authorizing early and middle college high schools to average their 180-minute minimum daily minute requirement over a five-or ten-day period. This language provides early and middle college high schools with the same authority already provided to the governing boards of school districts maintaining a junior high school or a high school.	Approve placeholder trailer bill language to be refined as necessary.	TBL	

CALIFORNIA DEPARTMENT OF EDUCATION DISCUSSION/ VOTE					
Item	**Subject**	**Description**	**Staff Recommendation**	**Language**	**Comments**
76	**Charter School Facilities Incentive Grant Program** (May Revision)	The Administration proposes trailer bill legislation to increase eligible grant awards for charter schools participating in the Charter School Facilities Incentive Grant program. The current program allows charter schools to receive a maximum of $750 per unit of average daily attendance, or up to 75 percent of the annual facilities rent and lease costs for the charter school. These changes will increase the eligible amount to $1,236 per unit of average daily attendance in 2017-18 (adjusted by cost-of-living annually thereafter) or 75 percent of the annual facilities rent and lease cost for the charter school, whichever is less.	Approve with placeholder trailer bill language modified to not provide COLA to rates in future years	TBL	Staff notes that this proposal would create cost pressure to increase funding for the program which should be considered in context of estimated future Proposition 98 funding levels and in relation to other priorities for additional funding.
77	**California Collaborative for Educational Excellence** (May Revision)	The Administration proposes trailer bill legislation to streamline the fiscal agent selection process by allowing the CCEE to select its fiscal agent. The CDE and SBE currently have this authority, and both have membership on the CCEE board.	Approve placeholder trailer bill language to be refined as necessary.	TBL	
78	**Local Control and Accountability Plan - Electronic Template** (May Revision)	The Administration proposes trailer bill legislation to appropriate $350,000 Proposition 98 General Fund for support and development of the LCAP eTemplate system. This adjustment would allow for further improvements to the eTemplate, and these changes would result in significant efficiencies for local educational agencies in maintaining accountability plans.	Approve placeholder trailer bill language to be refined as necessary.	TBL	

6360 - Commission on Teacher Credentialing
Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
Issue 1: Local Assistance					
79	**Effective Educators, Principals, and other School Leaders** 6360-001-0407 (May Revision)	The May Revision provides $11,327,000 in reimbursement authority to assist local educational agencies with recruitment and retention of effective educators and school leaders. With these funds, the CTC, in conjunction with the California Center on Teaching Careers will develop a competitive grant program that assists local educational agencies with attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools. The grant program will be funded with federal Title II funds received through an interagency agreement with the CDE. Provisional language would specify that funding is contingent upon legislation enacted in 2016-17.	Approve as proposed, adopt placeholder trailer bill language to be refined as necessary that specifies that $4 million of the total allocation be allocated to establish the California STEM Professional Teaching Pathway at the Center on Teaching Careers for the purpose of recruiting, training, supporting, and retaining qualified STEM professionals, including military veterans, as mathematics and science teachers in California.	BBL/ TBL	Numerous research studies have demonstrated a statewide teacher shortage with the shortage being acute is specific subject areas, including science, technology, engineering and math (STEM). A recent Legislative Analyst Office (LAO) report indicated there are perennial staffing difficulties in specific areas, such as special education, math, and science, for which they encouraged the Legislature to consider outreach to re-engage former teachers or recruit out-of-state teachers focused specifically on recruiting individuals who are trained to teach in perennial shortage areas.
80	**Supporting Effective Educators, Principals, and Other School Leaders** 6100-001-0890/ 6100-195-0890 (May Revision)	The May Revision increases Item 6100-001-0890 by $11,273,000 federal Title II funds to support effective educators, principals and other school leaders. The $11,273,000 increase reflects a redirection of $10,978,000 from local assistance funding in Item 6100-195-0890 and a $295,000 increase to align with the federal grant award. It is also requested that Schedule (1) of Item 6100-195-0890 be decreased by $11,032,000 federal Title II funds and that the funds be redirected to state operations.	Approve as proposed.	BBL	Conform to Item 78

6360 - Commission on Teacher Credentialing
Discussion / Vote

Item	Subject	Description	Staff Recommendation	Language	Comments
80	**Reporting Requirements for the Office of the Attorney General** 6360-001-0407 (May Revision)	The May Revision amends provisional language for this item to clarify reporting requirements on teacher discipline workload at the Office of the Attorney General. Specifically the language specifies that data will be reported quarterly from the Office of the Attorney General and include status of cases underway and timeliness of work. In addition, the report will include specified details on hours worked, fees charged, litigation costs, and other operations details in order to determine ongoing costs.	Approve with language modified to clarify reporting between average total cost and time to close a case versus the total time spent by the Office of the Attorney General within a reporting period.	BBL	

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Wednesday, May 17, 2017
9:00 a.m. or upon call of the chair
State Capitol - Room 3191

Agenda Part A

Vote Outcomes

Consultant: Elisa Wynne

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.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Wednesday, May 17, 2017
9 a.m. or upon call of the Chair
State Capitol - Room 3191
Consultant: Anita Lee

AGENDA PART B: HIGHER EDUCATION

Vote Only Items

Items for Discussion and Vote

6870 - California Community Colleges: Vote Only

Item	Subject	Description	Comments	Language	Staff Recommendation
1	Clean Energy Job Creation Fund Revenue Estimate - Proposition 39	The Governor's January budget proposes to $52 million to community college districts for energy efficiency grants. The May Revision proposes a decrease of $5.77 million to reflect a decrease in estimated Proposition 39 revenue. 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. 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.		BBL	Approve as budgeted.
2	Student Financial Aid Administratio n	The May Revision proposes a decrease of $1.23 million to reflect a decrease in financial aid administration program, and the Board Financial Assistance Program. This adjustment reflect revised estimates of the number of units with fees waived and the dollar amount of fees waived.		BBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
3	Enrollment	The Governor's January budget proposes $79 million for 1.34 percent CCC enrollment growth (an additional 15,500 FTE students) for 2017-18. The Governor's budget makes an adjustment for districts experiencing enrollment declines and restorations. Altogether, the Governor's budget funds a net increase of one percent (about 11,600 FTE students) compared to the revised 2016-17 level. The May Revision proposes a decrease of $21.54 million to reflect a new enrollment growth target of one percent, for a total of $54.79 million. The May Revision proposes an increase of $28.5 million to reflect estimated FTEs stability restoration earned back by districts that declined in enrollment during the previous three fiscal years. Additionally, May Revision proposes an increase of $23.58 million to reflect unused prior year enrollment growth funding.		BBL	Approve as proposed
4	Career Technical Education Pathways Program	The Governor proposes to fold funding for CDE's portion of the SB 1070 funds ($15.4 million out of $48 million) into the community colleges strong workforce program. Under this program, the efforts previously funded through CDE are no longer required to be funded, however the community colleges must consult with education and community partners, including K-12 education, when planning how to expend funds.	The CDE has used these funds for a variety of programs to support CTE in the state, including the following over 125 California Partnership Academies throughout the state, providing direct services to high risk students (approximately 25,000) who have successfully completed CTE and academically integrated pathways.	BBL	Reject Governor's proposal, and redirect CDE's portion of SB 1070 funds ($15.4 million) to CDE, with the remainder to stay in the Strong Workforce Program.
5	Adult Education	The Governor also proposes technical clean-up language on the use of Adult Education funds.		TBL	Approve placeholder trailer bill language.

Item	Subject	Description	Comments	Language	Staff Recommendation
6	Apprenticeship Initiative Awards Encumbrance Period	The May Revision proposes BBL to extend the encumbrance and expenditure periods for 2017-18 grants awarded through the California Apprenticeship Initiative to develop new innovative apprenticeship programs until June 30, 2020. The May Revision also proposes TBL to extend the encumbrance and expenditure period for grants awarded in 2015-16 and 2016-17 to June 30, 2018.		BBL and TBL	Approve as proposed.
7	Full-Time Student Success Grant	The Governor's January proposal included an increase of $3.314 million for estimates of eligible Cal Grant B and Cal Grant C students in 2017-18. The May Revision proposes an increase of $1.87 million to reflect an increase updated estimate of eligible Cal Grant B and Cal Grant C students. Additionally, the May Revision proposes to amend BBL to align the grant amounts with a statewide annual academic year average of $600 per full-time student.		BBL	Approve as proposed.
8	Cost of Living Adjustment	The Governor also proposes an increase of $94.1 million Proposition 98 General Fund for a 1.48 percent cost-of-living adjustment. The May Revision proposes an additional increase of $3.45 million to reflect a 1.56 percent COLA. The Governor's budget proposed a COLA for select categorical programs, specifically for the Extended Opportunity Programs and Services Program, Student Services for CalWORKs recipients Program, Campus Childcare Tax Bailout Program, and the Disabled Student Programs and Services Program for was $4.226 million. The May Revision proposes an increase $229,000 increase above the Governor's January proposal.		BBL	Approve as proposed, and approve COLA other categoricals Fund for Student Success and the Financial Aid Administration for a total of $1.21 million.

Item	Subject	Description	Comments	Language	Staff Recommendation
9	Mandate Block Grant	The May Revise proposes a decrease of $115 million to align block grant funding with the revised estimate of full-time students.		BBL	Approved as proposed
10	Equal Employment Opportunity Program	The May Revision proposes $1.82 million from a special fund to promote equal opportunity in hiring and promotion at community college districts.		BBL	Approve as proposed.
11	Excess Revenue Trailer Bill	The Governor also proposes trailer bill language to repeal the Chancellor's Office authority to allocate excess local revenue. Under current law, if local property tax or student fee revenues exceed budget estimates, the chancellor may allocate the excess amounts to community college districts on an FTE basis for one-time purposes. The Administration proposes to repeal this authority, noting that it is unnecessary and rarely applied.	According to the Chancellor's Office, it has only exercised its existing statutory authority to use excess local revenues for one-time purposes once in the last 20 years. This is because the state regularly adjusts current-year and prior-year appropriations during the annual budget process. In years when the state initially has underestimated local CCC revenues, it subsequently raises its estimates based on more current data. When local revenues come in below budget expectations, the state provides a General Fund backfill, state fiscal condition permitting. Because the state typically makes these adjustments as part of its regular budget process, repealing the existing authority that allows CCC to redirect excess local revenues to its own local one-time priorities likely would have little to no practical effect. Nonetheless, it would align state law more closely with traditional state practice.	TBL	Approve placeholder trailer bill language.

Item	Subject	Description	Comments	Language	Staff Recommendation
12	Online Education Initiative	The Online Education Initiative includes several projects: a common course management system for colleges, resources to help faculty design high-quality courses, online learner readiness modules, tutoring and counseling platforms, exam-proctoring solutions, and the CCC Online Course Exchange. All colleges use a course management system for both online and in-person classes. Faculty use the system to post course information (such as the syllabus), instructional content (such as readings and videos), assignments, and other material. To facilitate online course sharing statewide the CCC selected the Canvas course management system in February 2015. The Chancellor's Office is requiring colleges that want to participate in the Online Course Exchange to use Canvas as their course management system and not maintain their former course management systems. The Governor proposes to provide a $10 million ongoing augmentation to the initiative, bringing the total ongoing annual funding to $20 million. Specifically, the proposal would provide $8 million for continued support of Canvas at all 113 colleges, and $2 million for online test proctoring and plagiarism detection tools, and online tutoring and counseling platforms.	Because most colleges otherwise would be paying for their own course management systems and the new central system is both less expensive and already state subsidized, the LAO recommends the Legislature reject the Governor's proposal to augment the Online Education Initiative.	BBL	Approve as budgeted.

Item	Subject	Description	Comments	Language	Staff Recommendation
13	Integrated Library System	The Administration proposes to provide the CCC Technology Center $6 million one-time Proposition 98 General Fund to support the development of a system wide ILS. The Technology Center also would assist colleges with local implementation, which generally involves "migrating" existing catalogs and databases to the new system, integrating it with their student information systems (for student authentication) and learning management systems (for seamless access through course websites), and training library personnel and others to use its features.	The Library council estimates that a system wide ILS (including the critical thinking tool) would result in about $4.5 million in ongoing savings to CCC overall. In addition to lower ongoing costs for annual licenses to the ILS, the council believes colleges could achieve substantial staff savings, having to devote fewer library and technology staff to maintaining the new system.	BBL	Approve as budgeted.
14	Innovation awards	The Governor's budget includes $20 million one-time Proposition 98 General Fund for innovation awards to community colleges. This proposal provides the Chancellor's Office substantial latitude to set award criteria and select winners, with no requirement to use the existing awards committee. Trailer bill language specifies that awards will be for innovations that improve student success, and that are sustainable and capable being scaled across the state. Trailer bill also notes that the innovations should be focused on programs that support underrepresented students, veterans, adults displaced from the workforce, or are underemployed, programs for incarcerated and formerly incarcerated, and programs that incorporate technology. The Chancellor's Office has indicated it would prioritize applicants that focus on addressing statewide needs like improving adult learning and better serving veterans. The Chancellor's Office also indicates that, as in previous rounds, awards would be competitive and undergo a rigorous selection process.	The LAO recommends the Legislature reject this proposal. The LAO is concerned there will be relatively large sums to a small number of community colleges to implement local initiatives that would not necessarily have statewide impact. The proposal does not provide for dissemination of innovations to other colleges. This proposal would add yet another program to the state's numerous existing efforts, and further fragments efforts to improve student outcomes. Additionally, the Legislature will not receive a report on the effectiveness of the 2014-15 awards until January 1, 2018, and questions whether the state should fund additional rounds of innovation awards if it does not have outcomes from previous awards. Moreover, the new proposal is not clear on expected outcomes or goals.	TBL	Reject.

Item	Subject	Description	Comments	Language	Staff Recommendation
15	Economic Workforce Development Program	In 1991, the Economic and Workforce Development (EWD) Program was established to advance California's economic growth and global competitiveness, and in 2012, California law reauthorized EWD until January 1, 2018. EWD provides grant funding to help community colleges become more responsive to the needs of employers, employees and students. Grantees funded by EWD assist community colleges in collaborating with other public institutions in an effort to align resources, foster cooperation across workforce education and service delivery systems, and build well-articulated career pathways. The Administration proposes trailer bill to extend the sunset date for the Economic and Workforce Development Program from January 1, 2018, to January 1, 2023. Additionally, the budget proposes to continue funding for the program at $23 million Proposition 98 General Fund.		TBL	Approve placeholder trailer bill language.

Item	Subject	Description	Comments	Language	Staff Recommendation
16	Apprenticeship Audit	The Administration proposes trailer bill language to provide the Chancellor's Office the ability to audit and verify hours for related and supplemental instruction reported to each community college district by a participating apprenticeship program sponsor. Additionally, trailer bill language provides the Chancellor's Office the authority to provide guidance regarding procedures for verifying if the hours for related and supplemental instruction. This trailer bill seeks to address the State Auditor's recent recommendations.	In November 2016, the California State Auditor released a report, Trade Apprenticeship Programs, which found that the state needs to better oversee apprenticeship programs. The Chancellor's Office does have regulations and accounting procedures for community college attendance records, however they argued that they did not have statutory authority to implement similar requirements on K-12 LEAs or to audit their attendance records. As a result, the State Auditor's report recommended that in order to ensure accountability, the Legislature should amend state law to clarify that the Chancellor's Office has the authority to provide accounting guidance to and conduct audits of K-12 LEAs' oversight of apprenticeship funding training.	TBL	Approve placeholder trailer bill language.

Item	Subject	Description	Comments	Language	Staff Recommendation
17	State Operations	The Governor's budget includes funding for two additional exempt vice chancellor positions and $378,000. The Governor proposes to make conforming changes to statute to authorize the two additional Governor's appointments. The Administration indicates that the additional positions are to assist the Chancellor's Office's efforts to improve student success, address disparities in outcomes for disadvantaged groups, and develop the proposed guided pathways program. The May Revision proposes to rescind the January proposal, and instead requests an increase of $618,000 General Fund, and $454,000 in reimbursement authority for 6 positions and funding to support a vacant Executive Vice Chancellor position that would be reclassified to a Deputy Chancellor. These positions include four specialist positions, one Administrator for academic planning and development, and one attorney. The resources would assist the Chancellor's Office in refocusing its efforts away from regulatory oversight and toward providing colleges with more direct technical assistance to help them improve student outcomes. The May Revision also proposes conforming trailer bill language.	The attorney position would contract with local colleges to provide legal advice in areas such as Title IX compliance and EEO. The specialist positions would assist colleges in a variety of research and data analysis, as well as cross-system analytics and assessments. The administrator position would support colleges development of Guided Pathways Programs and integrated planning. The Deputy Chancellor position would focus on the office's administrative operations and lead the effort to shift in the office's mission from regulatory oversight to assisting colleges in improving student outcomes.	BBL and TBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
18	Capital Outlay Projects	The Governor's budget proposes funding for five of the 29 projects that were submitted by the Chancellor's Office. The Governor's budget includes $7.4 million in 2017-18, for initial planning costs, with total state costs for the five projects, including construction, estimated to at $182 million. The Administration submitted a spring finance letter, which proposed an additional four projects at Allan Hancock College fine arts complex, Long Beach liberal arts campus multi-disciplinary facility replacement, Santa Monica College math/science addition, and Orange Coast College language arts/social science building. Total funding for the planning of these projects is about $4.3 million. Additionally, the spring finance letter also requests a reappropriation of $33.14 million General Obligation bond funds for construction of the Redwoods Community College District utility infrastructure replacement. The project seeks to repair and replace the utility infrastructure system to minimize any life-safety or environmental hazards that will arise in the event of an earthquake.	The LAO notes that the Governor's January proposal is too small relative to voter-approved bond funding. The Chancellor's Office approved 29 capital outlay totaling $70.6 million in 2017-18 for planning and working drawings.	BBL	Approve all 29 capital outlay projects submitted by the Chancellor's Office, with total state costs of $70.6 million in 2017-18, and approve the Spring Finance Letter for the construction of Redwoods Community College District utility infrastructure replacement.

Item	Subject	Description	Comments	Language	Staff Recommendation
19	May Revise Technical Adjustments	The May Revision proposes a decrease of $45 million to reflect an increase in apportionment funding associated with a decrease in estimated net offsetting Education Protection Account (EPA) revenue. For 2016-17, the May Revision proposes trailer bill language to reflect a decrease of $5.6 million to reflect an increase in apportionment funding associated with a decrease in estimate net offsetting EPA revenue. The Administration proposes an increase of $68.19 million in 2017-18 to reflect an increase in apportionment funding associated with a decrease in estimated net offsetting local tax revenue. The May Revision also proposes trailer bill language to reflect the restoration of $16.4 million in the 2015 Budget Act, and an increase of $50.09 million in the 2016 Budget Act to reflect revised local revenue estimates.		BBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
20	May Revise Technical Adjustments	The May Revision also proposes a decrease of $24.76 million in 2017-18 to reflect a decrease in apportionment funding associated with an increase in estimated offsetting student fee revenue. The May Revision also proposes trailer bill language to reflect a the restoration of $7.157 million in the 2015 Budget Act, and a decrease $28.16 million in the 2016 Budget Act to reflect revised estimates in offsetting student fees. The May Revision proposes trailer bill language transmitted with the Governor's Budget be amended to reflect the restoration of $25.52 million in Budget Act of 2015 to reflect revised estimates of unused prior year enrollment growth funding, and that trailer bill language transmitted with the Governor's Budget be amended to reflect the restoration of $23.58 million in Budget Act of 2016 to reflect revised estimates of unused prior year enrollment growth funding. Additionally, the May Revision proposes to decrease 2017-18 apportionment by $73 million to reflect various technical base apportionment adjustments.		TBL/BBL	Approve as proposed.

Item	Subject	Description	Comments	Language	Staff Recommendation
21	Local Revenue Backfill	The Governor's January budget included trailer bill language that eliminated $31.65 million in 2015-16 Proposition 98 General Fund. The May Revision proposes to rescind the elimination of the local revenue backfill and restore $31.65 million in 2015-16 Proposition 98 General Fund appropriated to backfill a projected shortfall in estimated offsetting local community college district revenue.		TBL	Approve as proposed

6870 California Community Colleges: Discussion and Vote Items

Item	Subject	Description	Comments	Language	Staff Recommendation
22	Guided Pathways Program	In January, the Governor proposed a one-time $150 million program to help community colleges develop a “guided pathways” approach to improving student outcomes. The May Revision maintains the same level of funding but proposes several changes to specific components of the original proposal. The May Revision proposes budget bill language authorizing the expenditure of funds until June 30, 2022. Amendments to the trailer bill (1) clarifies definition of guided pathways, (2) suggests use of funds to include faculty release time to review and design programs, professional development and administrative time, (3) requires the Chancellor’s Office to develop indicators for measuring early outcomes of guided pathways, (4) authorizes the chancellor’s office to better assess a colleges commitment to implementing a guided pathway program, by authorizing the chancellor’s office to release funds to community colleges in stages, and (5) clarifies reporting requirement.	LAO comments: The Governor’s January and May proposals, in contrast, give at least 90 percent of the funding to colleges and set aside only up to 10 percent for centralized support. Such a decentralized approach risks shortchanging colleges on the professional development and technical assistance component. LAO recommends setting aside least 35 percent of the funding for centrally coordinated technical assistance teams. LAO recommends adding that these one-time funds may not be used to provide direct services to students or fund other ongoing operational costs. LAO recommends requiring the Chancellor to conduct more through screening of applicants and set progress criteria for releasing funds.	TBL and BBL	Approve $150 million in one-time funding to establish the Guided Pathways program. Adopt placeholder trailer bill language, to be refined as necessary, to do the following: 1) Define guided pathways; 2) Require CCC districts to submit a plan to the Chancellor’s Office and 3) Require the plan to include information on collaboration with K-12 school districts and other higher education institutions, how guided pathways integrates programmatically and fiscally with existing CCC programs (Student Success, Basic Skills, etc.), as specified.

Item	Subject	Description	Comments	Language	Staff Recommendation
23	Community College Completion Grant	While tuition/fees at California's Community Colleges (CCC) are the lowest in the nation, CCC students still struggle with the total cost of attending a community college. According to the California Student Aid Commission, "non-tuition" costs such as textbooks, transportation, food, and housing exceed $18,000 annually for CCC students living independently and $12,000 for students living with family. These costs force students to borrow money to meet these expenses and/or work more hours per week, which leaves less time for them to enroll in a full load of classes and ultimately takes them longer to transfer to a four-year university or finish a degree. A recent report by the Institute for College Access and Success (TICAS) highlights the lackluster completion rates of CCC students and how the students' lack of financial resources impacts their ability to complete a degree program, associate degree for transfer, or career pathway. If a student does not enroll full-time (12 units or more), it takes them longer to complete, and delays their ability to enter the workforce. According to a recent survey by TICAS, most students said that their need to work for pay kept them from enrolling in as many courses as they wanted to take. Moreover, the student survey responses also stated additional financial aid program would allow them to enroll in more classes and spend more time toward completing school.		TBL/BBL	Allocate $50 million on-going for the Community College Completion grant, which will provide up to $4,000 in total cost of attendance grant aid (i.e., living expenses, transportation, etc.) to CCC students with demonstrated need who take 15 units per semester or the applicable quarter unit equivalent to be considered on track to obtain an associate degree, or to otherwise transfer to a four-year university, in two academic years and have an educational plan. Adopt placeholder trailer bill language, to be refined as needed, to implement this grant program.

Item	Subject	Description	Comments	Language	Staff Recommendation
24	Exemption of Non-Resident Tuition for Veterans	The federal Veterans Access, Choice and Accountability Act (VACA) of 2014 required states to charge instate tuition to all eligible veterans and their dependents. Institutions not in compliance with these provisions are ineligible to receive GI Bill funding, a financial loss to California of approximately $68 million. Recently, Congress modified VACA and as a result of these new changes California is no longer in compliance with federal law, jeopardizing the state's GI Bill funding. Language is needed to bring California in compliance with federal law to ensure that U.S. military veterans and their dependents who are enrolled at a CSU or CCC remain eligible to receive federal education benefits.		TBL	Adopt trailer bill language, to be refined as necessary, to modify eligibility requirements for the exemption from paying nonresident tuition for students who meet the requirements to qualify for education benefits under either the federal Montgomery GI Bill or Post 9/11 GI Bill program, to align with federal law.

Item	Subject	Description	Comments	Language	Staff Recommendation
25	Veterans Resource Center	The CCC system serves 70,000 veterans and active duty services members. Some community colleges have successful Veteran Resource Centers which offer a variety of services while other colleges offer rudimentary service or none at all. There is wide acknowledgment among the CCC of the re-entry challenges many student veterans face and colleges have recognized the need to expand support services to help veterans successfully integrate into college life. The Community College Chancellor's office, in response to the growing number of student veterans and to provide statewide leadership and coordination to assist the colleges has led several statewide efforts, including, but not limited to, supporting the development of Veterans Resource Center project. Approximately 77 of 113 colleges have Veterans Resource Centers that range in space and support services but for the most part these centers help to facilitate academic success and assist in psychosocial reintegration. There is inconsistency in the level of support throughout the system for veteran students and there has been a call to raise the standards for high-quality programming and services to meet the specific needs of this emerging student population.		TBL	Adopt placeholder trailer bill language, to be refined as necessary, to allocate $10 million in one-time funding to community colleges to develop or enhance an on-campus Veteran Resource Center, as specified.

Item	Subject	Description	Comments	Language	Staff Recommendation
26	Compton Community College	In June 2006, the former Compton College's accreditation was revoked by the Accrediting Commission of Community and Junior Colleges (ACCJC). At the time, the college ceased to exist, and a partnership with El Camino Community College District was formed, and the El Camino College Compton Center was established to serve communities within Compton Community College District. In March 2017, the ACCJC external evaluation team reviewed the Compton Center Self Evaluation Report for Candidacy status to regain accreditation. The ACCJC will consider their application for Candidacy at its June 2017 meeting. Compton has identified costs associated with transitioning back to a stand-alone college within the Compton Community College District.		TBL/BBL	Approve $1 million one-time funding over three years to assist with Compton College transition services back from a center of El Camino Community College District to a stand-alone college.
27	Part-time Faculty Office Hours	Existing law establishes the Community College Part-time Faculty Office Hours Program, contingent upon annual Budget Act funding, for the purpose of providing community college students with access to academic advice and assistance and to encourage districts to provide opportunities to compensate those who old office hours related to their teaching load. The governing board of each district that establishes such a program is required to negotiate with the exclusive bargaining representative (or, if none exists, with the faculty) to establish the program. Participating districts are required to inform the Chancellor's office of the total costs of part-time faculty office hours compensation paid and the Chancellors office is required to apportion up to 50% of these costs, to be distributed proportionally based upon each districts' total cost and the total amount provided in the annual Budget Act.		BBL	Augment the existing CCC Part-time Faculty Office Hours program by $5 million on-going.

Item	Subject	Description	Comments	Language	Staff Recommendation
28	Contracting Flexibility Trailer Bill Language	The Administration proposes trailer bill language to exempt the Chancellor's Office from the requirements of the competitive bidding process when contracting with community college districts, limited to new contracts of $20 million or less. Any existing contracts that are up for renewal would not be subject to competitive bidding requirements if the contract would be with the same college district.	The LAO recommends modifying the May Revision proposal on district contracts to exempt only contract renewals from competitive bidding requirements.	TBL and BBL	Approve placeholder trailer bill language
29	Academic Senate and Course Identificatio n Numbering System	The Academic Senate for CCCs has is implementing the Course Identification Numbering System (C-ID). This numbering system provides a common, intersegmental mechanism to help in the identification of similar courses. Typically, these courses are lower division major preparation courses that have been approved by UC and CSU campuses as meeting articulation standards. C-ID will enable "descriptor-based articulation," allowing the four-year institutions to make articulation decisions based on the C-ID number rather than individual course outlines. C-ID faculty discipline review groups include faculty from all three segments who meet to develop descriptors that include the minimum content for a course. The C-ID is an integral component to all Associate Degree for Transfer by providing assurances of instructional integrity and comparability for all three segments of higher education. C-ID also has expanded to include career technical education (CTE) courses and UC Transfer Pathways. This system helps CCC take the appropriate courses to complete a degree or CTE certificate.		TBL and BBL	Adopt placeholder BBL language, to be refined as necessary, to allocate $1 million in one-time funding directly to the Academic Senate for the C-ID. Adopt trailer bill language, to be refined as needed, to authorize the Board of Governor's to enter into direct contracts for the purpose of supporting statewide initiatives, as specified.

Item	Subject	Description	Comments	Language	Staff Recommendation
30	Title IX Training	Title IX states no person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program of activity receiving Federal financial assistance. State law requires the governing board of each community college district, the Trustees of the California State University, the Regents of the University of California, and the governing boards of independent postsecondary institutions to adopt and implement policies concerning campus sexual violence, domestic violence, dating violence, and stalking, as specified.			Allocate $2.5 million in one-time funding to community college districts to help them comply with state and federal law provisions to prevent and address sexual violence and sexual harassment, involving a student, both on and off campus pursuant to legislation enacted in the 2017-18 Legislative Session.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 1 Agenda

Senator Anthony J. Portantino, Chair
Senator Hannah-Beth Jackson
Senator John M. W. Moorlach

Wednesday, May 17, 2017
9 a.m. or upon call of the Chair
State Capitol - Room 3191
Consultant: Anita Lee

AGENDA PART B: HIGHER EDUCATION

VOTE OUTCOMES

Vote Only Items

Vote: Items 1-7: 3-0, Item 8: 2-1 (Moorlach), Items 9-21: 3-0

Items for Discussion and Vote

Vote: 2-1 (Moorlach)

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.